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ORGANIZATION FOR ECONOMIC WARFARE
(Middle East 1940-1943)

15 June 1948

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SPEAKER--Major General Russell L. Maxwell, USA
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Machine & Foundry Company

GENERAL DISCUSSION

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COLONEL NEIS: Gentlemen, to those of you who had any part in the mobilization program in 1940 and 1941, I know that the name "Maxwell" and the term "economic mobilization" or "export control" are synonymous. General Maxwell was influential in getting this school opened after it had been closed during the war.

The General, as you know, not only had an active part in export control in this country prior to the war but also participated in that activity overseas. In addition to that, he has had an opportunity, upon his return, to see the effect of some of those policies and procedures that were followed in respect to export control.

We are extremely fortunate this morning in having with us--General Maxwell.

GENERAL MAXWELL: It is always a great pleasure to come back for my annual appearance at the College. I enjoy being here and trust that what I have to say on this occasion, as it has in the past, may provoke a little discussion that will permit us all to carry away a few lessons that were learned in the late war as a guide for the future.

In preparing for today's discussion, I decided to put together some notes on the economic support which the United States gave to the Middle East during the 1940-43 period, as I felt that it might be profitable to review our experience in that theatre in these days when the whole world is looking to the United States for economic support.

In preparing my notes, however, I found it rather difficult to figure out how to turn the clock back and recapture the mood or spirit of the 1940-43 period, and ignore the current situation in the Middle East with its compelling interest for students of military, economic or political affairs.

One must always bear in mind that in that period of 1940-43 the British were in control politically even if that control was not very firm; that the Middle East was a military theatre commanded by the British, and adequately equipped with military forces; and that the economy was pretty thin in spots, just as it is today, always has been, and possibly always will be.

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Our U.S. equipment being unloaded at ports that were inadequate in every respect, and moved to depots and repair establishments equally inadequate, was observed by many of our diplomatic and military officials, both those assigned in the theatre and those passing through the theatre, and they made very critical reports to Washington on the subject.

This unhappy situation resulted in a decision, in September of 1941, to send two military missions to the Middle East; one to operate in the Persian Gulf area, serving India, Iran, and Iraq, under General Wheeler; and one in the Red Sea area, under my charge.

Apparently in the minds of those in Washington who had to do with the setting up of those missions, it was not too clear just what was to be done, so our directives had to be written in rather general terms. I might express their meaning in these words: "They are in difficulty over there. Go over and find out what the trouble is and take the necessary action to correct it." In fact, in as simple a matter as geography, my directive failed to mention one of the principal countries involved in our operations. Fortunately, in addition to naming Egypt, Palestine, and so on, we had put in the directive "such other countries as may be found necessary." The general spirit of the directive was to put the Chiefs of Mission in complete charge of all military and economic aid or support to the British and Russian forces. To avoid friction with U. S. diplomatic agencies in our areas, the directives contained a phrase "Keep the diplomatic representatives in your area informed of your activity to the extent that you deem necessary." I mention these two things because you might have to draft such directives sometime or, worse still, you might have to operate under one without such provisions. It is well to bear in mind that in the Middle East the countries involved were technically neutral; they were not in the war, except when somebody dropped bombs on them and they turned loose their antiaircraft. While neutral, they were friendly--I do not know that "friendly" is the right word--perhaps cooperative is better--to the extent that they acquiesced in our drawing upon their economic resources for support of the military forces.

It seemed to me at that time--and I have never had any reason to change my mind since--that it was very important to recognize at all times the paramount position of the British in the theatre, and for the United States to play a supporting role throughout. Following this policy, I also felt that we should not become involved in the economic operations to any greater extent than we had to, not only from the standpoint of keeping the cost down, but also because, if we had become too heavily involved in the economic operations of the area, we would have been certain to have become involved in the political operations; and I had no directive that called for participation in political affairs.

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The main aircraft depot at Gura, a big Italian air base some thirty miles from Asmara in Eritrea, was developed under the supervision of the Douglas Aircraft Company. All construction was done by the Johnson, Drake & Piper Company.

