Berlin, Germany, November 7, 1933.

SUBJECT: Further information with respect to possible discrimination in favor of German ships.

THE HONORABLE
THE SECRETARY OF STATE
WASHINGTON.

SIR:

I have the honor to refer to 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 upon German importers and exporters to confide their shipments to German ships, and to my despatch No. 1700 of November 2, 1933, informing the Department that such discrimination is undoubtedly being practiced by German importers and exporters who control their shipments so far as the carrier is concerned, but that it is not possible to find any direct evidence that discriminatory measures have been taken by the German Government or by the National-Socialist party on the basis of which representations can be made. In my despatch I pointed out that American exporters and importers who control
the carrier of their goods, are also to a certain extent instructing shipments to be sent via American or non-German bottoms. In the despatch under reference I informed the Department that on the basis of the information available and brought to the attention of the Department, it seemed inadvisable to make any formal or informal representations at the present time to the German authorities on this subject.

In this despatch I also brought out that up to the present the vessels controlled by the Roosevelt Steamship Co. had in the opinion of Mr. Monroe, the freight traffic manager of Europe for the Line, benefited more by the discriminatory measures in Europe and in the United States than they had lost. Since writing this despatch I have received the visit of Mr. Alexander C. Kerr, who is the European manager of the Southern States Line, which is owned and operated by the Lykes Bros. Ripley Steamship Co., Inc. of New Orleans. Mr. Kerr has his headquarters in Hamburg and he informs me that the Southern States Line has about six American vessels sailing from New Orleans and calling on the Le Havre - Scandinavian schedule, and about six vessels sailing from Galveston and Houston, to the same European range. Mr. Kerr states that in various places in Europe the same agent for freight purposes is used by the Roosevelt Steamship Co. as by the Southern States Line, and that in Hamburg he and Mr. Monroe are in constant
constant communication with each other. He stated that he, like Mr. Monroe, is of the opinion that our Government and its representatives in Germany cannot do anything in this matter, but that he merely wished to bring to the attention of the Consul General that in some respect the problem of the Southern States Line is different from that of the Roosevelt Steamship Co. Practically all of the vessels of the Roosevelt Steamship Co. are passenger carrying vessels as well as freight carriers, and the class of freight which the vessels of the respective lines carry differs somewhat. The vessels of the Southern States Line do not carry passengers as a business, and are therefore dependent only on their freight earnings, while practically all of the vessels of the Roosevelt Steamship Co. are freight and passenger vessels, and the discriminatory measures which are in effect have favorably affected the passenger earnings of the Roosevelt Steamship Co. He also brought out the fact that the vessels of the Southern States Line sail from the ports of New Orleans, Galveston and Houston, and bring largely cotton and raw materials to German ports, and as this is purchased by German firms the routing can be controlled by them and is being diverted very largely to German ships. He stated that while heretofore the vessels of his line carried about 45% of the cotton coming to Germany from the ports of New Orleans, Galveston and Houston, they have lately been carrying
only
only about 15%. He also pointed out that the German goods purchased in Germany by American firms which can control the carrier, are imported mostly through the ports of New York, Philadelphia, Boston and Baltimore, which are served by the vessels of the Roosevelt Steamship Co., and that these vessels therefore have a certain amount of return cargo from Germany, but that on the other hand very few of these imports from Germany are brought in through New Orleans, Galveston or Houston, and that the freight traffic of the vessels of the Southern States Line has therefore suffered in both directions. He merely wished to point out that the Southern States Line has really suffered by the discriminatory measures in effect.

Mr. Kerr, however, made it clear that he merely called at the Consulate General as he knew of the visit of Mr. Monroe and of the interest of the Consulate General in the matter, and he wished to state that for the present he saw no relief which could be given to them. While he has what he believes is ample documentary evidence that German shippers are deliberately routing their shipments by German lines only, he states that he has no evidence that this is done as a result of any action by the German Government or direct action by the National-Socialist party. I informed Mr. Kerr that the Consulate General would not fail to keep in touch with this problem and that when he had any interesting information to give us, we would appreciate hearing from him.
him further, but for the present I saw no action which we could take. He was entirely in accord with this attitude.

