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ECONOMIC WARFARE

28 April 1949

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ECONOMIC WARFARE

28 April 1949

COLONEL CLABAUGH: You have heard much during this course about our economic mobilization and the increasing importance of the economics and logistics of war. You heard Colonel Harlan say the other day that in the Franco-Prussian war the cost of munitions represented 5 percent of the total cost of the war; that in World War I it represented 35 percent; and that in World War II it represented 75 percent, in each case using "munitions" in the sense of materiel, ammunition, and supplies other than food and clothing. In any future war, the proportion will be even higher.

Napoleon said an army traveled on its stomach. That may have been true then, but Dr. Edwin G. Nourse, Chairman of the President's Economic Advisory Council, said recently that this adage has now to be enlarged to read, and I quote literally, "An army travels on the economic machine that maintains the physical well-being of the soldier and keeps him supplied with efficient weapons." That's somewhat less epigrammatic than the little corporal's statement but more accurate today. Most of us in this room have traveled in jeeps, trucks, planes, bucket seats, tanks, ships or submarines and on many parts of the anatomy not necessary to enumerate here. In short, in this electronic, supersonic, atomic age an army moves on wheels and wings and all manner of wondrous works.

Let's consider the economic mobilization that produces and procures this materiel as one side of the coin. This morning let's reverse the coin and consider methods and measures which will disrupt or strangle the enemy's economic mobilization. This reverse side can be called "economic warfare." On the one hand--or the one side--"economic mobilization," the mobilization of our own economic resources; on the other, "economic warfare," the disruption of the enemy's economic mobilization.

It is a fascinating field of study. All the world is your chess board; and all the world's materials and resources, all the world's mines and mills and machines, all the world's trade and traffic, are the pawns in this vast global game.

Think of the millions of men and the billions of money that are employed to defeat the enemy. Necessary as this is, how much better it is then to deny an enemy the means of making war on us.

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For eight months now we have been considering the various elements and aspects, factors and problems of industrial and economic mobilization, in this and other countries, but looking primarily to our own economic mobilization. Even in this Economic Potential Course, Unit IX, this year the greater part of our attention, quite properly, is given to the effect of the European Recovery Program. Only in Committee 45 are we dealing with the whole question of strangling an enemy's economy--economic warfare, the other side of the coin of economic mobilization. I bespeak, therefore, your earnest consideration of this subject and its presentation by Committee 45.

It is the only phase of the course where we deal with strategy and tactics, the strategy and tactics of economic warfare. You may wonder why, then, it is included in this course on industrial and economic mobilization. Two reasons would seem to justify it. First, because of its close relationship and identification with economic and logistical considerations, and, secondly, the fact that in the years immediately preceding World War II, the Industrial College was the first agency of the Government, so far as I know, to establish an Economic Warfare Division.

I recall that in 1940, the then Commandant of the Industrial College appeared before the Interdepartmental Committee of the Administrator of Export Control and proposed that the Economic Warfare Division of the College be transferred to the Administrator of Export Control, with the understanding that at war's end, it would be returned to the College. Since the Administration of Export Control became successively the Economic Defense Board, the Board of Economic Warfare, and finally the Foreign Economic Administration, if this promise to return the unit to the College had been kept, we would have had to move over to make room for the many thousands of employees which it had by the end of the war.

DEFINITION OF ECONOMIC WARFARE

I have already defined Economic Warfare as the effort to disrupt or injure an enemy's economic support of his war effort. It is offensive warfare. Its immediate objectives and targets are economic; its ultimate objective is military. That is, its attacks economic targets in order to cripple the enemy's military force. It employs both economic and military measures in doing so.

It is necessary to labor the definition of economic warfare somewhat, (a) because it is a relatively new term in the bright lexicon of logistics, in this country at least, and (b) because, like so many words in our language, it has more than one meaning.

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"Economic warfare" in its military meaning was coined or adopted by the British in the period between the World Wars as a substitute for "blockade" which had become an inadequate word for the shipping controls, the economic pressures, the financial controls, the preclusive-buying programs and other measures for the economic strangulation of the enemy.

Economic warfare is sometimes used in this country virtually as a synonym for economic mobilization. It is sometimes applied to commercial rivalry. I have no quarrel with those who do this. That is, no quarrel with the laymen who do so. Words can have various meanings in different contexts.

