



CENTRAL INTELLIGENCE AGENCY

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1 Aug. 72

CIA HISTORICAL REVIEW PROGRAM  
RELEASE IN FULL 1998

MEMORANDUM FOR: The Honorable Henry A. Kissinger  
Assistant to the President for  
National Security Affairs

SUBJECT: Dr. Armand Hammer and Family



1. The Central Intelligence Bulletin of 20 July 1972 reported that Occidental Petroleum Corporation's highly touted "agreement" with the Soviet Union may be less than meets the eye. Barron's Financial Weekly of 24 July 1972 states that the announcement brought the small investor back into the market and added three quarters of a billion dollars in value to Occidental's securities. The common stock soared from 10 1/4 to 18 1/4. The financial community is skeptical about the worth of the agreement. Dr. Hammer was quoted in the 31 July 1972 issue of Newsweek as saying, "It is a firm agreement in that we have agreed to a number of concrete ideas. But we may fall apart in the final negotiations."

2. The Department of State has learned that the negotiations were conducted personally by Armand Hammer and a small staff operating from Occidental's London office. It has also been reported that the home office in Los Angeles has no information beyond that reported in the press. According to a KGB defector, the Soviets can manipulate such a corporation thus changing the fortunes of large numbers of unsuspecting U.S. investors. Since Soviet economic acts are not without political objectives, the announcement of the agreement on the eve of Secretary Peterson's arrival in Moscow is not regarded to have been a coincidence. In view of the above, I enclose for your information a summary of the Soviet intelligence relationship with the Hammer family over the past fifty years.

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3. A copy of this memorandum has been sent to Secretaries Rogers, Shultz, Laird and Peterson.

Richard Helms  
Director

Attachment: As stated

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31 July 1972

## MEMORANDUM FOR THE RECORD

SUBJECT: DR. ARMAND HAMMER

1. On 19 July 1972, Dr. Armand Hammer, Chairman of the Occidental Petroleum Corporation, announced in London the signing of a wide-ranging five year technical assistance agreement with the Soviet Union. Hammer said that the agreement would specifically include natural gas, crude oil, agricultural fertilizers and chemicals, metal treating and plating, the design and construction of hotels, and the utilization of solid wastes.

2. Armand Hammer and his brothers Viktor and Harry (now deceased) are the sons of Dr. Julius Hammer who emigrated with his parents to the U.S. from Russia in the 1870's. Julius Hammer, a wealthy physician, was active in leftist politics and was one of the founders of the Communist Party in the United States. Armand Hammer was named by his father for the arm and hammer emblem of one of the Communist Party predecessor organizations. In 1920 Dr. Julius Hammer was sentenced to five years in Sing Sing Prison for performing an illegal abortion on a Russian woman whose husband was a Soviet attache in Washington in World War I.

3. Interest in the Hammer family by various investigative agencies of the U.S. Government started as early as 1921. In that year the Department of Justice advised the British that Armand Hammer was carrying messages to the Soviet Union for Ludwig C.A.K. Martens, head of the Soviet trade mission and self-styled Soviet Ambassador to the U.S. who had been deported because of espionage activities in January 1920. Hammer was searched when his ship reached

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Southampton. A film depicting the expulsion of Martens from the U.S. was found in his possession. It had been prepared by the American Society for Technical Aid to Russia for propaganda use.

4. In 1922, Armand Hammer was joined in the Soviet Union by his brother, Viktor, and in 1923 by his father, Julius, paroled from prison. The Hammers, who spoke Russian, were ideally placed to participate in and benefit from the New Economic Program (NEP) period. The story of how Armand Hammer made an early fortune after he had negotiated a trade agreement with V. I. Lenin in 1922, his pencil factory, the asbestos mine concession and his representation of U.S. and other Western firms in the U.S.S.R., has received wide publicity. Most articles also detail how he and his brother Viktor brought home a fortune in czarist antiques and paintings and opened the Hammer Galleries in New York. There is another side to the coin.

5. 1922 was the beginning of the NEP in the Soviet Union. Faced with economic disaster, Lenin found himself forced to turn to the capitalist countries for technology, raw materials and foodstuffs, and for the capital to develop Soviet industry. However, since Communist economic dogma is never without political objective, Lenin entrusted a significant part of the administration of this new program to Felix Dzerzhinski, the head of the OGPU. A former Soviet intelligence officer (KGB) who had access to the extensive OGPU files related to the NEP period has stated that Lenin personally ordered Dzerzhinski to exploit Soviet ties to Western capitalists for the purpose of recruiting them on a broad base and forcing them to cooperate with Soviet intelligence through economic or personal blackmail.

The KGB officer stated that a recruitment of Viktor Hammer had been made in the 1920's by means of a staged arrest. As a result, Viktor signed a document agreeing to cooperate with the Soviet intelligence services. General Alexander Orlov of the NKVD, and the highest ranking member of the Soviet Security Services to defect to the West, has stated that Armand Hammer was considered to be "in the bag."

