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ADDRESS DELIVERED BY THE HONORABLE GEORGE S. MESSERSMITH, ASSISTANT SECRETARY OF STATE, AT THE ANNUAL DINNER OF THE AMERICAN MERCHANT MARINE CONFERENCE IN BALTIMORE, ON SEPTEMBER 20, 1938

The Department of State and The American Merchant Marine

In a long association with American shipping during a period of 25 years' service with the Department of State in the foreign field and at home, this is my first opportunity to meet the one principal national organization in this country which speaks for American shipping. When I entered the Foreign Service in 1914, no such national body as yours existed in this country. In fact, we had practically no foreign-going American ships. The tide of American shipping had reached, after so glorious a past, its lowest ebb; the need for American ships in the foreign trade and the need for a national movement to create and sustain such ships had reached its highest point. It gives me, therefore, great pleasure to pay my personal tribute to your organization that has played so important a part in the development of American shipping and in again putting our ships in foreign trade routes.

Because of the present leadership and the potential influence of your organization, I propose to lay before you this evening a few of the observations which are the result of this practical experience with American shipping in the field. I have been at the receiving end of American shipping during the period of the widest and wildest fluctuations in

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the political and commercial status of world shipping. During the war period, I was stationed at Curaçao, one of the great crossroads of world shipping. Almost immediately following the Armistice, I was assigned to Antwerp and there witnessed both the peak of the post-war shipping boom and the effect of its collapse upon one of the most sensitive tonnage markets in the world. In 1928, I assumed my duties at Buenos Aires and witnessed the almost hopeless position of American shipping in competition with European shipping on the River Plate. I need not tell you that as a result of this experience and out of my association with the Foreign Service during this long period, I have a very active personal and professional interest in shipping and in the rehabilitation of American shipping in world trade routes.

While I have chosen as my subject for this evening, "The Department of State and the American Merchant Marine", you will understand that it will be possible for me only in very brief and broad lines to sketch the continued interest which this Department and its Foreign Service have had in the problems of our merchant marine. Immediately after the organization of our Government under the Constitution, the Department of State was set up and began to send out consuls to the principal seaports and trade centers of the world. For a small nation just beginning its national life, we had a relatively important merchant marine. It was, therefore, natural that we should proceed from the very beginnings of our Government with the appointment of consuls, one of whose initial functions was the protection and the development of our trade and shipping abroad. Although the activities of the Foreign Service of the Department of State have developed so as to cover a very wide field, representing every interest which our people have in situations abroad, the interests of the American Merchant Marine have remained one of the primary preoccupations of the Department of State and its field services.

I need not tell you who are so intimately connected in your daily life with the movements of ships that we still maintain consuls in every great seaport and trading center abroad, as well as in many remote ports, where they are daily performing useful services. You know what these establishments mean to our ships and to our seamen who visit these ports and who have to call upon our officers for statutory and voluntary services. Perhaps I should also emphasize that these ships mean a great deal to our officers at outlying ports. I recall very vividly that, during the more than two years that I was stationed in Curaçao, the only really edible meat that appeared on our table was that which was brought to us by the American ships calling periodically and which the Master usually brought to our house under his arm and later shared at table. I can still recall that when a four-master came into port and the Master made us a present of a huge hunk of salt horse, it was a high holiday. I should like to take this opportunity to stress this evening that, although the services which our Foreign Service officers perform for shipping and trade have, through the increasing complexity of modern life, become only one of the many things which they have to do, these services still remain at many of our establishments a principal preoccupation. What is even more important and not generally understood is that, through

the increasing restrictions and controls upon trade and the nationalistic tendencies in shipping, the keeping open of the channels of trade for our goods and ships forms a very important part of the work of our embassies and legations in capitals. The maintenance of peace and of friendly relations is a primary function of the Department of State as the instrument for the conduct of our foreign relations and it is on the maintenance of these relations that international travel depends. That, in some respects, is as important for the merchant marine as cargo.

I know, therefore, you will understand that I have not been presumptuous in linking so closely this evening the Department of State and the American Merchant Marine. Your problems are our problems today as they have been since the inception of our Government. There are other departments and agencies of our Government which in this country have a more primary connection with the merchant marine. These departments and agencies have to do principally with such important aspects as controls, regulation and maintenance. We have to do with the keeping open of the avenues of trade and with finding and expanding foreign markets and protecting the interests of our trade and shipping abroad. I may take this opportunity to remind you that those of you who are interested more particularly in the coastwise trade of this country have just as much interest in the work which the Department of State and its Foreign Service are doing for our merchant marine as those of you who are particularly interested in our foreign trade routes. I need not remind you that the volume and the field covered by our foreign trade will determine to a considerable extent the volume of cargo for our coastwise trade. As our foreign trade shrinks, the coastwise trade has invariably shrunk in proportion.

