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Address by the Honorable G. S. Messersmith, Assistant Secretary of State, before the Annual Meeting of the National Foreign Trade Council at the session on Wednesday afternoon, November 2, 1938, at the Hotel Commodore, New York.

SOME OBSERVATIONS ON NEW CONDITIONS AND NEW PROBLEMS
OF GOVERNMENT AND BUSINESS IN THE FOREIGN FIELD

May I at the outset express my appreciation to the Governing Board and to the members of the National Foreign Trade Council for this opportunity to appear again before your annual meeting. When I had this privilege last year, I discussed certain aspects of the activities of the Department of State in aiding business through the Department in Washington and through its establishments in the foreign field.

As members of the National Foreign Trade Council, you represent in large measure producing and exporting groups and therefore firms and individuals especially concerned with conditions in other parts of the world, but you are in the very nature of things interested also in all that affects our national life and welfare at home as well as abroad. The conduct of our foreign relations in general pertains to the maintenance of our interests and prestige and the preservation of peace and friendly relations with other States, and is therefore a general concern of us all irrespective of our immediate occupations. The operations of our Government as they relate to the formulation of policy and to the protection of our nationals and interests beyond our frontiers and in keeping open the channels of trade are matters of direct concern to you.

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In approaching these international problems, and particularly those which bear most directly on the character of our international commercial and economic relations, in which you are vitally concerned, it is necessary to consider and evaluate certain of the views held by groups of our own people. There is a considerable number in this country, and this includes some thoughtful people, who believe that we and other countries can follow a policy of isolation and insulation just by willing it, and that in a disordered world this is the policy to pursue. They believe that in some way or other we can find in such a policy that peace, security and opportunity to develop within our own borders which they so earnestly desire. I must confess that it is extremely difficult for me to understand how thoughtful persons can hold this conviction if they will face the facts, examine this country's international position and weigh these factors in the light of the truth, which I feel sure everyone will endorse, that there is no such thing in this modern world as political isolation which does not result in a corresponding degree of economic isolation.

At the end of 1937, the United States was the world's greatest exporter, with merchandise shipments abroad valued at \$3,345,000,000. Our purchases of foreign essential raw materials and other imports necessary to the maintenance of our industry and commerce were valued at \$3,084,000,000. In other words, during this most recent year for which we have complete statistics, the foreign trade of the United States represented 13 percent of the total export and import trade of the entire world. How futile it is to believe and to argue, as some do, that a volume of trade such as this does not have a vital bearing upon our internal life and upon the standard of living of our population.

A policy of isolation, in addition to what it would entail for us in the way of diminution of prestige and influence, and in spiritual values, would call for a complete rearrangement of the entire economic setup of the United States with an incalculable economic loss to our agricultural and manufacturing interests as well as as abandonment of the rights and interests of our over 300,000 American citizens established in different parts of the world and of investments of approximately \$7,000,000,000 which we have made in physical plants and otherwise in other countries.

While I do not wish to go into detail in this connection, it is worth while to refer to those who are tempted to dismiss the importance of foreign trade with the statement that after all our total exports only represent 7-1/2 percent of the total production of movable goods in the United States. This argument entirely ignores the importance of foreign trade to our agricultural and industrial interests and to specific areas of this country. To see this picture more clearly and in its full perspective, it must be realized that last year 36 percent of our tobacco, 44 percent of our cotton, 18 percent of our lard, 36 percent of our dried fruits, 49 percent of our naval stores, 40 percent of our lubricating greases,

12 percent of our radios, 23 percent of our office appliances, 10 percent of our automobiles and 35 percent of our aircraft went into foreign markets. These few commodities are mentioned only as examples of the importance of foreign trade to particular regions of the United States and to particular industries.

Even before the more recent developments that have effected such drastic changes in the economic as well as the political relationships of nations and which are bound to cause further important changes as time goes on, the problems of business men of this country had already become more difficult and more perplexing as the result of the fomenting of economic nationalism in the form of increased tariff barriers, exchange restrictions, quotas, clearing agreements of various kinds and the like. In the year that has passed, the areas in which the problems of business have arisen have widened and the problems themselves have become increasingly difficult. We shall have to realize that certain changed conditions throughout the world will have to be frankly faced by us in this country; that these new conditions will have to be carefully analyzed and that Government and business must cooperate in finding the best method of protecting the position which we have reached in our trade and interests in so many parts of the world through years of intelligent and consistent effort. As it falls upon the Department of State, through its Foreign Service, to serve as the principal instrument of our Government in the protection of our trade and interests in all parts of the world, I need not tell you that we in that Department have been giving these new conditions and the problems arising from them our very careful consideration.

