

BOARD OF ECONOMIC WARFARE

ECONOMICWELLER BY BOARD

WASHINGTON, D. C.

FEB 27 1942

Mr. Winfield Riefler Board of Economic Warfare 2501 Que Street, N. W. Washington, D. C.

Dear Mr. Riefler:

You will proceed, as soon as practicable, to London, England, to serve for an indefinite period as special representative of the Board of Economic Warfare in the United Kingdom.

Upon your arrival in London you will report to the American Ambassador, to whose staff you will be attached in order to perform functions assigned to you as a representative of the Board of Economic Warfare.

Your duties as outlined below, but not by way of limitation, will be:

- (a) To be the principal representative of the Board of Economic Warfare on the Blockade Committee of the British Ministry of Economic Warfare;
- (b) To furnish information to the British Ministry of Economic Warfare regarding the activities of the Board of Economic Warfare in the United States;
- (c) To obtain and report such information as will further the objectives of the Board of Economic Warfare.

These instructions are subject to the approval of the State Department and the issuance of appropriate authority for your travel and status in London.

Sincerely

Executive Direct

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BOARD OF ECONOMIC WARFARE

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	Author	rization No	167
	AUTHORIZATION—TRAVEL Washing March 6,	ton, D. C.	, 19
Name	ame Winfield Riefler Title Head Administration	ve Officer	
ri	ritish Empire Division Official Station Washing	ton, D. C.	
Star	You are authorized to travel and incur necessary expenses itandardized Government Travel Regulations subject to the following		
Begi	eginning on or about: March 6, 1942 Ending on or about:	June 30, 19	942
Por	tinerary: Washington, D. C. to London, England via New Sortugal and return to Washington, D. C. urpose: Official business necessary in the public service.		rk and Lisbo
Per	er diem allowance: None		
	The paragraphs applicable under this authority are 1 & 3	(Indicate parag	يست والمراقبة
•	 In lieu of travel by common carrier or Government-owned veh travel by privately-owned automobile for which you will be all (a) cents per mile in lieu of all other transpor such allowance plus per diem shall not exceed cost of plus per diem charges that would have been incurred if used. (b) cents per mile in lieu of all other transportansportation has been administratively determined to vantageous to the United States. (c) Actual expenses for gasoline and oil. (d) Actual expenses for gasoline and oil within the corpor station. 	tation costs, p travel by co common carri rtation costs; be more econor	provided that ommon carrier er had been such mode of mical and ad-
3.	3. Travel by air. New York to London, England and return	to New York,	New York.
4.	cents per mile in lieu of all other expenses.		
5.	business, as authorized under Section X of the Government Tra- 75-79. D. B. Vaugh	vel Regulations an, Chief	s, Paragraphs
	Administrat	ive Manageme	at Division

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BOARD OF ECONOMIC WARFARE

WASHINGTON, D. C.

March 7, 1942

Mr. Winfield W. Riefler
The Institute for Advanced Study
Princeton, N. J.

Dear Mr. Riefler:

As agreed during our telephone conversation today there are attached:

- (1) Your authorization to travel from Washington, D. C. to London, England, via New York and Lisbon, and return;
- (2) The tickets previously discussed with you;
- (3) A letter addressed to the Pan American Airways requesting them to allow you the maximum accommodation for baggage consisting of 55 pounds.

When you arrive in Lisbon go to the American Legation. The State Department is perfecting arrangements through that office for your accommodations while in Lisbon and for priority via the British Overseas Airways in connection with the trip to London.

If you have any questions let us know.

With best wishes for a successful trip.

Very sincerely,

Acting Fiscal Officer

Attachments (3)

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WONDERLAND REVISITED

Mr. Riples

The Mad Hatter's Tri- Party.

Dramatis Personae:

The Mad Hatter

D. Foot, Esq.,

The March Hare

Dr. Hans Sulzer

The Dormouse

W. Riefler, Esq.

The Mock Turtle

Professor G. Keller

Alice

J. Garnett Lomax or J. W. Nicholls, or indeed anyone who was present only at the end of the party.

There was a long table in the room in which Alice found herself. It was littered with papers, and the March Hare, the Mad Hatter, the Mock Turtle and the Dormouse were sitting round it. The Dormouse looked as if he was asleep, but he wasn't.

"No fodder;" "No dairy products!" "No arms!" they were all shouting when Alice entered.

"Would you like an Agreement!" said the March Hare to Alice.

"Very much" said Alice, "but it doesn't look as if there is one"

"There isn't" said the March Hare, rather despondently.

"Then it wasn't very civil of you to ask me if I'd like one" said Alice.

"It wasn't very civil of you" said the March Hare "to ask us here to make an agreement and then refuse the one we offered you".

"We didn't ask you" said Alice "You asked yourselves and we said we'd be pleased to see you if you brought a nice Agreement with you".

The March Hare began to say that it all depended on what a nice Agreement was, but the Dormouse quickly opened one eye and said:

"When is a ceiling not a ceiling?" Alice had no idea, so she looked round expectantly and said "I don't think I shall ever guess that one". The March Hare, rather snappily, said "There's nothing for you to guess because a ceiling is always a ceiling."

At this everybody else looked very depressed, and the Hatter whispered something to the Dormouse, who said in a sleepy voice "I don't care what he says, but a ceiling isn't always a ceiling. It isn't a ceiling when it's global".

Alice didn't understand this very well, but she supposed that the Dormouse meant that a global ceiling was really a sort of dome, so she began to think about Xanadu and Kubla Khan, and to wonder what they had to do with Switzerland, while the rest of the party sat silent.

The Hatter was the first to break the silence. "What calendar quarter is it to be?" he asked, shuffling the papers in front of him and producing one labelled Formula No. 79.

Everyone began to speak at once - except the Pormouse, who aked as if he was asleep but wasn't. "Second quarter;" "Third Quar" st Quarter;" "Average of four quarters;" they all shouted, untilte bewildered.

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"Current quarter" said the Dormouse sleepily, at which the Mock Turle, who had not said very much until then (though he had echoed everything that the March Hare had said, sometimes looking rather strained in his anxiety not to say something different) mopped his brow and sighed loudly. Then there was an awkward pause, until the Hatter said, rather stiffly, to the March Hare "I'm afraid your formula won't work". loudly.

"It was the best formula" said the March Hare meely "It gave us everything we wanted, and you could have had some global ceilings too"

"Yes" said the Hatter, "but it was the wrong quarter and we don't want global ceilings"

The March Hare looked at his formula gloomily and turned it upside and inside out; but all he could find to say was "It was the best formula you know"

Alice felt quite sorry for him but before she could speak the Mock Turtle, with tears running down his cheeks, said "you may not know what it is like to be surrounded by the Axis, and perhaps you never met anyone from the Reichswirthschaftsministerium" - ("Indeed I haven't" said Alice hastily)" - so you don't know what a delightful thing it is when you think you've found a formula that fits in with the Axis formula, so that everything could go on just as before and you wouldn't have to cut off your exports after all, and how dreadful it is when you find that it doesn't so that you can't because you haven't any exports to cut off".

The Mock Turtle looked so sad that Alice thought it would be a good idea to ask what the formula was so that she could try to make it fit. But this was the worst thing she could have sone, because everyone began talking again at once.

"You take your exports" said the March Hare.

"And divide them into four groups" said the Hatter.