As an illustration, "evacuation policy," to the layman, could mean anything that the words evacuation and policy mean, but in military terminology "evacuation policy" has a definite and specific meaning. So to the layman, "economic warfare" can mean anything that the words economic and warfare mean. But in a military context, they don't mean commercial rivalry, they don't mean economic mobilization, they don't mean economic assistance, Lend-Lease or ERP. They mean the denial, the strangulation, the disruption of the enemy's economic support of his war effort.

Why do I say you can't use "economic warfare" in these other meanings? Well, to use an economic warfare term, it has been pre-empted. Long before we got into the war, indeed before the war broke out in Europe, the British were using the term throughout the empire and with other countries with which they came in contact. Custom and usage make language as well as law so economic warfare had come to mean the strangulation of the enemy's economy by economic or military measures. In a military context, economic warfare means offensive attack on the enemy's economic support of his war effort by economic, military, psychological, political or other means.

ECONOMIC WARFARE MEASURES

And now let's have a look at the major measures of economic warfare. (See Appendix, page 17.)

I am not going to discuss these measures in great detail. I did this in a previous lecture, extra copies of which are still available. In the unlikely event of your wishing to pursue this further, the lecture is 148-27.

Export Control is employed, you will note, for (1) conservation of critical materials, in peace or in war; (2) the limitation of exports to a potential enemy, which in time of peace is really an economic sanction or reprisal; (3) prohibition of exports that might reach an enemy, in time of war; and (4) implementing economic pressures on neutral nations.

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Export control was adopted by the United States and the British Dominions in the summer of 1940, after the fall of France, and later was adopted by most of the Latin-American countries.

The British blockade was moved back from the enemy ports and shore line to the source of materials. "From the seas to the quays," that is, from the ocean to the docks, became the slogan of the British Ministry of Economic Warfare.

TRADE AGREEMENTS

Prior to and in the early days of World War II, the British and French had negotiated war trade agreements with the European neutrals-- Sweden, Switzerland, Spain, Portugal, and Turkey. After the entry of the United States into the war, this Government associated itself with the negotiations regarding these agreements to the extent that they were still applicable. Especially did we have a major part in the supply-purchase agreements, including our preclusive-buying programs. The record of these several trade treaties, and the negotiations for their implementation or amendment, follow closely the pattern of the war. They have a saying in Hollywood that an actor is no better than his last picture. This is as true of nations as of individuals, of history as of Hollywood. And from the fall of France to the allied landings in North Africa, it was tough going for the allied trade negotiators vis-a-vis the European neutrals. The most recent performances of the Allies in that time had not increased our prestige or power.

During 1941, the United States was successful in negotiating a number of preclusive-purchasing agreements with Latin-American countries. In spite of this, however, there were extensive exports from Latin America to the Axis countries in 1941. Much of this occurred before the agreements took effect, or were for items outside the agreements, or were smuggled through the allied blockade.

In the first nine months of 1941, Japan, Germany, and Italy bought 54 percent of Argentina's export of tungsten and in the first eight months of 1941 bought the following Brazilian exports: 28.7 percent of her quartz crystal, 45.9 percent of beryllium, 60.8 percent of mica, 36.7 percent of diamonds, and 29.7 percent of titanium.

THE SHIPPING CONTROL

The origin and the heart of economic warfare as we know it today is the "shipping control." The navicert is an abbreviation for navy certificate, and the mailcert and aircert for certificates for shipment by mail and air. It was devised by the American Consul General in London in World War I to facilitate the passage of American shipments

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through the British Blockade. Navicerts were made compulsory in July 1940, thus in effect making all unnavicerted ships and cargo contraband and subject to seizure.

The navicerts were issued for individual shipments; the ship navicerts were issued for the voyage of a ship when all the items of the manifest, the proposed route, the crew and passenger lists had been approved.

The ship warrant was issued to the owner or master of a vessel who had entered into a number of undertakings including the agreement that no ship owned or controlled by him would sail to or from the navicert area without a ship navicert or use any enemy or black-listed firm for insurance, repairs, or other services. The ship warrant entitled the ship to the use of allied and allied-controlled port facilities for bunkering, ships' stores, repairs, and other facilities. These documents, the navicerts and the ship warrants, were essentially commercial passports.

The effectiveness of this paper blockade depended, of course, on naval force to back it up and sink or intercept the blockade runners, but it greatly simplified that task. Keep these documents in mind. They reflect the remaking of international law.