Among the measures taken in behalf of foreign trade and foreign interests, let me first refer to the program of Reciprocal Trade Agreements which was fostered and initiated by Secretary Hull. I think it is significant to know that this program is perhaps the sole important constructive undertaking advanced by any government to bring back order into the dislocated commercial markets of this disordered world. All efforts to use the program for special or sectional aims have been successfully resisted. It has not been forgotten that its aim is the reciprocal reduction of excessive trade barriers and opposition to every form of preferential and bilateral trade agreements, in order that private initiative may be more effectively applied to restoring, on a sound and profitable basis, the volume and value of our foreign trade. Such effort has been expended on the program's development that today eighteen agreements have been completed and we have three others, with the United Kingdom, Turkey and Venezuela, in the process of negotiation. We also have under discussion the expansion of the agreement which we have with the Dominion of Canada. No agreement is negotiated which does not keep in mind the welfare and interest of every part of our population and every point is so considered that no national interest may be sacrificed. Thus there has been developed a most important step forward in the interest of American trade and one of the strongest influences for peace in the world today.

I think I need not tell the members of the Foreign Trade Council of the many different services rendered by our Foreign Service in behalf of American trade interests. However, I should like to state that during the fiscal year ended June 30, 1937, the dollars and cents results of this work in behalf of American trade have been estimated at over \$18,000,000. Naturally this figure does not include intangible factors not susceptible of evaluation such as the steady flow of information received by cablegram, by air and ordinary mail concerning trade and economic conditions in all quarters of the globe. You may be interested to know that the figure covers merchandise sold through trade opportunities submitted by the Foreign Service, merchandise sold through trade lists directed to American exporters, amounts recovered to American commercial interests in the general protection of trade, amounts realized through release of exchange and blocked funds, amounts realized through settlement of trade disputes, new business provided through assistance rendered traveling representatives of American export organizations, new business provided by issuance of invitations to alien business men visiting the United States, assistance rendered in construction contracts abroad, new business resulting from information contained in World Trade Directory Reports and trade lists, new business resulting from consular trade reports, savings realized to American investors due to consular activity in protecting against fraudulent investment schemes abroad, and savings realized to American capital interests by consular action taken in the protection of American fixed investments. During the year 1937, the Foreign Service submitted to the Department 22,458 commercial and economic reports, 1652 trade opportunities, 12,149 trade lists, 28,555 trade letters, and 45,720 World Trade Directory Reports, all of which served directly our foreign trade and commercial interests. In order adequately to advance our national economic interests and security abroad, the Department of State receives by mail and telegram from the Foreign Service a constant stream of information regarding all economic and trade factors, opportunities for new outlets for American goods arising under our trade agreements, export programs, sales methods and credit terms of competitors of the United States in the foreign markets, and the effects of such export methods upon our foreign trade. Naturally the obtaining of this information by the Foreign Service is dependent upon the cultivation of frequent and friendly contacts with local officials, bankers, importers and business men and careful attention by the Service to the problems of the traveling American trade representatives, practical advice and appropriate assistance to such representatives in forming necessary contacts and an intelligent, practical interpretation of the regulations in an effort to give the maximum of service to American trade interests. We in the Department feel that in thus serving the foreign trade interests of the United States the Department of State has come to be our country's first line of defense in the economic -- as well as in the political -- field.

In connection with the services rendered directly to our foreign trade, there should be mentioned the

protection

protection rendered generally to American citizens and American interests in all parts of the world. This protection goes on quietly but effectively year in and year out, but during the past two years the American public has had reason to note particularly the assistance rendered in the Far East, in Spain, in Central Europe and wherever war or the threat of war has appeared. This is the more obvious, the more spectacular aspect of protection work. However, cases could be cited to show the large amount of work that is being regularly done in the conducting of claims of American citizens against foreign governments, in defending the interests of this Government in the case of claims by foreign governments, and in the negotiating of treaties designed to protect American citizens in the enjoyment of rights and privileges abroad. All of these activities are now carried on and will continue to be carried on in the endeavor to afford the most adequate protection to our citizens and their interests wherever they may be.

The success of these efforts and plans will of course depend on future developments that cannot be wholly forecast at this time and on the degree of efficiency with which the machinery of the Department of State and its Foreign Service is organized to carry this responsibility. As in business so in Government, the machinery of operations is of primary importance. The Department of State has from time to time subjected its organization in Washington and in the foreign field to close scrutiny. In view of the increased burdens which have come to it in recent years through the natural development in the scope of our foreign relations, the Department has again carefully examined and overhauled its organization both in Washington and in the field. We have felt that in order to take care of our present burdens as well as those that we see coming, it is essential in the public interest that we be able to meet these responsibilities in the best possible way. We have, therefore, carried through a carefully considered, and on the whole quietly achieved, reorganization of the Department in Washington. I believe that you will be interested in a very brief résumé of the major changes.