"Three" said the Hare "At least it was three last time you spoke"

"Well, its four now" said the Hatter very fiercely, and looked to the Dormouse for confirmation; but the Dormouse was alseep. So the Hatter held the formula under his nose until the Dormouse woke up spluttering and said "Of course, of course." Then they all began again.

"And you put a ceiling on each group" said the March Hare.

"Each item" said the Hatter.

"Each group" said the Hare "At least it was each group last time you spoke".

"Each item" said the Hatter firmly "and based moreover on the second quarter".

"Fourth quarter" said the Hare, but with less confidence.

"Well, it used to be the fourth quarter" said the Hatter, "but the question of Time came into it - we marked Time quite a lot, you know" he added, turning to Alice; "and he didn't like that. In fact he's never been quite the same since, so here we are". And he began to sing rather mournfully mournfully

> "Dingle, dingle, little foot How I wonder why you put All your cards upon the table And didn't do it all by cable".

Ever since then he added The quarters have been trying to catch up Digitized for Exact should be added to the current quarters.

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"Is that the reason why you're all here still, with all three formulae?" asked Alice.

"Exactly so" said the Hatter

"Every time a new formula is suggested, we talk about current imports until they aren't current imports any more but second quarter ones or third quarter ones, and then it's always inacceptable to somebody so we have to start all over again".

"Let's change the subject" said the March Hare, yawning. "Somebody here - I think it was the Dormouse - once started to tell us a very comforting story about your being able to buy things from us for twice as much money as the Axis".

"Quite so" said the March Hare "but on tick of course. Wake up Dormouse 1"

"Once upon a time" began the Dormouse "there were three little Swiss, and their names were Bührle, Dixi and Tavaro and they lived in Switzerland -"

"What did they live on?" asked Alice.

"They lived on fuses" said the Dormouse after a moment's pause.

"They couldn't have done that" said Alice gently. "Are you sure you don't mean fusel oil? Though even that would have made them sick"

"They were" said the Dormouse: "Very sick - especially when they were subjected to pressure".

Alice didn't quite understand this, but before she could ask for an explanation "Have a 5% reduction," said the March Hare very earnestly.

"But we haven't got anything yet, so how can we have less?" asked Alice.

"You can take 5% off the ceiling" said the March Hare, though Alice didn't quite see what he meant, especially if the ceiling was a dome. So she turned to the Dormouse and asked: "Why did they live off fuses?"

"To prevent unemployment of course", said the March Hare; " And so would you if you were Swiss"

But the Dormouse looked sceptical at this and said to the March Hare in a rather pointed way "Is this your story or mine?"

"It all depends how it ends" said the March Hare.

"That's the whole point;" sadd the Dormouse, quite animatedly. "It's got to end, and what's more there's got to be a ceiling on fuses, with 5% off every quarter".

"But how could the three little Swiss live on fuses if fuses had to be kept below a ceiling?" asked the March Hare.

"Well," said the Dormouse, rubbing his eyes - for he was getting very sleepy or pretending to be "Well, in certain circumstances and if everything else went right and provided the value was based on the weight and not on the cost - I mean provided the weight was based on the cost and not on the value - in the right quarter, you know - and of course it would Digitized Parks for them to give up gas metres, we might be able to give them http://frascsomething else to live on "

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"If you would lend us the money" said the Hatter, but very softly because he didn't really like discussing money matters at all.

"If that's all" said the March Hare "We might as well go home"

"Just as well" said the Mock Turtle, wiping away a tear. And in a mournful voice he began to sing this song:

"Won't you come a little closer? said the Axis to the Swiss.

"It's true that we are losing, but the chance you must not miss. See how eagerly the Belgians, the Dutchmen and the Danes Are joining our New Order and fixing on their chains Will you, won't you, will you, won't you come and put on Axis chains?" "You can really have no notion, how delightful it would be To have done with pluto-democrats and join the truly free" But the Swiss replied "Not likely, for I'm not bereft of brains" Said he thanked the Axis kindly, but he would not put on chains Would not, could not, would not, put on Axis chains

"What matters it if you've got brains?" his Axis friend then said
"It's true that at the moment they're still inside your head
But cracking skulls is sport, you know, no tru-blue Hun disdains
Especially when his victim is loaded down with chains
So will you, won't you, will you, won't you, come and put on
Axis chains

Will you, won't you, will you, won't you, won't you put on Axis chains?

The Mock Turtle sang this little song with such feeling that everyone was quite touched. To Alice's surprise the Hatter and the Dormouse at once began looking wildly through the papers in front of them; each of them pulled out one at random and said "If that's the way you feel, we don't mind signing this". Whereupon everyone produced a fountain-pen and after carefully cleaning it with a handful of Tariff Item No. 288, dipped it in the condensed milk and signed the paper in front of him. Alice wasn't at all sure what it was they were signing, or why, but they all looked so much the happier than they had done since she joined the party that she supposed it was all right. And, even if it wasn't, that was the end of the longest tri-party on record.

J.W.N.

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Copy in 2.10. Files. 102-9 Riefler.

Telephone: Grosvenor 4961.

Economic Warfare Division, 40, Berkeley Square, London.

March 20, 1942.

Mr. William I. Stone, Chief British Empire Unit, Board of Economic Warfare, WASHIHOTON, D.C., U.S.A.

Dear Bill,

It was only a week ago yesterday morning that I left New York. The interval, however, seems like months, probably because there has been so much to absorb. I haven't my impressions all sorted out as yet, and may be foggy in some of the developments I report in this letter. If so, forgive me. I will try to clarify them for you as I become more clear myself. I am going to make this letter quite discursive. In that way I can give you a better picture of the situation here. Don't hesitate to let me know if you want a different type of reporting.

two-hour layover, proceeded on to Horta, where we arrived Friday morning. Bad weather held us up there until Saturday morning, when we took off for Lisbon, arriving in the afternoon. Up to that time the Fan America people had taken care of us quite adequately. At Lisbon, their responsibility ceased. They did provide taxi service to a hotel. Also they had a Portuguese at the wharf to arrange hotel reservations. Our plane carried several Army people, several Havy people, and a State Department courier. At the wharf at Lisbon, the Embassy messenger met the courier and took him off directly. The Military and Haval Attachés were present to steer their people. Hobody seemed to know about my arrival, but the Haval Attaché undertook the job of giving me advice. He said that the hotel situation was extremely difficult, that he had an extra room reserved at the Tivoli and that I had better take it, so I did. Then the representative of the British Air Line to England came along. He apparently had a high priority for me and said he could get me on the plane leaving Lisbon early the mext morning, but that I would have to go to the office of the air line for registration and tickets immediately, before it closed. Accordingly, I proceeded there directly, and

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secured my tickets, getting through well after 6 P.M.