MUGGLING

This paper blockade was designed to control bulk cargo and the regular mails. There were other very valuable, less bulky commodities, such as industrial diamonds and platinum which were highly essential to the enemy's war production. The fantastic prices prevailing for these things in the black markets of European neutral countries were a great temptation to ship and airplane crews. The countermeasures were vigorous search and undercover operatives. Some weird stories of successful and unsuccessful smuggling are familiar to most of you.

BLACK-LISTING

Another of the powerful weapons in the arsenal of economic warfare is the black-list--the statutory list as it was known in the United Kingdom and "The Proclaimed List of Certain Blocked Nationals" as it is designated in this country. It was first issued here in July 1941. The British list was largely composed of Axis nationals or agents or sympathizers in the neutral countries of Europe. The American list, originally issued as a matter of hemisphere defense, contained such names as in Latin America. After our entry into the war, the lists were closely coordinated.

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The penalties for being on the black-list were serious. Such persons and firms became untouchables. No allied national could trade or correspond with them in any way. The threat of postwar reprisal also hung over their heads. The actual listing or the threat of listing made Christians out of many otherwise bad boys.

PRECLUSIVE BUYING

We now come to one of the most expensive and controversial economic warfare weapons--preclusive buying. This was a development of World War II. The British call it pre-emptive buying. It is the buying up of essential supplies in neutral countries to prevent their reaching the enemy. It is a potent weapon, where the supply is limited or where there is an agreement to limit production. In the absence of such an agreement, preclusive buying can defeat its own purpose by stimulating even greater production. The wolfram campaign in Portugal is a good example. Portuguese wolfram averaged \$1100 a ton in August 1940; by 1943 it was \$35,000 a ton--more than 30 times as much as in 1940. That's a lot of escudos and pesetas. The result was that every mother's son--and most of the mothers--were picking at the outcrop.

But the prize story is that of the rabbit skin preclusive-buying program. We would buy up all the rabbit skins to keep the enemy from having their nice warm rabbit furs. That program didn't last long as the Pyramid Clubs--and for the same reason, geometrical progression. The prepotent bunny proliferated faster than we could preclude. Speaking of mass production "know-how," the rabbit does know how!

FINANCIAL MEASURES

From the sublime to the ridiculous or vice versa, we come now to "financial measures."

Our first economic warfare measure in World War II--or more properly an economic sanction, since we were not at war--was the freezing of the assets of Norway and Denmark on 10 April 1940 after Germany invaded those countries. In June and July 1940, the freezing order was extended to the Axis countries and then to the European neutrals, except Turkey.

Financial pressures, the denial of credit, the withholding of economic assistance, may be a greater factor in any future war, because of the greater facilities in the field than ever before.

ENEMY EXPORTS

It is almost as important to blockade an enemy's exports as it is his imports. His exports provide him with foreign exchange to finance

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his agents and their activities abroad. The blockading of his exports in World War II was also accomplished largely by paper controls backed by naval interception. Neutral exports were permitted only by means of "certificates of origin and interest."

As the tide of war began to turn against the Germans, many of their leaders attempted to find a "safe haven" for their loot and other assets. They sought to do this by the use of fictitious names and accounts in neutral countries, notably Switzerland. The counter safe-haven program of the Allies was directed at the detection of these "cloaks," and the freezing of the assets.

There are other measures of economic warfare that may be employed in particular situations. Remember that anything that injures the enemy's economic support of his war effort is economic warfare.

One measure was dropping counterfeit ration cards over enemy territory so that, as one wag said, their ration system would be as confused as ours.

MILITARY MEASURES

We have already referred to some of the military measures and to the fact that all economic measures depend on military power for their support. We have here classified "military measures" into two broad categories: (1) those aimed at the disruption and destruction of enemy transport; and (2) those aimed at the disruption and destruction of enemy industrial power. The former are carried on largely outside the enemy's borders and the latter largely within his borders.

We have already seen that the blockade in all its forms was the first and the most important of economic warfare measures.

Strategic bombing is, of course, a military operation but to the extent that it is directed against economic targets it is an implementation of the economic warfare.

Sabotage, although it is not usually a military operation, is included here because it depends on physical means. Sabotage may be expected to play a far more important part on both sides in any future war. You may be surprised to know that there was not a single case of foreign directed sabotage in the United States in World War II.