As I pointed out in my despatch No. 1700 under reference, the German Government and the National-Socialist party are taking a very keen interest in the German steamship lines and consider these as an important unit in the program for the development of Germany's export trade. The press contains from time to time explanatory articles on the steps which are being taken to regulate the competition between the North German Lloyd and the Hamburg-American Line, and between the ports of Bremen and Hamburg. This competition has been costing these cities and the German Government, as well as the lines, a very considerable amount of money, and the present Government is endeavoring to take all possible steps to reduce the operation costs of the lines, without affecting the competitive power of the German services vis-a-vis American and other lines.

There was an interesting article in the "Berliner Tageblatt" of November 4 which is transmitted herewith, from which the following excerpts are translated as of particular interest in connection with the discriminatory action in favor of German ships:

"The ending of the useless competition between Hamburg and Bremen, has, as has already been shown in previous articles, not only primary significance in the reorganization process which is going on in the German shipping companies, but it is just as important in the German harbor policy. Through the equalization of different rate regulations, equal lowering of the dock charges, and through the projected establishment of cooperative harbor
"harbor control, the importance of harbor policy in connection with the general shipping problem has been clearly brought out."

After discussing briefly then the importance of a common and definite policy in shipping in order to strengthen the German lines and the German ports in their competition with foreign lines and foreign ports, the writer goes on to say:

"One of the basic principles that emphasizes the close connection between the interests of our harbors with shipping itself, has been brought out in the Bama cities through the slogan: GERMAN GOODS ON GERMAN SHIPS THROUGH GERMAN HARBORS. This slogan has naturally a justified, basic reason. Complaint was made in a meeting of "The Honest Business Man" in Hamburg that the greater part of the deliveries to Russia from German steel and machinery concerns was being forwarded by foreign shipping lines, and one must admit that such shipments should be forwarded only on German vessels and via German harbors. This naturally is not to be taken to mean that the use of such German vessels is to be forced on shippers in any way. This would only lead to retaliatory measures on the part of other countries and might result in German lines carrying less foreign goods, and probably even in a boycott of German harbors. Every German shipper, however, and every exporting industry should be aware of the fact that the prefering of German ships and the forwarding through German harbors is the duty of every German in the interest of national economy. Its fulfillment is of special importance today on account of national social and maritime politics."

Since addressing my despatch No. 1700 under reference to the Department, I have gone into this matter further and I can find no evidence that the Government and the National-Socialist party have taken any direct action on which official or unofficial representations could be made on the basis of discrimination. As brought out in the above translation, the harbor and shipping authorities
authorities as well as the party and Governmental officials are aware that any such discriminatory measures on their part would result in retaliatory action in other countries. They are therefore avoiding any direct action on which representations could be made. On the other hand, as I have already pointed out, German shippers are definitely discriminating in favor of German bottoms and there is no question but that this action is approved of by the German Government and the National-Socialist party and is in fact a Government and party policy. The new situation in Germany, however, is such that any policy which the Government desires carried through, can be put into effect by various forms of pressure, intimidation and intimidation, without any legal background or basis.

I do not see, however, that for the present we are in any position to take any measures against this discrimination through official or unofficial representations. It will I believe be necessary for our Government and for our shipping interests to await developments in the German situation, and if the discrimination at present practiced will continue and become a definite policy, the only recourse for our Government and for our shipping interests will be to strengthen discriminatory action on our part. I am of the opinion that when we take indirectly the definite action which seems to be now taken here, the German interests will suffer more than our own, and this will be the most definite and effective way of bringing about an appeasement of
the situation. The attitude of the present German Government and of the National-Socialist party is to endeavor to get away in this field with everything possible and the majority of those who are at present determining policy in Germany are young and inexperienced people who do not fully consider the results of retaliatory action and similar measures in other countries. These young men feel themselves full of power within the country and are full of ideas and highly nationalistic. They do not realize that they cannot impose their will beyond the borders of Germany and that the same measures which they are using can be used in other countries in retaliation. As the situation for the present is so unsettled in Germany it is a question whether the moment has yet arrived to use in this as in certain other matters definite retaliatory measures, but after the exercise of some more patience by our Government and by our interests which are affected, the question will definitely arise as to whether we shall not have to use the same instruments which they are using, and this will be the only language and the only type of measure that those at present in control of Germany's economic actions, understand.

Respectfully yours,

George S. Messersmith,
American Consul General.

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