The Naval Attachs had edvised us to arrange transportation to the Airport at the hotel as soon as possible. There were eight of us on the Clipper who were staying at the Tiveli and due to depart early the next morning. We all proceeded as repidly as possible to the hotel, and arranged with the manager to get two large taxis for 6 A.M. Sunday morning. As I indicated in my cable, gasoline was extremely short. The hotel telephoned a list of taxi people, and finally secured two who had enough gasoline to take us to the Airport, which was 25 milemeters out. By this time it was fairly late Saturday evening, so I did not go to the Legation.

are, of course, plentiful in Portugal, but coffee is short). Of the two taxis ordered, only one appeared. I waited for the second, and when it did not show up, started the hotel porter telephoning for another sar. For a while it looked as though we might miss the plane, which is pretty serious in that spot of the world. Finally we got hold of a midget car with enough gasoline. It didn't seem possible that it could take four passengers with all the luggage, which included a large special machine the Many boys were bringing over by hand. We roped the luggage around the outside of the car, however, and went swaying off in the dark in search of the Airport. The taxi driver lost the way a couple of times, but managed finally to find it in ample time for our departure.

through the debarkation routine. They were very decent. The only experience worth relating was with the Benser. The British censorship is amazingly detailed. I had had no conception of how they rely on it for war purposes until I began attending the M.E.W. equalities this work. Gensors, apparently, are under instruction to copy off everything that is of interest, and feed it into the intelligence machine, when it is routed to various agencies that use it to piece out a picture. I had, of source, only the various B.E.W. documents, letters and manorands which I had brought along, but they were filled with the topics and phrases on which censors are supposed to report. The Censor was obviously at a loss as to what to do. He realized my status, did not read the material, but suggested that it really should have been brought over under seal.

I report this trip in detail in order to draw lessons it for others who may be sent over. If I were you, I would see to it that all memoranda are brought under seal, possibly in the youch, in the future. Also, I think the procedure at Lisbon should be tightened up. Most travellers have been held up there a while, and possibly have not had my experience. They probably had a chance to go to the Legation and get direct orders. .os-sibly, also, the Legation is able then to arrange transportation

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to the Airport. The situation as I experienced it, however, was definitely loose. We were left in a strange country, without knowledge of the language, to arrange transportation to the Airport. Given the gasoline shortage, we were lucky to find any conveyance at all. The one we secured worked out all right, but if the Hazis had wanted to pull a kidnapping or get our papers, it certainly would not have been difficult. I think the Legation should take responsibility to see that officials en route through Lisbon are delivered to the Airport by reliable drivers. I have talked the problem over with Mr. Matthews, who is in charge of the Embassy here in London, and he agrees with me. I believe he is going to write Lisbon about it, and I only report it to you for your guidance when others from the B.E.W. are sent over.

London.

The Embassy here was quite surprised at my early arrival. They know departures from New York, but have no news, apparently, of who is on any particular plane after that. As Exerton and Adams, who left long before I did, had only arrived two days earlier, they were not looking for me for some time. Everyone here has been most helpful - both the Embassy and the British at the M.E.W. have put themselves out to the limit to do everything they can for us. In the five days since my arrival, we have been put through quite a pase, going almost continuously to meetings of the various committees at M.E.W. I will describe my specific impressions of these committees later in this letter. Here, I would like to note simply that our reception at M.E.W. has been extremely sordial. So far as I can see, all doors are open to us, and all information is The attitude is more than that of cordial friendavailable. ship. There seems to be an assumption of common operations they treat us as informally and freely as they would if we were part of their own staff. We may have, I feel, a real opportunity to weld the B.E.W. and the M.E.W. into a single hardhitting machine of economic warfere. In large part, this excellent start is due to Somerville's personality. He is a very attractive individual, with wide experience, liberal outlook, already on a basis of cordial familiarity with the whole H.Z. . staff. He also happens to be a close personal friend of Leith-Ross.

The M.E.W. occupies a large office building on Berkeley Duran, about two blocks from the American Embassy. The bassy has taken, for our work, four apertments in an apartment building at 40 Berkeley Square, right across from M.E.W. While dasks, furniture, etc., are rather scanty, (as in Washington), this means that our physical facilities are really excellent. We can get to any M.E.W. office in a few minutes, and are almost equally accessible to our own Embassy.

At the offices at 40 Berkeley Square, we already have quite a staff. Besides Somerville, Easton, Adams, and myself, there

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from the Embassy, and A.T. Peterson, an American official of the London Office of the Guaranty Trust who is pinehitting for us on a volunteer basis. He has a long background in Europe, is very keen, and would make a good permenent addition to the staff if it could be arranged. We have just heard that another Feterson, from the States, is to join us. Somerville has been busy interviewing stanographers, elerks, assistants, etc., to round out the staff. The personnel situation in London is tight, but it looks to me as though the quality is good. The unit is still, however, somewhat understaffed.

Since arriving, I have made a few contacts. Somerville had me to lunch on Monday with Leith-Ross. Testerday afternoon, also, I had tee with Leith-Hoss, and opened up with him the question of securing estimates, by commodities, of British 1942 exports to Latin America. Tell Joan Reusbenhush that I think we will got the figures if they are available. They are ever at the Board of Trade, if anywhere, but Leith-Ross, as you know, is leaving M.E.W. to go over to the Board of Trade. He promised to do all he sould to get the data for me. Monday night I had dinner with Henry Clay of the Bank of England, who has been detailed to work on certain problems at the Board of Trade. Tuesday I had dinner with Faul Appleby; Wednesday I had lunch with Harriman, who seems delighted to have us here. nesday evening we had a dinner of the whole B.Z.W. senior staff here, at which the new arrivals described the work of the Board at Washington. Last night I had dinner with MacDougal of Australia and tonight, Somerville is having me out to dinner with Vickors, the head of intelligence at M.J.W. At lunch we have not many of the key members of the M. N. " staff.

H. S. S.

The M.M.W. contrasts with the B.E.W. in several ways. Most valuable to us, of course, is the fact that it has passed the stage of staffing and organization. It is an experienced, operating organization. The only point of the work I have had an opportunity to glimpse, as yet, is the operation of the committees. These operate pretty much as our Policy and United Trade committees, but are much more numerous. In each committee the agenda seems to have been circulated well beforehand. The different organizations come in well prepared. The committees, themselves, operate pretty efficiently, item by item, with adequate discussion but quick decision. Even so the agenda are sufficiently crowded to make the meetings long. On first impression, I would say that, if we desire to operate with equal voice and really swing our weight, we ought to have one man specialize on each committee, or section. The single business of preparing himself on the agenda and of attending the committee meetings would appear to require, at least, one half the time of a continuous

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official representative. His remaining time should be evailable for general non-routine work. This is my present impression - I will give a more considered epinion later.

In comparing notes with Zaston this morning, he made the shrewd observation that in Washington the ruling consideration on committee meetings, etc., seemed to be supply, whereas in the M.R.W. It was damage to the enemy. The observation summarizes a difference I had been trying to put my hands on. Supply here is organized completely outside the M. S.W. The supply services are occasionally represented at mostings as, for example, when they want to smeak resources away from the enemy, but the orientation of M.R.W. is economic ruin of the Axis. The attitude is pretty tough and grim. They are conserned to see that no goods get to the enemy, and that no one who knows the enemy does any business if they can help it. They raly overwhelmingly on the intelligence services, particularly the consorship. It is actounding the way thousands of little seraps of information are put together to get a result. The pre-emptive buying, including the work of the U.K. Germodity Corporation, (tell Bean I will have material for him on this later), gets down to quite meticulous moves in highly specific local areas. I have not seen the intelligence part of the organization yet, but this seems to be a major part of the whole business. I should think that B.E.W. could goar in to operate with it to great advantage.