All of these measures are applied by various arms and agencies--the State Department, the Treasury, the Army, the Navy, the Air Force, and other agencies, but the intelligence on which they are based, the economic strategy which they represent, the plans for their application, the supervision of their execution, the close watch on the constantly changing situation as to particular commodities, areas, individuals--these are the responsibility of an economic warfare agency.

ECONOMIC INTELLIGENCE

Economic warfare is largely a matter of economic intelligence. Intelligence, of course, is a vital part of military warfare. But the scale of a military operation is much larger than that of the intelligence operations on which it is based; whereas in economic warfare, about half the personnel is engaged in gathering economic intelligence and the other half in interpreting it.

I like to divide "economic warfare intelligence" into two categories: "strategic economic intelligence" and "tactical economic intelligence." I know that the very few and limited texts and manuals we have on economic intelligence usually treat it as one category or division of strategic intelligence. And it is true that from the viewpoint of military operations economic intelligence is strategic intelligence.

But in economic warfare, intelligence, like military intelligence, may be either strategic or tactical.

Intelligence as to the enemy's natural resources, manpower, productive capacity, his economic potential, his foreign trade, his internal economy, his long-term position, the economic estimate of the situation, his technological changes, his scientific development, his adoption of substitutes for critical materials--all this is strategic economic warfare intelligence.

But there is a category of tactical economic warfare intelligence. An unnavicerted ship is about to leave a neutral port; censorship reveals an illegal financial transaction; a member of a ship's crew is suspected of smuggling jewel bearings; a neutral trader is shipping to a suspected cloak; an intercepted message reveals negotiations between an enemy agent and a neutral firm. All of this is tactical economic warfare intelligence.

You are familiar with the open sources of economic intelligence in peacetime: our diplomatic and consular representatives, special missions, scientific foundations, international organizations, the foreign press, foreign broadcasts, foreign publications, our commercial firms engaged in foreign trade, trade associations, travelers, and displaced persons.

In addition to these, in wartime, we have: censorship gleanings, intercepted messages, interrogation of prisoners of war, refugees and neutral travelers, and espionage.

Scientific laboratories, not unlike some of the FBI crime detection equipment and using similar techniques, enable us to tell the

source of materials--of the natural fibers, of synthetic fibers in the case of clothing and uniforms, and the metallurgy of arms and equipment. Then we can know what shortages are pressing the enemy and what substitutes he is using.

This disclosure of substitutes is important. The Allies say they did not overestimate the effectiveness of their economic warfare measures in the war, but they did underestimate the enemy's resourcefulness in the adoption of substitutes. It is necessary to discover these substitutes as soon as possible and shift the attack to them.

As Dr. Luther Gulick says in his excellent little book "Administrative Reflections of World War II,"

"(1) The resources are strictly limited in any war situation under each category. The number of adult men and women is strictly limited; the supply of coal or petroleum or timber is restricted; the factories and tools are generally short; there is seldom a superabundance of food; and scientific knowledge and know-how are scarce. Each of these resources has its limits, limits which must be taken into account in waging war, and planning offensive or defensive actions.

"(2) However, these resources are extensively 'intermutable', that is they can be changed from one into another when this is essential. For example, a shortage of petroleum can be made up with the distillation of coal; a shortage of rubber can be made up with polymerization of petroleum; a shortage of cotton can be made good with wood fibre; a shortage of nitrates from mines can be solved through electrical fixation of the air; a shortage of ships can be made up by the use of steel, shipyards and manpower; a lack of food can be overcome with fertilizer, manpower, and farm tools, or with the use of ships, or even with chemical treatment of wood.

"(3) While limited resources are thus extensively intermutable, four things are necessary for the interchange in time of war. These are comparative surpluses in certain categories; technological and administrative know-how; manpower; and time. In other words, the conversion from oil or coal to rubber cannot be made unless a nation has coal or oil and manpower which can be spared, administrative skill, practical knowledge on how to proceed and time to do the job.

"(4) In a prolonged 'total war', the manufacture of substitutes not only uses men and time, but creates new shortages in new

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directions. The only resource I can think of which was in adequate supply everywhere was air! Thus, the calculus of war has become the computation of the probable marginal utility of interchangeable national resources within the compulsions of an imperious time-table. The final elements in this calculus are manpower and time."