We have decreased the number of political divisions from six to four, so that we now have one division handling European problems; one, Far Eastern; one, Near Eastern; and one, our relations with the American Republics. In order that we may have increased facilities for the consideration of questions of long-range policy, there have been set up the positions of Political Adviser and the Office of the Economic Adviser has been strengthened. One of the Political Advisers gives his attention particularly to Far Eastern problems and the other to European problems, while the Economic Adviser studies the major questions which are of such primary importance in the economic background of the relationships between States in these days.

There has recently been set up in the Department a Division of Cultural Relations. This Division is in no sense intended to serve and will not serve as an agency of propaganda. The relations between States, especially with communications as effective as they are now, are much broader than purely political and economic. It is increasingly important that the cultural ties between States be strengthened, and this office has been created to the end that there shall exist within our Government a coordinating unit for the

various organizations, public and private, in this country, interested in the furtherance of such relationships. The Division of Cultural Relations will concern itself largely with the coordination of the work of various organizations and institutions in this country which have been for years so fruitfully operating in this field. While perhaps at the outset the activities of this new Division will be largely centered on our cultural relationships with the neighboring American Republics, the scope of the Division's functions is not confined to that area. This is a fertile field in which our Government should take some more direct initiative; and the Congress has, during the last session, passed legislation which will make it possible for experts and technicians in the employ of various departments and agencies of our Government to be lent to the Governments of the American Republics, on their invitation, for such periods as their services may be found useful.

In view of the extraordinary increase in the importance of the international aspects of shipping, aviation and radio, it has been found desirable to set up in the Department of State a new Division known as the Division of International Communications, in which there are three sections dealing with these specific problems. These problems, of course, are not new to the Department of State, for we have already been handling their international aspects as they have become gradually of developing importance. The internal aspects of these matters will as heretofore be handled not by this Division but in the respective Departments and agencies of our Government which are charged under the law therewith. The Department of State has always been meticulous in not in any way interfering with or endeavoring to take over the internal aspects of any of our problems, as it believes definitely that these belong in the other statutory agencies. In order, however, that there may be uniformity of foreign policy with respect to matters of shipping, aviation and radio, it is obvious that there must be within our Government a coordinating unit in which policies may be correlated and negotiations with other countries be carried on. This then is the function of the new Division of International Communications, and I am glad to say that it is generally recognized in the Government departments and agencies particularly interested in the internal aspects of these questions that this initiative on our part will be fruitful. It has been gratifying to us in this connection to find that in setting up this new Division, it was not necessary, except for the filling of one position, to go outside of the Department for the personnel.

We have in other respects given careful thought to the organization of the Department and have made many minor changes all of which were based on the desire to coordinate and integrate the work of the Department more closely and to man our part of the Ship of State as effectively as possible toward breasting the heavy seas in which we already find ourselves and the even heavier ones which may be before us.

To our Foreign Service, which serves as the instrument abroad for the conduct of our foreign relations, we have

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given our careful thought, and we believe that the effectiveness of the organization and of the administration of the Service has been improved by the steps which have been taken. I believe that it is obvious to all of us in Government and in business and in that ever widening section of our people who realize the increasing importance of our foreign relations, that there are further steps which should be taken in the direction of strengthening our Foreign Services if we are to put our representation abroad on the really most effective basis. This is a matter which requires our most careful thought and it is being given consideration by our Government in the various Departments concerned. You may be assured that whatever steps may be taken by our Government in this direction will have for their sole purpose the increasing of the effectiveness of the conduct of our foreign relations and the strengthening of the services which our Government, through the Executive Departments and agencies, can render to our people both at home and abroad. I hope to revert at some other time to these plans for the strengthening of our Foreign Services, but cannot go into them now for it would require imposing on your patience to too great a degree.

The conduct of the foreign relations of our country is primarily the responsibility, under our Constitution and statutes, of the President and the Secretary of State. What I have said emphasizes that this responsibility, which is always a serious one, has become in the age in which we live of vital importance. I believe that we may say, with all accuracy and without any exaggeration, that at no time in our national life have our foreign relations been as fundamentally important in our internal life as they are now. We in the Department of State who serve as the instrument of the President and of our people for the conduct of these relations, including formulation of policy, are conscious of this responsibility. One of the most encouraging developments, which contributes materially in enabling us to carry this burden, has been the increasing interest of all sections of our people in our foreign relations and their more understanding knowledge of them and of their importance. The burden which the Department of State carries and will have to carry is increasing in volume steadily and I see its burden becoming in the next years constantly more serious.