B. E.W.

I have been awased at the lack of knowledge over here with respect to the work and organization of the B.E.W., also of their eagarness to find out about us. This is as true of the Embassy staff as of the British. It reflects, naturally, the newness of our organization. The organization shart of the B.R.W. which I brought along has become an exhibit of major interest. It is the first information they have hed of how we are organized, and now we operate. The men in our own Embassy organization were delighted when I showed them a copy of our "Weckly Progress Report". It was the first definite idea they had of the specific problems we are working on. am getting a girl assistant tomorrow, and am going to start her off indexing the ten Weekly Progress Reports which I brought along. That will furnish the whole office a guide with regard to the items to be wetched for particularly here. We cought to be able to send back a lot of information from here on many of them. Please see to it that we continue to get the "Heatly Progress Report". Also we would appreciate tramendously copies of all studies turned out in the Hoard, Including the Yoreign Requirements Reports. This type of material is at a premium here. Please give me an indication of policy with regard to making them available to the M.E.W. They would be very keen to have them and really should, in view of their freedom

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in giving us everything they have. If the decision is to make them generally available to N.E.V., please send extra copies.

Proposed Personal Activities.

The absence of Ambassador Winant has thrown me back on my own resources so far as my own work program is concerned. As you know, my assignment was made pretty general so that I could work it out with the Ambassador on the spot, in the light of conditions here. After going over the situation carefully, I have come to the following general conclusions:-

The R.S.W. unit here is much more of an operational job than I had appreciated, - at least, to be fully effective, it should be. The committees of operate almost continuously at a level of considerable detail. The very important intelligence work is, I judge, equally detailed. We have an opportunity, if we choose to seize it, to goar the B.E.W. into the H.E.W. at an operational level. This is more than I had hoped for. In consequence, I think we ought to place a regular operating organisation for B.E.V. here, that would be in continuous contact with the work of M.E.W. in such a way as to make our equal voice effective. This means that a specific officer, such as Easton and Adams, should be assigned to each phase of M.R.W. He should go to each committee meeting, thoroughly prepared with respect to the agenda, in a position to take part and hold his own in the committee. This alone, as I noted earlier, is a protty heavy assignment. He should spend all his time, not so occupied, in developing the special field to which he is essigned, both from the point of view of getting thoroughly familiar with the decisions of B.E.W. and other organizations here that are represented on his semmittee, and also from the point of view of maximizing the American contribution to the work of the committees and of the war organizations focused there. In some cases, this may involve too heavy a work assignment. As operations develop we may have to assign assistants. This, I think, is along the lines Somerville has visualized the job. It may go further than he visualized, because he was not familiar with the extent of the Board's work in Washington and was not in a position to judge how effectively we in Washington would be in a position to feed data here, and how much date from him could be absorbed. telligence end here, I judge, could presumably grow into something entraordinarily useful if we sould staff for it. Somerville is an excellent choice to run the organization. He knows the Bibassy, London, the K.E.W., and has a good sense for orgenization. He should have enough officers assigned so that he He ought does not have to cover any routine meetings hi self. to be free to supervise the others, keep in touch with their work by attending meetings with them when he chooses, and work on spot problems, particularly on development of new contacts and now activities with M.E.W.

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In view of the fact that I am here for only three months, I propose to keep myself entirely free from operation responsibilities. Instead, after spending the first week in getting generally femiliar with the scene, as per the contents of this letter, I propose to start next week on a more desailed study of the H.H.W., Operation by operation. I think I shall take a particular committee, attend every meeting of it for a week (with the regular officer assigned), try to form a good impression of its work, and then report to you my recommendations on the basis of the experience. If I operate this way I should be in a position to give you an informed judgment on the work of the whole unit here before I return, and when I return I should be in a position to make a maximum contribution in Washington in helping the work of the Soard. In addition, of course, I will expect to work on special problems of in-terest to the Board or the Vise Frankent, and also to handle special assignments such as the two that came up this week, (1, my telegrem with respect to the tenker for Portugal and, 2, the attempt to get data from the Board of Trade for the Foreign Hequirements work).

This letter is even more discursive than I contemplated when I undertook it. It seems to me, newwor, the only means of conveying the general background here. Please let me know whether this kine of reporting is useful to you.

Very sincerely yours,

Bal.-Schedule of M.R.W. Committee Meetings.

Winfield W. Riefler.

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Reform Clul; Tall Mall, S.W.

27th March

SECRETARY'S OFFICE.

Dear Sir,

Thave the honour to inform

you that you have been admitted as an

Honorary Member of this Club for the

period of the Months The membership

is personal in character and does not

include the privilege of entertaining

guests.

The term of your membership

will date from your first use of the Club.

Fam, dear Sir,

Acting Secretary

Yours faithfully,

http://fraser.stlouisfed.org/ Federal Reserve Bank of St. Louis

WWR FILE

Telephone: Grosvenor 4961.

Economic Warfare Division 40 Borkeley Square, W.1.

March 31. 1942.

Wr. William T. Stone, Chief, British Empire Division, Board of Economic Warfare, Washington, D.C.

Dear Bill:

I think you will be interested in the enclosed organization chart of the Economic Warfare Division of the American Embassy here in London. This is the chart on which we are operating at present, except that Mr. Avery Peterson has not yet shown up. The chart gives some idea of the extensive lists of contacts which we are pursuing and the committees which are being covered continuously. I believe we may need somewhat more ample personnel. The Pre-emptive Committee, which were Adams is covering, meets only once a week but when it does meet takes the complete day, so that he is unavailable for other contacts on that day. In addition, of course, the subjects coming up at the meeting are prepared for in numerous private conferences by Adams, Somerville and myself.

Colonel Vickers, Head of the Intelligence at M.E.W., is very anxious to arrange for a more extensive exchange of information with us, particularly with respect to the Far Hast where sources on this side are scanty. I will give you more detailed information next week. I would suggest that in the meantime any particularly interesting information which we pick up on the Far East would be much appreciated here.

Very truly yours,

Winfield W. Riefler.

Enclosure:Organization chart of
Economic Warfare Division,
American Embassy, London.

WWR:MVG

Digitized for FRASER http://fraser.stlouisfed.org/ Tederal Reserve Bank of St. Louis FRANCE LIBRE

4, CARLTON GARDENS, S.W.1.

WHITEHALL 5444

REF. :

2nd April, 1942.

Dear Mr. Riefler,

Confirming our telephone conversation of this morning, I shall be very pleased if you will lunch with me on Thursday, April 9th. I look forward to seeing you at "L'Escargot", 48 Greek Street, W.l, at about 1.15 p.m.

Yours sincerely,

Humi 17 Whimmy

HERVE ALPHAND.

Winfield Riefler, Esq., Economic Warfare Division, American Embassy, 40 Berkeley Square, W.1. Answered April 14, 1942 - WWR:MVG

Treasury Chambers,
Breat George Street,
S.M.1.

Winfield Riefler Esq., April 13,1942
The American Embassy,
1 Grosvenor Squage,
S.W. 1.

Dear Riefler,

There is a small dining club, now chiefly of officials, which I rather think you have attended before now, called the Tuesday Club. Can you dine with me there on Tuesday, April 21st, in a private room at the Trocadero, at 7.30 for 7.45? I am opening a discussion on "Our prospective economic and financial position in the light of the Budget."

Yours sincerely,

J Mkeyns

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WWR FILE

Telephone: Grosvenor 4961. Reconomic Warfare Division, 40 Berkeley Square, W.1.

April 14, 1942.

J. M. Keynes, Esq., Treasury Chambers, Great George Street, London, S.W.l.

Dear Keynes:

I shall be very glad to attend the dinner at the Tuesday Club on Tuesday, 21st.

Very sincerely yours,

Winfield W. Riefler.