In addition to the foregoing which might be classified as strategic economic intelligence, there is the tactical intelligence of day to day movements and events.

Visualize if you can the Intelligence Office in an Economic Warfare Agency with thousands of intercepted messages coming in daily, with information as to movement of ships, with extracts from the censorship, with information from the consular representatives, all coming into a unit working 24 hours a day. This I like to think of as tactical economic warfare intelligence. On the basis of this tactical intelligence, instructions are sent to the Navy to intercept a ship, to the Black-list Committee proposing a new name for the dubious honor of being on that list, to the Treasury to block the funds in certain accounts, to Customs to seize certain shipments or revoke certain licenses, to the State Department to make representations to a neutral government regarding alleged re-exports to the enemy, to the Air Forces regarding concentration of strategic materials at certain points, and so on.

COMPARISON OF BRITISH AND AMERICAN ORGANIZATIONS

A comparison of the British and American organizations may be helpful. Great Britain has led in the study and development of the techniques of the blockade and of economic warfare. Economic warfare has been her strategy, historically and traditionally. The role of economic warfare in the grand strategy had been studied in the Imperial Defense College from 1926 to the outbreak of the war. The British Handbook of Economic Warfare is a model for intelligent planning. And unlike ourselves they implemented their plans on M-day. The draft legislation in the Handbook was enacted on 2 September 1939 without a change and the Ministry of Economic Warfare sprang into being and into action.

You may want to note that, organization-wise, Britain made no distinction between domestic and foreign procurement. They were both handled by the supply ministries. In the United States we handled foreign procurement, both for our own supply and for preclusive buying in the same agency. In other words, the British drew the jurisdictional line between their own supply and blockade of the enemy. We drew it between our domestic and foreign operations, regardless of whether our procurement was for our own requirements or to preclude the enemy from procuring it.

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It was not unnatural for us to link our own foreign supply and enemy blockade in one organization, that is, to group together all our foreign economic operations and to draw the jurisdictional line between domestic and foreign activities. It was equally natural for the British to ignore the distinction between the foreign and domestic nature of operations and draw the line between their own supply and denial of the enemy.

This difference in approach reflects the difference in the economies and foreign relations of the two nations and their respective roles in the war; Britain, the sea power, thinking in terms of blockade of the enemy; Britain, the world trader, whose foreign trade is so definitely a part of Britain's daily domestic life. Whereas we in the United States more nearly self-sufficient, think of foreign trade as something apart from our normal daily lives, and of foreign trade in wartime as a means of stockpiling and supplying our deficiencies.

Great Britain used the blockade as early as 1346 when Edward III, waging war against France, issued an ordinance stating that "any foreign vessel which tries to enter a French port shall be seized and burned."

Writers and speakers on economic warfare are fond of quoting Queen Elizabeth's proclamation of 1601. After recounting the crimes of the Spaniards and pointing out that they were dependent on neutral supplies to carry on the war, the Queen proclaimed:

"The stopping, hindrance, and impeaching of all commerce and traffick with him in his territories of Spain and Portugall will quickly, in likelihood, give an end to these bloudie and unnaturall warres, which disturb the generall peace and quiet of all these parts of Christerdome."

Note the spelling: "bloudie", "warres", etc. The English always were bad spellers. They still can't spell "aluminum" and "labour", and many other words.

The word "blockade" is used in three different meanings--the legal, the popular, and the figurative. Blockade, in the legal meaning and strict sense, means the placing of a ship or ships outside an enemy port so that no vessel can enter or leave without being intercepted. It must be a close blockade, it must be adequate and effective, it must be declared. It must not be confused with the interception of contraband on the high seas. It may surprise you to know that Great Britain did not declare a blockade in this legal meaning in the recent war or in World War I.

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Then there is the popular meaning of blockade, which is the interception of contraband. Formerly, contraband was limited largely to munitions of war. Then there was a category of "conditional contraband," such things as might have been declared contraband. In the concept of total war, all supplies destined ultimately for the enemy are regarded as contraband.

Then there is the figurative meaning of blockade: the denial of materials to the enemy by any means--interception, preclusive buying, export licensing, black-listing, control of shipping, financial controls, attack on industrial targets--in short, all measures for injuring the enemy's economy. In this broad and figurative meaning, "blockade" is synonymous with "economic warfare."