In conducting our foreign relations in the interests of our Government and its people, there is, first of all, the question of the policy which we intend to follow. This basic policy has been laid down by our Government from time to time and I think is set forth most succinctly and most clearly in the statement of the Secretary of July 16, 1937. These basic principles, I think, we have no intention of changing, for we believe that they are essential in a world in which peace and order shall prevail. To recall them to you briefly, Secretary Hull advocated the maintenance of peace; abstention from the use of a policy of force and from interference in the internal affairs of other States; adjustment of problems of international relations by processes of peaceful negotiation and agreement; observance of the sanctity of treaties and international agreements; mutual respect for sovereign national rights; the limitation and progressive reduction of national armaments; the lowering

or removal of barriers to international trade according to effective equality of commercial opportunity and application of the principle of equality of commercial treatment. The Secretary called upon every nation to be prepared to engage in cooperative effort by peaceful and practical means in support of these principles.

We have been giving thought to the questions involved in the actual formulation of policy. Although the President and the Secretary of State are the officials in whom, under our Constitution and statutes, the formulation of policy is placed, I think I need not say to this audience that the national policy in the field of international relationships must be the expression of the general interest of all of our people. There can, I believe, be no difference of opinion on the point that the function of the conducting of our foreign relations to be effective must be a function of one central agency. The formulation of policy itself is not the concern of one Department alone and we definitely recognize that fact. Questions of national policy, as I have just pointed out, the basic principles of our foreign policy, are a matter of concern to all of our people, for in these the peace, happiness and security of all of us are at stake. In the coordination and formulation of foreign policy, practically every department and agency of our Government is interested as representing certain phases of our national life or certain groups of our population. It has, therefore, been the constant effort of the Department of State in recent years to strengthen its contact with the other departments and agencies of our Government in order that through this close contact there may be that coordination in the formulation of policy which is vital in the public interest. In this respect, I believe very real progress has been made.

In line with this policy and the explanation of its formulation that I have given, I wish to point out the considered and long followed practice of this Government to support every serious effort toward the amicable and peaceful settlement of disputes arising between the nations of the world. There is no finer recent example of such peaceful settlement than the Chaco boundary dispute which has been successfully terminated in the last few days. I think the world may justly be greatly gratified over this settlement. You will recall that at the present time the United States is also represented in the Commission which is endeavoring to settle peacefully the Honduran-Nicaraguan dispute over a joint boundary. Likewise it is the intention of the Department of State that we shall not overlook any opportunity to favor the amicable adjustment of differences between the nations, whatever the causes of the disputes.

During the centuries, with the increase in the communications between the States and the consequent increase in the movement of persons and goods, there has been built up a body of public and private international law and practice under which mutually advantageous relationships could develop and under which private initiative could flourish in the confidence that once established it would enjoy certain guaranteed rights and privileges. There have been built up certain principles of law and order and of international practice which were

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generally recognized in civilized States and this provided the indispensable basis for the development of those international relationships, private and public, out of which there arose unquestionably so much that contributed to the welfare of the people in all States. We are now living in a different world -- one in which, at present, law and order and the given word seem in some quarters to be rather lightly regarded. A few years ago, and perhaps even a few months ago, it would have been impossible to visualize the extent to which that body of international law and international practice has temporarily ceased to function.

We have become accustomed to hear and read so many startling things, in recent years, that a general statement such as the foregoing no longer leaves with us the realistic implication which it actually possesses. It is well for us to realize now that in so far as nations disregard their pledged word and the heretofore universally accepted practices, and if they come to accept force as the principal instrument on which policy is based, it will be quite natural that individuals follow this lead. We have seen in recent years and months how such a change in international relationships will work out in practice and that personal rights and the rights of business and property will be more and more disregarded and subordinated to the will of individual leaders or nations for expansion and for domination. To a group of business men who have to deal with these problems in every part of the world, it is not necessary for me to particularize to make clear that this is a real problem and that it is highly important to you and to all of us in its effect upon the decisions which we have to reach almost every day.

We are living in a world in which a country such as ours, firmly dedicated to the maintenance of certain principles in its practice among its own people and in the practice of its foreign relations, is obliged to face problems in the conduct of its relations with other States which up to a few years ago it would have considered altogether fantastic. Just as we have to meet these new problems in our major relationships with States, so the individual and the business organizations will find the same questions to be met in the relationships they have heretofore maintained beyond our frontiers. We must face these conditions in a very realistic fashion and, as the result of day-to-day developments in so many parts of the world, it would take a blind optimist, one who disregards all facts and the evidence of his senses and experience, to believe that we are not moving into a position where both our relations with other countries and the relations of other countries with their neighbors will become very much more complex and, in practically every way, very much more burdensome. To put it baldly, the risks and uncertainties in international intercourse and business have become immensely greater. This development in the international situation is one which affects every one of us, no matter what his occupation or pursuits may be.

