Berlin, Germany, November 2, 1933.

SUBJECT: With respect to possible discrimination in favor of German ships.

THE HONORABLE
THE SECRETARY OF STATE
WASHINGTON.

SIR:

I have the honor to acknowledge the receipt of the Department's telegraphic instruction of October 21, 1 p.m., to the effect that the Roosevelt Steamship Company alleges that pressure is being and has been brought to bear on German importers and exporters to confine their shipments to German ships. The Department states that it is not known whether this pressure, which it is claimed has reached the stage of intimidation, comes from official or party sources. The Department instructed me to make a discrete investigation and, if able to obtain the necessary concrete information, to take up the matter directly and informally with the appropriate authorities.

Immediately on the receipt of the Department's instruction I got in touch with Mr. Monroe, who is the general freight traffic manager for Europe of the United
United States Lines and the Baltimore Mail Line. Mr. Monroe was then absent in other parts of Europe on the business of the Roosevelt Steamship Company and was not able to come to Berlin until yesterday, when I had a long conversation with him, during which we went into every aspect of the matter. The net result of our conversation is that although we are both convinced that there is discrimination by German importers and exporters in favor of German vessels, no direct official action of a discriminatory character has been taken, and there is no adequate basis on which action could be taken by this Consulate General or by our Government at this time.

Mr. Monroe informed me that when he took up this matter with his home office in New York, he did not intend that they should take up the matter with our Government with the possibility of action by our officers abroad, as he has felt from the outset that the circumstances are such that there is no such action which we can take for the present. Mr. Monroe simply wished to inform his home office of the situation.

German importers and exporters are routing their shipments as much as possible by German ships so far as they are in a position to control who shall be the carrier. For example, Mr. Monroe has pointed out that the apple importers at Hamburg have formed an association of which all apple importers must be members. They have an agreement among themselves that the American apples
apples which they import, shall be imported only on German ships. If, therefore, the apples are shipped through New York, they are sure to come on a German ship. If they come through Baltimore, from which there is no direct German service, they still come on an American ship. Naturally, however, as many of the apple shipments to Germany as can be routed through New York, are redirected that way and therefore come on German vessels. Through this apple importers' organization the German importers are able to control the carrier. There is no formal agreement among the importers about carriers, but it is well understood that any importer who would bring apples in on other than German ships when a German ship is available, would be excluded from the organization, which would be equivalent of course to his not being able to import at all. There may be similar organizations in other lines, and there probably are, with similar understandings, but whether such organizations exist or not, they are purely voluntary, and what agreements they have are probably not in writing, at least no evidence to this effect could be presented by Mr. Monroe, and in my opinion could not be secured. The formation of such "voluntary" organizations is entirely in line with the policy of the present Government and of the National-Socialist party, and such action as routing imports, which can be controlled, by German ships is undoubtedly an expression of the will and desire of the Government and of the party, but there has not up to the present time been any indication of any laws or regulations.
regulations by the Government of a discriminatory character.

The Department is aware that as a result of the acts of the German Government and of the National-Socialist party within Germany, public opinion in various parts of the world including the United States has been aroused to a high pitch, and that this resentment has found expression in an individual boycott of German goods and of German vessels. Contrary to the opinion so commonly held in Germany, we know that there is no organized boycott against German goods or vessels in the United States and that there has been no official action of any kind in this direction. On the other hand, it is quite obvious from the falling passenger and freight lists of the German lines coming out of New York, that American shippers and travelers are favoring American and other foreign vessels as against German ones. The same action therefore which German exporters and importers are taking to divert traffic to German vessels, is being taken by American importers and exporters to divert traffic to American and non-German ships.

Mr. Monroe stated that while they had lost a very great deal of freight traffic controlled by Germans coming from American ports to Germany, they had gained a compensatory advantage in traffic from Germany and Europe to the United States, which is controlled by Americans and non-Germans and foreigners who prefer not to use German ships. I gathered from Mr. Monroe that what
his lines have lost in freight traffic by the action of German importers and exporters, they have more than gained by corresponding action on the part of Americans and others.