For centuries Britain, as a great maritime power, has relied on the blockade in the legal, the popular, or the figurative meaning, as the backbone of its strategy. The United States has been the great advocate of freedom of the seas. In both World Wars, before our entry into them, we protested vigorously against the interference with our rights as neutrals by both belligerents. But our ultimate participation in blockade and economic warfare amounts to a renunciation of our former position. The concept of neutrality, in fact, is inconsistent with the concept of collective responsibility for the preservation of the peace. We can't say we are going to be neutral and at the same time say we are going to join in enforcing the peace.

Our economic warfare is based on the British experience. Vulnerable to it by reason of her insular position, and powerful in it for a century by reason of the British Navy, economic warfare has been the basis of her grand strategy in all her wars. Most of the precedents, most of the techniques, most of the terminology is English. Economic warfare is as English in its origin as Common Law Pleading or the English language.

If you don't like this, think of our Canadian neighbors. They must live in America and speak English. However, they can drink Canadian whiskey, and in doing so can drink Canada dry.

All of this is not to say that the United States did not play an important part, even the major role, in economic warfare in both World Wars. As I said, the navicert was devised by an American although developed and applied by the British, and in the control of the exports of this arsenal of democracy and in our preclusive buying--rabbit skins and all--we played the dominant role.

Now to summarize the measures of economic warfare:

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1. We seek to stop the goods at the source by control of our own exports and the exports of allies and friendly neutrals, war trade agreements with neutrals, and, where necessary and feasible, preclusive buying.

2. If this fails we seek to prevent the trading for them by black-listing suspect traders, by financial controls, and by a close watch on enemy transactions.

3. But if the goods are produced and if they are traded for, then we seek to prevent their transport, by control of bunkering, ships stores, repair facilities and marine insurance.

4. But if they are produced and if they are traded for and if they are started on their way, the Navy seeks to intercept the unnavicerted ship, the Army and the Air Force to attack the transport of such strategic materials as do get through or to bomb the factories that supply substitutes.

That is economic warfare from export control to strategic bombing.

COMMENT: Colonel Clabaugh, I don't want to ask a question. I just want to make a comment on British spelling. Honor and labor are of little value unless you are a part of it so maybe that is why we use "u" in labour and honour.

QUESTION: I am wondering, Colonel Clabaugh, whether the principles of war commonly taught and accepted in our military institutions apply with equal force to economic warfare. In reflecting for a moment on the state of affairs now commonly called "cold war," it looks as if we are in a sort of economic warfare. It appears that we have been compelled to take one counter-defensive measure after another. Being a nation committed in times of peace to nonaggression, it puts us in a rather disadvantageous position, in that we don't take the offensive necessarily. I am wondering whether, if economic warfare is the mode and fashion for the two poles of power, we can ever have any peace, and, if not, just when we should apply nonmilitary measures of economic warfare?

COLONEL CLABAUGH: Speaking of the different use of terms, there are those who think of economic warfare in the time aspect as something preceding military warfare. I do not, and we have not here in the College dealt with it in that way. We in the military are thinking of economic warfare as warfare, as being a part of war. For a long time, of course, there have been the advocates of economic sanctions in peace--sanctions by an individual nation or collective sanctions. The record of the effectiveness of sanctions is not too impressive.

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Yet it is true that had economic sanctions been applied fully and completely, as was contemplated, by a strong world organization, it might have prevented war.

We know that economic sanctions against great powers, or sanctions and reprisals as between great powers, can be effective only to the extent of the force with which they are backed up. You can't start choking a man unless you are prepared to make a good job of it. He might not like the choking process. So economic sanctions will be effective if they are backed by superior force. It is for that reason you hear a great deal about why we shipped scrap iron, steel, and petrole products to Japan as long as we did. Mr. Acheson said in a very excellent documentary film sometime ago that it was because we were not ready to apply the sanctions and risk the consequences of war at that time.

QUESTION: Will you discuss the direct and indirect use of propaganda in connection with economic warfare?

COLONEL CLABAUGH: Generally the use of propaganda in war is a part of psychological warfare. As I attempted to point out, economic warfare does employ psychological weapons as well as military weapons. Psychological warfare could be directed to slow up production in enemy territory. That would then put the use of psychological warfare to an economic warfare objective. The interpretation of our position as contained in the "white papers," and so forth, has gained support for trade policies and economic warfare purposes.