In the Persian Gulf command the problem was one of assembly plants for aircraft and motor equipment to be flown or driven away by the Soviets. Eventually that command was charged with the operation of the railroad and fleets of motor transport. However, that phase did not begin until after our visit to Moscow in August of 1942, when it was agreed that we had to put more supplies through the Persian Gulf channel to help the Soviets.

Our largest repair depot was near Cairo; it was designed for overhaul of all types of military equipment except aircraft. Similarly, we had an establishment under construction in the Levant area, not far from Tel Aviv, when the war moved away from us in late 1942.

We had to assign priorities to all these projects and stick to those priorities because there was always a shortage of everything that we needed. I do not know of any instances in which we had more than enough of anything. Short supply led to exploitation of every possible local resource, with the aid of the Middle East Supply Center, which was the agency of the Minister of State's office to encourage the different countries to produce more of everything that they could produce and cut down on the amount that had to be shipped in. We engaged in a limited foreign trade by going up to Ethiopia. Initially we went up there to get parts for Italian vehicles we were rehabilitating, but that led to other things: grain, beef on the hoof, and lumber particularly. Before we got through, we had examined and brought into use every local resource that we could get any inkling of in the whole area.

Throughout all this, as I said before, we took care not to get involved in political affairs. I feel that by the time I left there in February 1943 we could say, with considerable pride, that, with the employment of a limited amount of U. S. currency (we used local money to pay for all the labor and other things we could use it for) and with a minimum number of bodies from the United States, we had given enough logistical support to the Russians to help them hold at Stalingrad and we had given enough to the British Eighth Army and R.A.F. to enable them to hold and then turn the battle around the other way at El Alamein, and push Rommel and his veteran outfit over into Eisenhower's corner of Africa, without disturbing the local political or economic situation to such a degree that we have not had to do any explaining since.

Thank you very much.

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I had left G-4 in June of 1940 and, in the meantime, had been outside the military service for fifteen months in the Export Control Administration. Later I had been on the receiving end of supply in the Middle East, and back in this country in command of a training center for five months. Therefore I had had a fair opportunity to observe the working of the ASF--shall I say the all-powerful ASF--which, regardless of the intent back of its creation, had succeeded in various ways in absorbing the whole supply function within the Army.

In October 1943, the label that I put on my regime in G-4 was "the Restoration", because I was determined to cure some of the ills that were very apparent at that time. It was necessary not only to restore G-4 to a position of potency in the War Department, but also to restore the Under Secretary of War to the position given him by law, and to restore the prestige and power of the technical service.

My belief is very firm that there is a necessity in the Army for all three components of the supply organization: the technical services, General Staff supervision of the technical services, and the Under Secretary of War to provide connection with the civil economy. I have believed that for a long time. I think that the only times we have gotten into serious trouble have been when we have failed to recognize the necessity for those three components of the supply organization.

It required some careful study and a good deal of prayer to find out how to proceed, but we decided on this one fundamental--that anything that was functioning and producing satisfactory results we would let strictly alone. In other words, we would stand by and exploit any breakdowns or failures as a means of bringing back the technical services and the Under Secretary of War, as well as G-4, to their proper places in the supply system.

So we spent the next two and a half years refereeing controversies. We held hearings on controversial situations that arose as between ASF and the Air Forces, or between ASF and the Munitions Assignment Board, or between ASF and a theater, or as between two technical services, or between a technical service and the Air Forces--whatever the controversy might be. Sometimes these were formal assignments and sometimes just daily operations.

Now, understand that I have been away from the War Department for two years. But at the time I left, when the present organization was about to be put into effect, I felt that it was the proper type of organization, in that the Under Secretary--or Assistant Secretary, whichever he is-- was to perform his function of contact with civil agencies, that the Director of Logistics was to run the show from the policy level and leave the detailed operations in the hands of the technical services. I have no knowledge of whether or not the plan has worked out well.

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