WWR: MVG

Mis Gragan.

WWR FILE

Telephone: Grosvenor 4961. Economic Warfare Division, 40 Berkeley Square, W.l.

April 21, 1942.

Mr. William T. Stone, Chief, British Empire Division, Board of Economic Warfare, Washington, D.C.

Dear Bill:

Subject: Cables

It was grand to hear directly from you by mail. I feel that a liaison more informative than cables can ever be, has been set up. I know how busy you are, but I would appreciate it if you would write as frequently and as completely as time permits.

With regard to cables, I wonder if the B.E.W. could afford to send word more frequently and more verbosely. What I mean can be illustrated by our cables on the question of making dollars arising out of Lease Lend to Turkey available for pre-emption purchases in Turkey. The possibility of getting pre-emption funds this way and thus of minimizing the amount of goods to be shipped to Turkey arose in our first informal conferences here in the Embassy on the subject of Turkish pre-emption. We sent a general cable back then. Subsequently, the Harriman people came over with further evidence that Turkey was apparently short of dollars and asking for credit under Lease Lend so I sent a second cable suggesting that the possibility receive consideration. Yesterday, they came forward again with information that Turkey was asking Lease Lend to advance dollars necessary to cover costs of shipment of Lease Lend materials to Turkey. They wondered whether both of us should cable once more. I said that I had sent two cables on the subject and had had no reply. I assumed that the suggestion was receiving adequate consideration in Washington and hesitated to cable a third time to my people. However, I thought it might

be/

be valuable if they would cable to their people in Washington so that they would be directly aware of the problem and would not sign an agreement in ignorance of the fact that there was a possibility that B.E.W. would be interested in obtaining something for those dollars.

It would have been very helpful to us if you could have sent us word on receipt of our cables that the idea was receiving consideration, that it was good, or that it was bad, together with an indication of your general reaction. General background indications of attitude, even by cable, are very important to us. We gradually get a feeling of isolation here. At first, I felt able to interpret the general atmosphere at home because of my recent personal contact. Now I begin to feel more remote.

M.E.W. is subject to some criticism in some quarters here over the extent to which it uses the cable, but I am convinced that the criticism is not generally justified. I think that their use of the cable is one of the big reasons for the manner in which their operations click. Periodically, they send us, for our background information, copies of their policy cables to and from Washington, Lisbon, Madrid, Ankara, Stockholm etc.. What has impressed me most is the frequency of their eables and their completeness. Frequently they tell us more about Washington than we know from other sources. Each side tells the other about meetings, points brought up for consideration, attitudes taken by different parties, and the state in which negetiations stand at the moment. This type of liaison is probably more extensive than B.E.W. would care to undertake. I think it might be good, however, if we veered in that direction. A quick reply to each policy cable telling us your reaction to our suggestion would be very helpful.

I am gradually getting into stride on lots of fronts, those dealing with immediate operating problems I will try to write about. The longer range problems make difficult writing. I think I'll hold comment on them for my return.

As ever,

WWR FILE

Telephone: Grosvenor 4961.

Economic Warfare Division, 40 Berkeley Square, W.l.

April 22, 1942.

CONFIDENTIAL

Mr. William T. Stone, Chief, British Empire Division, Board of Economic Warfare, Washington, D.C.

Subject: Blockade vs Supply.

Dear Bill:

Wanted me to see whether we could not work out some means of avoiding the situation where the onus is thrown on the United States for denying goods to a neutral for which the British are willing to supply navicerts. You felt that our presence as full members of the Blockade Committee should enable us to correlate the policies of the two countries so that we would present a united fromt to the neutrals. Easton and I have had the problem continually in mind since our arrival and have just about come to the conclusion that a different approach will be necessary since this question really falls outside the scope of the Blockade Committee.

Export control here is handled by the Board of Trade and not by M.E.W. This means that all questions of prohibiting or limiting the export of commodities from Great Britain are handled at the Board of Trade and not at M.E.W. This is the big distinction between the work of N.E.W. and that of B.E.W. M.E.W. has not dealt with supply from the point of view of conserving goods in short supply for our own use. That problem is the function of the Board of Trade and the Supply Departments. M.E.W. deals solely with supply from the point of view of Blockade, of denying resources to the enemy. I thought at first that now that the U.S. were in the war and were in a position to exert export control through B.E.W. the Blockade Committee could

also/

also take direct account of our supply position. I am now convinced, and Easton is in agreement, that this is impossible without a fundamental change in the whole organization here. The reason for this goes back to the legal powers under which M.E.W. operates, powers which constitute the basis for its organization, the composition of its committees, and nearly everything it does.

M.E.W. was established to stretch to the utmost such powers as Great Britain has by virtue of possessing a navy. Because Great Britain had the right under international law to search ships at sea, or to direct them into a control port for examination, M.E.W. was able to introduce the navicert, at first, on a voluntary basis, later on a compulsory basis. Legally and basically the navicert is nothing more than a substitute for detention and search at sea, a safe conduct for ships and shipments that are certified in advance by the British to be of a character that would not be subject to confiscation at sea. The trade agreements with the neutrals, by which the neutrals agree to limit exports to the enemy, in turn rest on the navicert, which rests on the law of Blockade. Do you see the point? The whole structure of M.E.W. is really an extension of Blockade, i.e., naval Blockade. The legality of pretty much everything that is done rests on the ultimate sanction of the Prize Court. If a neutral breaks its trade agreement, and imports without a navicert, the penalty would be interception by the Navy and the carrying of the captured cargo to the Prize Court. If the cargo is one which the Prize Court will confiscate, the whole structure of M.E.W. is strengthened. Were M.E.W. beaten in the Prize Court, the results might be far-reaching. Unfortunately from the point of view of B.E.W., the Prize Court deals with commodities solely from the point of view of their value in war to the enemy. It does not take into consideration their value to ourselves.

It is for this reason that M.E.W. works out controlled quotas of imports for the European neutrals without regard to our supply position. It goes carefully into the normal needs of the neutrals themselves, and it takes every precaution to see that important materials do not go through the reutrals to the enemy. It then establishes a quota it is willing to navicert. This quota can be

justified/

justified in international law, on the ground that it is aimed primarily at depriving the enemy of resources and not at depriving the neutral.of commodities. It is for this reason also, that an agreement to navicert does not imply in any sense a willingness on the part of the British to supply. A navicert, theoretically, constitutes solely a simpler way of applying Blockade than search at sea. Incidentally, of course, it is much more effective.

This does not mean that M.E.W. officials never take supply into consideration nor that they do not squeeze the navicert procedure to the limit to obtain advantages other than Blockade. They do, of course, but they make every effort to justify their actions whenever possible by Blockade reasons rather than by supply reasons. Until recently, they were quite content to establish quotas that they doubted could be filled. Now that we are actually in the war and that so many South American nations are cooperating the British too are becoming embarrassed at the conflict between the concepts of Blockade and supply. The Chairman of the Contraband Section of the Blockade Committee the other day asserted that it was becoming utterly unrealistic for the Committee. representing the U.S. and the U.K. combined, to navicert quantities, the shipment of which their two governments were mutually resolved to prevent.