I have already referred to those who, doubtless in the hope that in some way it would keep us at peace, advocate a policy of isolation, and who either neglect or refuse to recognize the effect that such a policy would have on our economic structure. They forget that we are a

part of this world and, whether we wish it or not, must be of it. They forget the evidence which comes to them every day of the repercussions which events beyond our frontiers have on our individual lives in this country. I believe that it is time that we face the facts and realize that there is no country so great, so strong and so self-contained that in this modern world it can live unto itself to such a degree as not to be vitally affected by events beyond its frontiers.

The President, the Secretary of State and other responsible officers of our Government have not failed during the last few years to emphasize the attachment of this country and its people to the established principles of international law and order and of international practice and, while we intend to stand firmly on these principles, it is well for us to realize that even the degree to which we may be able to maintain these principles within our borders will be influenced by events beyond our frontiers. The high standard of living which we have been able to bring about for a good part of our population in this country, and the efforts which we are making to bring about nation-wide opportunity for decent living, are bound to be adversely affected by the absence of law and order elsewhere, or if force be substituted for the principles of international law and international cooperation in other parts of the world, remote as they may seem from us. There is, I should like to emphasize, no phase of our business, economic, social, cultural and political life which will not be affected in a greater or less degree by events beyond our frontiers. These are facts which we cannot escape and we will do well to recognize them in time.

It is a necessary corollary of the foregoing that if we are to have a world in which we can no longer count on the common acceptance of certain principles of action between States and individuals, our foreign relations are going to be very much more perplexing and we are going to have increasingly difficult problems. We must be prepared to protect our interests whenever they may be attacked as the result of adoption by any States of policies based on force or coercion, or of endeavors to propagate their ideas beyond their borders, not only with the end of making them prevail, but with the intent to achieve their objectives regardless of the rights and interests of other States. In other words, the relations of this country with other countries in these circumstances will take on a new and a greatly more complicated character and become infinitely more difficult to handle. Our position abroad and at home will depend upon the measure of our success in maintaining and -- so far as we can exercise influence -- in restoring general faith in those principles which we believe should still control in the major relations between States and individuals.

This is a very plain statement of the facts; but for us in this country recognition of these facts has, I believe, become a matter of national necessity. Certainly, those of us in this country who are supposed to be thoughtful and therefore able to look forward to tomorrow -- and this includes you, the leaders of business -- must give thought to these fundamental factors which have arisen in our national and international life.

I would like before I close to mention again that in times of peace the Department of State is the instrument of our Government through which we endeavor to maintain friendly relations with other States and to conduct that day-to-day public business which arises through the relationships which a country and people such as ours are bound to have in every near and distant portion of the world. It is through this Department that we carry on our conversations with other Governments on all the subjects of common interest. It is through its Foreign Service that we maintain contact with foreign governments and peoples and it is this Foreign Service which interprets our national opinions and our national life to other governments and peoples and in turn endeavors to interpret their views and life to us. It is this Department and its Foreign Service which are charged with protecting the wide interests of every variety which our people have in every part of the world. No country can, merely through its own will for peace, remain at peace. In this modern world in which we live -- which is unfortunately a world of conflict and of deeply opposed interests -- the Department of State and its Foreign Service have, therefore, as our machinery for the maintenance of peace, an importance which is often too little recognized. The Department of State is the Department of our Government which costs us the least and which in some respects carries the heaviest responsibility. Whether it works efficiently or not is a matter of primary concern of every citizen of this country. We have endeavored to meet the responsibilities which are ours, but I wish to leave with you the thought that the responsibility is one which is **shared** by every one of us, by every American citizen. That this Department, therefore, needs your moral and material support, your advice, and your suggestions is axiomatic.

I have appreciated this opportunity to have the privilege of appearing again before this group of thoughtful business men. If I have brought to you a picture of world conditions which may appear to some of you gloomy, I wish to state clearly and emphatically that I am in no sense a pessimist. I have felt it my duty to give you in all frankness my impression of the situation which this country, along with others, is obliged to face. In approaching this situation realistically, as it is the fashion of our people to do, I am sure that we shall not fail to take those steps which are necessary for the maintenance of that peace and security and opportunity for individual achievement which we all earnestly desire for the welfare and happiness of all of our people.