QUESTION: In ordinary war we think of offense and defense. Is there such a breakdown for economic warfare--what you call strictly economic warfare--and, if so, what is it?

COLONEL CLABAUGH: Some of you may have read a very excellent article by Professor Abbott of Harvard on economic warfare, "The Attack and the Defense." Many people regard offensive economic warfare as an attack on the enemy's economy and defensive economic warfare as our own efforts to resist the enemy's attack on us or to prepare ourselves for the war effort. It is an entirely logical concept, but for practical purposes defensive economic warfare is as broad a term as our whole economic mobilization. How are we going to resist the enemy's cutting off our supplies? Why, by stockpiling; by increased productive facilities; and by increased production. So it becomes then synonymous with the whole economy of the war and has no particular meaning, and leaves us without a word for the specific thing we are talking about.

Now I do like to think of a limited phase of defensive economic warfare. It would be counter-economic warfare, it seems to me--the study of the enemy's economic warfare against us. As an illustration,

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when the Bismarck was discovered and sunk, it was said to be going to attack the cryolite mines in Greenland. If so, it would have been a part of defensive economic warfare to bear in mind the importance these mines and their vulnerability.

QUESTION: Economic warfare presents quite difficult problems when dealing with a neutral that may become an ally. I wonder if you could tell me how the foreign relations side of it is tied up in the American organization?

COLONEL CLABAUGH: I would rather tell you how it is tied up in the British organization. In the case of the British, the Foreign Office delegated to the Ministry of Economic Warfare the entire responsibility for the negotiation of neutral trade agreements. In this country the State Department retained control of policy. The Foreign Economic Administration carried out the activities under policies established by the State Department. We used an interdepartmental mechanism and technique.

QUESTION: Could you say a word about the difficulties which the Board of Economic Warfare and the British Ministry of Economic Warfare had, looking at it from an organizational point of view, during the war? In other words, the United States had two allies that had to have a common policy for their economic warfare measures. The United States superimposed its Board on the British Ministry because the British had their organization first. Looking into the future, I was wondering if you had any views on the interallied coordination of the organization of economic warfare between two allies?

COLONEL CLABAUGH: When you ask what were the organizational difficulties in the combined economic warfare operations, my answer would be that there were none that I saw. You see, ~~even~~ before we got into the war, we were coordinating much of our policy with the British Ministry of Economic Warfare. I think our export controls were adopted in July 1940. Then, after we got into the war, we established an Economic Warfare Department in our Embassy in London. It worked very closely with your Ministry of Economic Warfare. Representatives of that division served on combined committees--Export Committee, Permits Committee, and others.

I think allied organization is tremendously important in combined operations. It is even more important in economic warfare than it is in military warfare because in military warfare there are specific campaigns and objectives, whereas in economic warfare it is the same materials, the same global sources of supply, the same strategy that is being applied. Combined operations must be closely coordinated.

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In the case of the black list, as I said, the British had on their list largely people in the European neutral countries. Ours contained largely people in the Latin American countries, people suspected of dealing with the enemy. When we came into the war, when a name was added to one list, it was automatically added to the other also. There was always close coordination.

MR. BUTTS: I think, Colonel Clabaugh, that will be all for this morning. Thank you, sir.

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APPENDIX

MAJOR MEASURES OF ECONOMIC WARFARE

NONMILITARY MEASURES

Export Licensing

- Conservation of critical materials
- Limitation of exports to a potential enemy
- Prohibition of exports that might reach enemy
- Implementing economic pressures

Trade Agreements with Neutrals

- Import quota restrictions
- Enemy trade restrictions

Shipping Control

- Navicerts (cargo)
- Ship navicerts (voyage)
- Ship's warrants (bunkers-repairs-insurance)

Control of Smuggling

Black-listing

Preclusive Buying

Financial Measures

- Financial pressures
- Foreign funds and property control

Control of Enemy Exports

Counter Safe Haven Measures

Other Nonmilitary Measures

MILITARY MEASURES

Disruption and Destruction of Enemy Transport

- Air and naval surface patrols and blockade
- Commerce raiders
- Submarine warfare
- Mining operations
- Bombing of vital transportation targets
- Capture of strategic transportation gateways

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Disruption and Destruction of Enemy Industrial Power
Strategic bombing of key industrial targets
Sabotage
Other measures

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