Just what to do about the problem is not too clear. We sent a cable the other day, outlining a meeting that had been held to discuss the feasibility of establishing a new kind of over-all agreement with the neutrals, one that would establish quotas which were realistic because we would be willing to supply. I am enclosing a copy of the document discussed"at that meeting and also of the Minutes of the discussion. If this procedure should work out, it would handle the problem. I find Easton has another suggestion that might help. He says that the way things are now organized, the British never see the commodities we are letting through our export control to Latin America, while neither B.E.W. nor we ever see the commodities the Board of Trade is letting through its export control for shipment from England. He suggests that there could be, at least, coordination of export policies from the point of view of supply.

coordination/

1) Already despatched by Major Easton

coordination, however, would not be a function of liaison between M.E.W. and B.E.W. but of liaison between B.E.W. and the Board of Trade.

This is an extra long communication, only justified if its length succeeds in clearing up the confusion over what M.E.W. really is. It is confusing to Easton and me. Constantly, we find ourselves wanting to protest at a navicert for something in short supply, sometimes we actually protest and then become convinced that we have no proper grounds in the Blockade Committee. Please let me know what you think of Easton's suggestion.

As ever.

Winfield W. Riefler.

Enclosures:Document for Discussion
and Minutes.

WWR: MVG

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WWR FILE

Telephone: Grosvenor 4961

Economic Warfare Division, 40 Berkeley Square, W.1.

May 12, 1942.

Lieutement Colonel the Hon. J.J. Astor,
The Times,

London, E.C.4.

Dear Colonel Astor:

I shall be very pleased to come to lunch at The Times at 1.30 p.m. on Thursday, June 4th. It is very kind of you to invite me and I look forward to seeing you.

Sincerely yours,

Winfield W. Riefler

WWR: MVG

Answered May 12, 1942 - WWR:MVG

THE TIMES

May 11, 1942.

Dear Dr. Riefler,

I wonder if you would give us the pleasure of your company at lunch at The Times on Thursday, June 4, at 1.30 p.m. We would be delighted to see you. It will be a small informal party.

Yours sincerely,

2.7. as Ton.

7. 0 TJ 8HO

Dr. Winfield Riefler.

Digitized for FRASER http://fraser.stlouisfed.org/ ederal Reserve Bank of St. Louis 9th May, 1942.

My dear Riefler,

Pleven tells me that he is free to dine on Tuesday, May 19th, so I will look forward to seeing you that evening at 1 Arkwright Road, 7.45 p.m.

Yours sincerely,

76. Loian Ans

Mr. Winfield Riefler.

AMERICAN EMBASSY LONDON, ENGLAND

MAY 1 1 1942

ECONOMIC WARFARE DIVISION

Millbank, S.W.1.

1st April, 1942.

My dear Riefler,

Thanks for your letter of the

31st March. I am glad that you can

come to luncheon on Friday, April 10th.

Could you manage to get there at one

o'clock sharp, as otherwise I fear we may

not be able to get a table.

Yours sincerely,

J. W. Lei in Nos

Mr. Winfield Riefler.

FILE

Telephone: Groavenor 4961. Economic Warfare Division 40 Berkeley Square, W.1.

March 31, 1942.

Sir Frederick Leith-Ross, Board of Trade, Millbank, London, S.W.1.

Dear Sir Frederick:

I should be very glad to have luncheon with you on Friday, April 10th, at the Union Club to meet Arthur Guinness.

Viner has asked me particularly to try to get in touch with him. I was wondering this morning how I would go about it. It is very kind of you to make the contact.

Sincerely yours,

Winfield W. Riefler.

WWR: MVG

Accepted, March 31, 1942 - WWR: MVG

Millbank, S.W.1.

31st March, 1942.

Dear Riefler,

Would you be free for luncheon on
Friday, 10th April, at the Union Club,
10, Carlton House Terrace? I want you to
meet Arthur Guinness, who is Chairman of a
Committee on Post-War Trade set up by the
British Section of the International Chamber of
Commerce. Viner wrote to him suggesting that
he should contact you. As he is an old friend
of mine I should be glad to put you in touch.
If the 10th April does not suit you perhaps
you would suggest another day in the week
following.

Mr. Winfield Riefler.

The Line Am

http://fraser.stlouisfed.org/ ederal Reserve Bank of St. Louis



TREASURY DEPARTMENT

WASHINGTON

March 2, 1942.

Dr. Winfield Riefler, Institute of Advanced Studies, Princeton, New Jersey.

Dear Win:

In case you fail to look me up while in Washington, will you please make it your business, after you get to London, to look up Arthur Guinness, 53 Cornhill, London, E. C. 3, England (Phone: Mansion House - 6142). He is one of the authors of the "War of Ideas" pamphlet and I have had some interesting and encouraging correspondence with him about the post-war economic relations of United States and England. He is intelligent and a nice person. He is, I take it, an officer of the British National Committee of the International Chamber of Commerce. I have written him that you will look him up, but my letter will probably not reach London until sometime after you have arrived.

Meanwhile, in case you are craven enough not to look me up. I will pay a bad coin with good by wishing you "Bon Voyage" and a successful trip.

Warmly yours,

Jacob Vine

Enclosures in "Post was league of Lations Studies"

7th April, 1942.

Dear Riefler,

I return herewith Loveday's note to you, which you were good enough to lend me.

Yours sincerely,

I. W. Leitin Avon Sout Relief of 3.45 pm.

Professor Riefler.

Digitized for FRASER ttp://fraser.stlouisfed.org/ ederal Reserve Bank of St. Louis

Treasury Chambers,

Breat George Street,

S.M.1.

12th May, 1942.

Dear Riefler,

We are delighted to hear that you are free the weekend

June 6th-7th and we very much look forward to seeing you. I will get into touch with you when the time comes.

Yours sincerely,

S. D. Waley

W.W. Riefler, Esq.

y k

WWR FILE

Telephone:
Grosvenor 4961

Economic Warfare Division, 40 Berkeley Square, W.1.

May 9, 1942.

S. D. Waley, Esq., Treasury Chambers, Great George Street, London, S.W.1.

Dear Waley:

You are very good to invite me down for a weekend. The only one I have left that is free is the weekend of June 6th-7th. If that one is acceptable to you I would be most pleased to join you.

Yours sincerely,

Winfield W. Riefler

WWR:MVG

Answered May 9, 1942 - WWR: MVG
AMERICAN EMBASSY
LONDO N. ENGLAND

MAY 08 1942

ECONOMIC WARFARE DIVISION

Treasury Chambers,

Great George Street,

S.W.1.

Dear Riefler,

Aund 7 neg 6. 1262

Do you con set a free

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So much like it if you

Could have as at our

Minute cottage at Draysbury,

When We wish on the banks

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No 30 Acr week wit,

one that sees not suit,

your

3.D. Waley

Digitized for FRASER ttp://fraser.stlouisfed.org/ ederal Reserve Bank of St. Louis To meet members Delegation of the twiss Trade accepted June 1, 1942. The Swiss Minister Professor Rufler i Company at un clieon on Monday, oth June at the Sor cluster at 15 o'clock.

R.S. V.P.

rraser.stiouisted.org/ eral Reserve Bank of St. Louis

ized for Bryanston Square, w.

Treasury Chambers,

Breat George Street,

S.W.1.

Winfield Riefler Esq.,
Embassy of the United States of
America
1 Grosvenor Square, W. 1.

June 22,1942

My dear Riefler,

Most sincere thanks for your congratulations, which are much appreciated. I have been very sensible of our failure to meet to have a proper talk. But our work does not seem really to take us in the same direction, and on the larger issues I am, as you know, very much inhibited at the moment by the state of progress of preparations behind the scenes. But, all the same, we must not let this stand in the way. I am certain we can have a useful exchange if we can settle down to it comfortably. So I very much hope we shall be able to find a time before you go away.