In other words, it would seem that the very same action which is being taken by German importers and exporters and which action the Roosevelt Steamship Company has brought to the attention of the Department, has been taken in the United States and in other countries, and that just as with us at home there has been no official action, there has been none here.

The actual effect therefore of the discriminatory practices which are at present in progress, has been, according to Mr. Monroe, on the whole in favor of the earnings of the Roosevelt Steamship Company, and I believe from my own observation, for I have not failed to give this my attention for several months, this is correct.

The Department is aware that the North German Lloyd and the Hamburg-American Line are objects of great concern to the Government. Although not supposed to receive direct subsidies from the Government, the earnings of these companies have so decreased and their business, both passenger and freight, been so seriously affected, that the situation of the companies has been very precarious. Only recently again measures of reorganization have been taken in both companies, more or less under direct control and direction of the Government in Berlin and of the new National-Socialist state governments of the free cities of
of Bremen and Hamburg. The coordination between the
North German Lloyd and the government of the free city
of Bremen is very close, and the same coordination exists
now between the Hamburg-American Line and the government
of the free city of Hamburg. These two companies have
always played an important part in the affairs of the two
cities, but now the tables are turned and the governments
of the free cities play a preponderant part in the affairs
of the two steamship companies. The principle of coordina-
tion, which is such a favorite one of the present Govern-
ment, is to be carried into effect so far as the steam-
ship lines are concerned; that is to say, the steamship
lines are to become a servant of the State and of the
party. How this is to be done I fail to understand,
and I think the shipping people themselves here do not
understand it, but they are caught in a mesh out of
which for the present they are unable to extricate them-
selves. The policy of the present Government and party
is so highly nationalistic and autarcic that there is
no question but that it is their will that German ships
shall be given every preference. They have long, however,
realized that such discriminatory practices in favor of
German lines with Government approval and authority
cannot be carried through. Their plan to favor German
ships by the exclusive use of registered marks for
passengers on German ships foundered on the rocks of
united maritime opinion in other countries, and it is
not likely that the Government would in the freight
traffic
traffic business issue any orders or instructions which would be of a discriminatory character and to which other Governments could raise objection. They have, however, found a way of doing these things through these private organizations such as the one mentioned in this despatch in the apple importing field, and this is much more effective than Governmental action and removes all possibility of representations on the ground of discrimination.

I have therefore deemed it inadvisable to take any action for the present in this matter. If we are to take it up formally or informally with the German authorities, they would state that there is no discrimination by the Government. They would state that so far as German importers and exporters are concerned they have a perfect right to route their shipments by German vessels if they so prefer, and that this is a private matter in which the Government cannot intervene. They would unquestionably point out that the same thing is being done by shippers in other countries who favor non-German ships, and that if they made representations the Government would have to give the same answer that the German Government would be obliged to make. Intimidation therefore undoubtedly does exist, for if an individual apple importer for example would wish to import via an American ship because he found it cheaper or more convenient, he would undoubtedly be excluded from the apple importers' association and put out of business,
and the party would see that he was definitely put out of business. But it would be impossible to say that this comes from official sources, for although the party is the Government and the Government is the party, the separate organizations still exist and the Government cannot disclaim any responsibility for party action. It must be noted in this connection also that the party itself would be able to disclaim responsibility for discrimination as the action is taken by so-called "voluntary" organizations in a certain trade or by the individual exporter and importer.

Mr. Monroe is in complete accord that it would not be possible for us to do anything at this time, and is writing to his principals in New York to this effect. He is recommending that the relief of the company can be found through the Shipping Conference and this is in my opinion the way in which the shipping companies will have to take action. By withdrawing from the Conference the American companies will be able to protect themselves and under the present circumstances undoubtedly take much traffic from the German lines, but this is a broad question which has many implications which the lines concerned would wish to study carefully before taking action. It would seem to me that for the present, as the discriminatory practices are entirely of a private character and are in favor on the whole of the freight revenue of the American companies, no action of any kind is necessary. This Consulate General will continue to follow
follow this matter and if there would be any developments of interest, or which would make unofficial representations of value, it shall not fail to concern itself with the situation and keep the Department appropriately informed.

Respectfully yours,

George S. Messersmith,
American Consul General.