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In the mid-1920's General Orlov was deputy and then chief of the Economic Department (EKO) of the OGPU and, as such, was intimately concerned with intelligence implications of Soviet foreign trade and the foreign trade concessions in the U.S.S.R.

6. In 1927, the police in London raided a Soviet trading firm called Arcos Limited and found espionage documentation proving that Arcos was an important channel of communication to the United States for clandestine intelligence work and Communist Party business. The nature of the material found was such as to cause the British Government to break diplomatic relations with the Soviet Union. This in turn led the New York City police to raid the Moness Chemical Company in New York. They found a collection of secret documents revealing the activities of a clandestine Soviet network in the United States. Both the Arcos documents and the Moness documents showed that these firms were receiving considerable amounts of money from Dr. Julius Hammer in Moscow. During the Arcos raid, Dr. Julius Hammer's name and cryptonym were seized before the Soviet code clerk could destroy them.

7. The Allied American Corporation (AAC) known formerly as Allied Drug and Chemical Corporation, was a firm in which Dr. Julius Hammer had acquired a controlling interest during World War I. The aforementioned Ludwig Martens was reportedly a large stockholder. AAC was the instrument via which the Hammer family handled its concessions in the U.S.S.R. and also represented foreign concerns there. The pencil factory operated under the name of A. Hammer Pencil Factory. AAC also controlled a bank in Estonia which was reported to be both funded by the Soviets and used as a conduit for clandestine Soviet funding. Headquartered in New York, AAC had branches in London, Berlin, Riga, Moscow, and Paris. In November 1929, Armand Hammer had transferred most of his Moscow operation over to the Soviet Government and moved his activities to the Paris office of AAC. A source of known reliability has stated that Armand Hammer had the job of paying Soviet propaganda agents in France under the cover of commercial transactions from 1929 until his departure for New York in 1934. He also is reported to have made a considerable profit by

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buying at a discount Soviet Government three-year notes from Western businessmen who despaired of ever getting paid. AAC disappeared from view after Armand Hammer's return to New York and the activities of the family were reflected in other corporate activities.

8. Another U.S. informant had considerable contact with Dr. Julius Hammer in Moscow during the winter of 1932-33. He was informed by Hammer that both Hammer and his two sons were working for the GPU (a predecessor organization of the KGB). The informant was associated with the GPU at the time. This information was later corroborated by a second source who was in Moscow during this period and was being recruited at that time by Genrich G. Yagoda, the then head of the GPU. Hammer reiterated to this source that he and his sons were associated with the GPU.

9. Joseph Samuel Finger alleged he had served as intermediary in Moscow when Armand Hammer demanded that the Soviets reimburse him for \$75,000 expended for Party work in New York during 1920. Finger stated that he was successful and named the recipients of the original expenditure who included William Z. Foster, long-time head of the CPUSA. In March 1952, Armand Hammer was questioned with regard to the \$75,000. He explained it away by saying it was a finders fee for making available to the Soviet Government machinery ordered by the czarist government and stored in a Brooklyn warehouse. Armand Hammer denied that he had ever engaged in any intelligence activity with the Soviets.

10. An ex-KGB officer has stated that an attempt was to be made by a KGB officer to reactivate Viktor Hammer in the 1950's. The source indicated that to his knowledge this effort failed. When interviewed, Viktor acknowledged that he knew the KGB case officer but stated that he continued the relationship so as to establish a viable channel to his Moscow-born son, Armand Viktorovich Hammer, who chose to remain a Soviet citizen. The son, Armand Viktorovich Hammer, has been identified by two ex-KGB officers as a staff officer of the KGB. When Armand Viktorovich Hammer visited the U.S. in 1968, he alleged that the purpose of his visit was to investigate the assassination of President Kennedy and to determine whether it was a conspiracy. He has visited his father in 1960, 1968, and 1972.

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11. According to a high-level KGB defector, the Soviet Government has made a policy decision to return to Leninist economic principles and views this new era of increasing contacts with the West as a sort of second NEP. There are firm indications that the Soviet leadership has ordered the exchanges exploited by the KGB in accordance with the same Leninist instructions to Dzerzhinski which prevailed in the 1920's. The KGB has been redeployed and is ready. Senior and experienced KGB officers have been positioned in strategic spots. One such officer is Mikhail I. Bruk. In 1958, Bruk was active among Americans in Moscow as Chief, Protocol Branch, English Language Section, International Division, Soviet Ministry of Health. In reality, Bruk was a KGB officer whose job was to spot, assess, and recruit Americans visiting the U.S.S.R. Interestingly enough, Bruk is a close friend of Armand Viktorovich Hammer. Mikhail I. Bruk is now in the United States in his new role as an official of the Moscow Chamber of Commerce. The Chamber of Commerce appears to be a focal point for the new Soviet effort. Yevgeniy P. Pitovranov, who became Deputy Chairman of the Chamber in 1967, is a Lieutenant General of the KGB. He engineered the kidnapping of the Chief of the West German internal security service, Otto John. It has been reported that Pitovranov plays the role in the new NEP that Felix Dzerzhinski did previously.

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