What about lunch on Friday at the Athenaeum, at lo'clock? I look like being free then for a good long talk. Failing this, perhaps you could ring me up on the telephone with a view to finding a convenient time.

Every sincerely yours,

Jukeyns

WW R FILE

Num sent

CONFIDENTIAL

BY AIR MAIL POUCH

Mr. William T. Stone, Assistant Director, Board of Economic Warfare, Washington, D.C. Economic Warfare Division, 40 Berkeley Square, W.1.

June 24, 1942

Dear Bill:

I expect to be back in Washington next week. I shall probably arrive, since even air mail is slow, before this letter reaches you. At that time I will take up in detail the points raised in your letter of June 10th. Meanwhile, because they have been the subject of correspondence, I think it well, for the sake of the files, that I indicate briefly the nature of our reactions.

1. Navicerts vs Export Licences

One central purpose of our correspondence has been to clear up the misconception, which I had when I came and which still crops out in our discussions, between navicerts and export licences. It seems to us that you still tend to identify our Export Licences with Navicerts instead of with the Board of Trade export licences. In spite of your complimentary reference to our "able" presentation of the British view-point to you, it is still apparent that we have not put the point across. The essence of the point is that our position and the British position with respect to Export permits is essentially the same. No neutral has any right to our products. We both license them for export to neutrals in accordance with our view of our interests.

A real difference arises between us in connection with navicerts, which you want to consider the equivalent in practice of domestic export licences while the British insist that they are different, that they are designed primarily to prevent the passage of goods to the enemy rather than, as in the case of an export permit, to conserve supply for us.

2. The Legalistic Blockade

I feel that you are missing the point when you say that the British view of navicerts is "legalistic". In evaluating the following considerations, please distinguish between "legalistic" as an irrational adjective implying unreality and "legalistic" as a strongly objective characterization. The

considerations/

considerations are legalistic because the structure of the blockade is essentially a series of legal devices painstakingly erected on the old conception of blockade under international law. This structure has been so cleverly erected that it is in significant degree self-enforcing, under international law and under the domestic law of the neutrals who have signed war Trade Agreements. In a sense, the blockade works through the consent of the neutrals who are themselves blockaded. It is enforced to a certain degree by their governments.

Our resources to the enemy. It even succeeded in doing so in major degree from Dunkirk to the spring of 1941 when the British had little force to put behind it and when practically everyone, including the cooperating and blockaded neutrals, expected the Axis to win. Obviously, the British cannot consent to a serious undermining of this structure such as might lead to its collapse. They can use it to help solve our supply problems but not in the same sense as they use expert licences. Our refusal to understand the nature of the problem and our insistence that navicerts be treated as though they were export licences is becoming distinctly embarrassing as time goes on. It is a little akin to insisting that a 16in naval gun be mounted on a cruiser.

In my personal view, the future vicissitudes of the war are still much too uncertain to permit a weakening of the legal basis of the blockade. It is to our interest as well as the British interest that the legal structure remain intact. This does not mean that we are not concerned with safeguarding supply. We are, but we feel that adequate machinery should be worked out to deal with the problem directly.

This long exposition, I hope, prepares the ground for clearing up certain direct misunderstandings in our correspondence to date. Major Easton made a misstatement in the paragraph of his letter of May 4, which is quoted in your letter of June 10, when he said that decisions as to blockade and quotas should be left to M.E.W. What he meant, of course, was that they should be left to the Blockade Committee which meets in M.E.W. and on which we have equal voice. I wish to associate myself with the blame that attaches to this misstatement because I read and approved the letter before it was sent. Your letter of June 10 shows that you, on the other hand, have distinctly misinterpreted other sections of the same letter. With reference to Major Easton's statement that if the Blockade Committee should refuse to navicert fats

and oils/

and oils for soap-making, the Swiss would have a "right" to ask for a quota on glycerin, you state that you do not believe (1) that Switzerland has any right to glycerin if its possession would aid the contribution Switzerland is making to the Axis, and (2) that you do not concede that Switzerland has any "rights" to American products or raw materials at all. With respect to the first point, under existing blockade procedure, which is designed to deny aid to the enemy, the Swiss would have a "right" to ask for a quota on glycerin only if they satisfied the Blockade Committee that the granting of this quota would not aid the enemy. This is the general basis of the whole procedure of the Blockade Committee. With respect to the second point, the purpose of Major Easton's letter was to point out that the granting of a navicert quota had no relation to our export policy and involved no "rights" to American products.

Equal Voice

There is no real ground for the apprehension recurring through your letter that your members do not have and do not exercise equal voice on the Blockade Committee. We do. No action is taken over our objection, nor has any been suggested. The atmosphere is good and we have never been placed in the position of having to maintain or even to call attention to our rights.

We ourselves have had a problem, however, with respect to equal voice. We came over here under the misapprehension noted above, that the Blockade Committee had power to fix quotas for rations primarily on supply grounds, if it wished, without regard to neutral needs. In the beginning, consequently, we found ourselves constantly raising questions or objecting in cases where there was no question that the goods involved would go to the enemy but simply because we wanted to conserve the United Nations' supply. The effect of these objections was simply to stall the works because the Blockade Committee was without power to act on the considerations by which we were moved. We have, consequently, discontinued them in so far as committee action is concerned. We have continued, however, outside the Committee, in our dealings with M.E.W. to press the views of B.E.W. I think we have made great progress, as exemplified by the Swiss negotiations, and our current conversations covering supply programs.

Neutral Trade and Enemy Resources

In the course of these three months we have been exposed to a great variety of problems, many of which were new, and our own views and attitude undoubtedly reflect the results of this exposure. It is hard to put one's finger on the effects,

but/

but I think I can summarize it by saying that we are now inclined to view as too narrow the concept of economic warfare with which we arrived. I think we were guilty, at that time, of the serious offence in matters as important as this, of overestimating the strength of our hand and underestimating that of the enemy. In practice, this means that we are likely to recommend larger import supplies to the neutrals in return for what we are able to get than we formerly thought would be necessary.

I do not know whether we are getting out of line with you at home in this respect or not. It is one of the reasons why I think it extremely urgent that I get back. Your reference to the Enemy Resources Department of M.E.W. as being closest to your view-point disturbs me a little on this point. The Enemy Resources Department of M.E.W. has the task of seeing to it that our decisions on the Blockade Committee and the other economic warfare activities of M.E.W. do not result in a net increase in the critical resources of the enemy or in a failure to deny him resources which we are in a position to deny. Its views are fundamental on questions of policy and no action is taken against views to which it attaches importance.

At the same time, denial of physical resources to the enemy is not the sole aim of economic warfare nor are the policies through which they may be denied limited to refusal of licences. The simplest way to deny outside resources to the enemy would be to allow no imports into the Continent at all. This would, however, be unintelligent since it would at the same time (1) destroy a crucial source of intelligence on which vital military operations are based, (2) fail to cripple the economic resources of the enemy to the fullest extent possible by removing the trading basis on which neutrals deal with the enemy (even the Swiss last year extracted goods in much larger quantity and value from the Axis than they furnished), and (3) impair the basis for political warfare which must rest perforce primarily on the maintenance of contact with continental neutrals. It is the task of those conducting economic warfare, therefore, to adopt policies much broader in scope, ingenuity and flexibility than would be dictated by a consideration of enemy resources in isolation. Such policies must meet the requirements of an enemy resources department that goods do not go through to the enemy directly or indirectly, but they cannot rest on the simple approach of denial of import facilities to European neutrals. To do so might be a quick road to further disaster.

