June 9, 1938.

The Secretary

The Under Secretary

Senate Bill 988 introduced and sponsored by Senator Copeland, after being passed by the Senate months ago, was referred to the House Committee on Interstate and Foreign Commerce which reported it out unanimously with certain amendments. The House a few days ago passed the bill with certain amendments, to which the Senate later concurred. The bill will, therefore, shortly go to the President for his approval or disapproval.

This bill reenacts the statute providing for the Foreign Commerce Service of the Department of Commerce. The principal feature is the enactment of a retirement plan for Foreign Commerce Service officers identical with that now in existence for the Foreign Service officers of State. In connection with this bill the President will undoubtedly wish to note the following:

1. The bill provides for a retirement plan for the officers of the Foreign Commerce Service identical with that for the Foreign Service of State. The Foreign Service retirement fund for the officers of the Department of State is known to be unsound financially and in reality in an insolvent condition. With the knowledge of the House Subcommittee on Appropriations, the Department of State, with the assistance
assistance of the office of the Budget, has been studying legislation which has for its object the putting of this retirement fund for the Foreign Service of State on a sound financial basis and this legislation is just about to receive the final approval of the office of the Budget which has been most helpful in its collaboration. The actuaries of the Treasury, of the Civil Service Commission and of the office of the Budget have given careful study to this matter which is basically so important, but with the best efforts of all it was impossible to get this legislation in proper form so as to present it before the end of the present Congress. This bill to put the retirement fund of State on a sound financial basis will be presented to the next Congress immediately it convenes and will undoubtedly be enacted.

The Foreign Commerce Service bill which will be presented to the President shortly for approval or disapproval will, therefore, merely enact into being a retirement fund for the officers of the Foreign Service of Commerce which is insolvent from the outset and new legislation for it would be necessary immediately when the next Congress convenes. It is hardly conceivable that the arrangements for the carrying through of the retirement fund under the proposed bill would be made before they would have to be made all over again.

2. Section 2 (b) of this bill enlarges the scope of the activities of Foreign Commerce officers to include "economic" matters by the addition of this word. Because of the indefinable distinction between economic and political matters, this basic change in the legislation may be construed by some Commerce officers in the field and in Washington as a direct invitation to Foreign Commerce officers to engage in political reporting and thereby further confuse the situation in the field and add to the difficulties of coordinating the activities of State and Commerce. In a conversation which I had with Secretary Roper in April on other matters, I mentioned the addition of this word in the bill and he said he had no knowledge of this. After consulting with some of his associates, he informed me that the word had not been inserted on their initiative and that they saw no necessity for it. He said he would give instructions that
that the Committee on Interstate and Foreign Commerce of the House be asked to eliminate this word. The word remains in the bill as passed.

3. Section 3 (e) of the bill would give Foreign Commerce officers in the salary range $4,000 to $6,000 automatic promotions of $200 annually, whereas in the Foreign Service of the State Department these $200 promotions start only with the maximum salary of $6,000.

In view of the fact that the Foreign Service of State is in reality on a career basis and is in every respect a career service and carries very much wider responsibilities in every way than the Foreign Commerce Service, this bill provides for a group of the officers of Commerce considerably increased advantages over those of the Department of State. Such a distinction is, I believe, as difficult to understand as it is difficult to justify.

The Department of State has no basic objection to the officers of the Foreign Service of Commerce being provided a retirement fund. It believes, however, that such a retirement fund can only be properly granted to a service of our Government which is on a really career basis and administered as such. In the amendment which had been prepared for submission to the Congress, and which I think the President has seen, and which provided for the incorporation of the Foreign Commerce Service into that of State, provision was made naturally for the extension of the retirement features for the Foreign Service of State to such officers of Commerce incorporated into the State Department Foreign Service. This Department, however, can see no advantage to be gained by legislating into effect a retirement fund for the Foreign Service of Commerce which is insolvent at the outset and
which would have to be revised at the beginning of the next session of Congress. There is no indication that the facts concerning the present insolvency of the retirement fund of the Foreign Service of State were presented to the Committees of the Senate and House which considered this bill now before the President although the facts must have been known to those appearing before the Committees during the hearings.

I am informed by Assistant Secretary Patterson of Commerce that the House Committee on Interstate and Foreign Commerce was made aware of their desire to have the word "economic" eliminated from the bill, but that the word was left therein nevertheless. The inclusion of this word, which broadens the scope of the activities of Foreign Commerce officers, is not necessary as the present language of the statute, providing for commercial and industrial reporting is adequate. The inclusion of the word can only accentuate difficulties already existing in the field between officers of State and Commerce as it is a direct encouragement to further duplication and overlapping of activity.

Section 3 (e) of the bill, which gives some of the officers of the Foreign Commerce Service a better salary status than those of State, is from every point of view highly objectionable and dangerous to morale. It is well known that the officers of the Foreign Service of State by statute are the only representative officers of our Government abroad while those of Commerce specifically under the
statute do not have any representative capacity. The duties of our officers of State are varied and heavy and their position carries financial and other responsibilities far wider and heavier than those of Commerce. It is, therefore, not only unjust but obnoxious that such a differentiation should be made in this particular category and the effect of it can only be unfavorable on morale.

It should be noted that, although this bill now to be presented to the President very definitely affects the conduct of our foreign relations as the Foreign Service officers of Commerce operate in the foreign field, the bill was not in any way referred to or brought to the attention of this Department by the Department of Commerce or by the Senate and House Committees which considered it for any comment.

In view of the fact that this bill, therefore, enacts a retirement fund for Foreign Commerce officers which will have to be changed at the beginning of the next session of Congress and in view of the fact that plans are under consideration for the unification and simplification of our foreign representation which may involve the incorporation of the Foreign Commerce Service into that of State, there would seem to be no reason whatever for the enactment of this legislation at this time.

There is much reason to believe that it is the considered opinion of responsible persons in State, Commerce and
and other Executive Departments of our Government, as well as of the great majority of the officers in the Foreign Services of State and Commerce, and of the thoughtful and objective persons in business, finance and interested circles in this country that we can never have the most effective conduct of our foreign relations and representation abroad until we have more unified representation — this involving as a primary element the incorporation of the Foreign Service of Commerce into that of State. Experience has shown that measures such as the Coordination Agreement and others are half-way measures and that there is only one solution — unification of our Foreign Services into one Service under the direction and control of the Executive Department entrusted with the conduct of our foreign relations, the Department of State.

G. S. Messersmith.