As ever,

Winfield W. Riefler

WWR & MVG

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WW R FILE

New sent

CONFIDENTIAL

BY AIR MAIL POUCH

Mr. William T. Stone, Assistant Director, Board of Economic Warfare, Washington, D.C. Economic Warfare Division, 40 Berkeley Square, W.1.

June 24, 1942

Dear Bill:

I expect to be back in Washington next week. I shall probably arrive, since even air mail is slow, before this letter reaches you. At that time I will take up in detail the points raised in your letter of June 10th. Meanwhile, because they have been the subject of correspondence, I think it well, for the sake of the files, that I indicate briefly the nature of our reactions.

1. Navicerts vs Export Licences

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A real difference arises between us in connection with navicerts, which you want to consider the equivalent in practice of domestic export licences while the British insist that they are different, that they are designed primarily to prevent the passage of goods to the enemy rather than, as in the case of an export permit, to conserve supply for us.

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considerations are legalistic because the structure of the blockade is essentially a series of legal devices painstakingly erected on the old conception of blockade under international law. This structure has been so cleverly erected that it is in significant degree self-enforcing, under international law and under the domestic law of the neutrals who have signed War Trade Agreements. In a sense, the blockade works through the consent of the neutrals who are themselves blockaded. It is enforced to a certain degree by their governments.

This structure is sufficiently strong to deny directly our resources to the enemy. It even succeeded in doing so in major degree from Dunkirk to the spring of 1941 when the British had little force to put behind it and when practically everyone, including the cooperating and blockaded neutrals, expected the Axis to win. Obviously, the British cannot consent to a serious undermining of this structure such as might lead to its collapse. They can use it to help solve our supply problems but not in the same sense as they use export licences. Our refusal to understand the nature of the problem and our insistence that navicerts be treated as though they were export licences is becoming distinctly embarrassing as time goes on. It is a little akin to insisting that a 16in naval gun be mounted on a cruiser.

In my personal view, the future vicissitudes of the war are still much too uncertain to permit a weakening of the legal basis of the blockade. It is to our interest as well as the British interest that the legal structure remain intact. This does not mean that we are not concerned with safeguarding supply. We are, but we feel that adequate machinery should be worked out to deal with the problem directly.

This long exposition, I hope, prepares the ground for clearing up certain direct misunderstandings in our correspondence to date. Major Easton made a misstatement in the paragraph of his letter of May 4, which is quoted in your letter of June 10, when he said that decisions as to blockade and quotas should be left to M.E.W. What he meant, of course, was that they should be left to the Blockade Committee which meets in M.E.W. and on which we have equal voice. I wish to associate myself with the blame that attaches to this misstatement because I read and approved the letter before it was sent. Your letter of June 10 shows that you, on the other hand, have distinctly misinterpreted other sections of the same letter. With reference to Major Easton's statement that if the Blockade Committee should refuse to navicert fats

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and oils for soap-making, the Swiss would have a "right" to ask for a quota on glycerin, you state that you do not believe (1) that Switzerland has any right to glycerin if its possession would aid the contribution Switzerland is making to the Axis, and (2) that you do not concede that Switzerland has any "rights" to American products or raw materials at all. With respect to the first point, under existing blockade procedure, which is designed to deny aid to the enemy, the Swiss would have a "right" to ask for a quota on glycerin only if they satisfied the Blockade Committee that the granting of this quota would not aid the enemy. This is the general basis of the whole procedure of the Blockade Committee. With respect to the second point, the purpose of Major Easton's letter was to point out that the granting of a navicert quota had no relation to our export policy and involved no "rights" to American products.

Equal Voice

There is no real ground for the apprehension recurring through your letter that your members do not have and do not exercise equal voice on the Blockade Committee. We do. No action is taken over our objection, nor has any been suggested. The atmosphere is good and we have never been placed in the position of having to maintain or even to call attention to our rights.

We ourselves have had a problem, however, with respect to equal voice. We came over here under the misapprehension noted above, that the Blockade Committee had power to fix quotas for rations primarily on supply grounds, if it wished, without regard to neutral needs. In the beginning, consequently, we found ourselves constantly raising questions or objecting in cases where there was no question that the goods involved would go to the enemy but simply because we wanted to conserve the United Nations' supply. The effect of these objections was simply to stall the works because the Blockade Committee was without power to act on the considerations by which we were moved. We have, consequently, discontinued them in so far as committee action is concerned. We have continued, however, outside the Committee, in our dealings with M.E.W. to press the views of B.E.W. I think we have made great progress, as exemplified by the Swiss negotiations, and our current conversations covering supply programs.

Neutral Trade and Enemy Resources

In the course of these three months we have been exposed to a great variety of problems, many of which were new, and our own views and attitude undoubtedly reflect the results of this exposure. It is hard to put one's finger on the effects,

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but I think I can summarize it by saying that we are now inclined to view as too narrow the concept of economic warfare with which we arrived. I think we were guilty, at that time, of the serious offence in matters as important as this, of overestimating the strength of our hand and underestimating that of the enemy. In practice, this means that we are likely to recommend larger import supplies to the neutrals in return for what we are able to get than we formerly thought would be necessary.

I do not know whether we are getting out of line with you at home in this respect or not. It is one of the reasons why I think it extremely urgent that I get back. Your reference to the Enemy Resources Department of M.E.W. as being closest to your view-point disturbs me a little on this point. The Enemy Resources Department of M.E.W. has the task of seeing to it that our decisions on the Blockade Committee and the other economic warfare activities of M.E.W. do not result in a net increase in the critical resources of the enemy or in a failure to deny him resources which we are in a position to deny. Its views are fundamental on questions of policy and no action is taken against views to which it attaches importance.

At the same time, denial of physical resources to the enemy is not the sole aim of economic warfare nor are the policies through which they may be denied limited to refusal of licences. The simplest way to deny outside resources to the enemy would be to allow no imports into the Continent at all. This would, however, be unintelligent since it would at the same time (1) destroy a crucial source of intelligence on which vital military operations are based, (2) fail to cripple the economic resources of the enemy to the fullest extent possible by removing the trading basis on which neutrals deal with the enemy (even the Swiss last year extracted goods in much larger quantity and value from the Axis than they furnished), and (3) impair the basis for political warfare which must rest perforce primarily on the maintenance of contact with continental neutrals. It is the task of those conducting economic warfare, therefore, to adopt policies much broader in scope, ingenuity and flexibility than would be dictated by a consideration of enemy resources in isolation. Such policies must meet the requirements of an enemy resources department that goods do not go through to the enemy directly or indirectly, but they cannot rest on the simple approach of denial of import facilities to European neutrals. To do so might be a quick road to further disaster.

As ever,

Winfield W. Riefler

WWR: MVG

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JOHN FOSTER DULLES
48 WALL STREET
New York

August 17, 1942

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My dear Dr. Riefler:

If there is a chance of seeing you in New York before you go to England I should be very happy. I, myself, am going away on Friday night, but if you are coming here between now and then, please let me know.

incerely yours,

Dr. Winfield Riefler,
Board of Economic Warfare,
Washington, D. C.