It would be carrying coals to Newcastle to embark upon a discussion before this assembly of political and economic cause and effect upon the fortunes of American shipping during the past 20 years. I shall confine myself in this respect to a few general observations and to their relationship to the work of the Department of State. These observations will have to do first with the reaction of the Foreign Service to the achievements of American shipping, second the effects of nationalistic policies on the maritime nations, and third the national evolution of shipping in the international communications system.

I am fully aware that most public utterances in regard to American shipping in this ccuutry, and particularly with reference to its future in the foreign field, are of a pessimistic nature and stress our lack of ships, the timidity of private capital in providing these ships and with the indictment of the luckless shipper or traveler who does not let his patriotism run away with his mathematics in the use of national flag ships. I am aware that from time to time our Foreign Service officers have found it useful to offer constructive criticism of American ships in the foreign trade when the inadequacy of service or the conduct of those ships brought criticism upon all American shipping. But the fact remains that the American Merchant Marine is still the world's second shipping establishment by water and that the foreign traffic of the United States ranks second in world volume. And it is also a fact that 25 years

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ago the American commercial fleet was carrying only about 10 percent of our foreign trade while today it carries 35 percent. The achieving of a 25 percent gain in foreign traffic on American ships in 25 years and during a period of the worst depression ever experienced in the sea trades, is an accomplishment of which I feel we may be justly proud. I know of no maritime nation which can point to a similar accomplishment under such circumstances.

I am fully aware that the greater part of our national commercial fleet is not engaged in the overseas services, but this does not in any way reduce the value of our shipping establishment as a national asset. Our coastwise and intercoastal trade is a seagoing traffic as important, as great, and as substantial as the traffic on the sea in any part of the world, and the domestic fleet has been, and perhaps is and will remain, the backbone of our shipping establishment. No greater evidence of this may be pointed out than the fact that the new passenger and cargo service from New York to the East coast of South America is to be established with ships which have been engaged in the intercoastal trade of this country for some years.

No matter how great a commercial fleet may be or how vast a reservoir a domestic fleet engaged in a protected trade may be, it is a fact that no national commercial fleet can plunge into the overseas trade from a spring board. Adjustment of a new national commercial fleet into the internationally competitive tonnage market and trades without upsetting the delicate balance between available ship tonnage and volume of traffic in the sea trades, requires the most adroit management. I believe that, when we take all these disabilities into consideration, we have certain cause to feel optimistic over the up-to-now achievement of our foreign-going vessels.

A second observation, however, leads to a more pessimistic note. I refer to the increasingly nationalistic policies of maritime nations generally and to the danger which lies in a current school of thought that is impatient of natural evolution and which believes that a healthy national shipping development may be brought about solely by Government edict.

Shipping is largely an international business and an international business cannot be made a monopoly through Government edict. Governments can establish absolute control over such an industry only so far as their own nationals are concerned. Hence the international character of the shipping industry becomes subjected to national legislative definition, and subject to regulation by each nation covering the ships under its sovereignty. Thus nationality determines so largely the political and economic conditions under which a ship operates. A shipowner may have certain positive national advantages over the ships of many other nations, but he will still invariably find ships of some nationalities which enjoy advantages which are not his and which no national legislation in his own country can give him. In their simplest form such disabilities are of an operative nature and have to be equalized between nations through commercial treaties, through parallel legislation, or through subsidies after the manner of an inverted tariff.

While these disabilities in their simplest formsare of easy solution internationally, deliberate preferences by a nation in favor of its national ships or against foreign ships are not so simple of solution. It is in this field that the Department of State faces its most intricate problems in regard to shipping and frequently finds itself both without legal bases or without bargaining power to provide relief for American ships. In our day preferential treatment, trade monopolies, discriminatory practices, and other restrictive measures spring up continually and no sooner is one such ghost laid than another appears.

Since the World War we have had to face this spirit of intense nationalism that has prevailed in the relations existing between many Governments and their national shipping. This spirit has so stimulated the principle of Government aid to national fleets that Government encouragement of shipping is rapidly taking on the character of an international poker game in subsidies. But before either condemning or defending this spirit and the principle, I believe we should seek a rational explanation of its cause. To me the economic cause of post-war inability of shipping to reestablish itself in world trades without Government aid is that for nearly a quarter of a century world economic conditions have been fundamentally upset, perhaps in many cases largely by the acts of Governments. Shipping, during the war period, was demoralized and disrupted by a serious loss in tonnage and was operating largely under centralized Government control. Upon attempting to establish normal trade relations, the shipping industry faced at the same time a lack of modern tonnage and increased demand for service--a condition which may be translated into prohibitive capital costs. Recent years of depression have constricted the industry and have impeded the natural processes of adjustment of its problems in the way of normal activity.

In addition to economic upheaval which was so severely felt by the shipping industry, there was the changed face of the world in the way of new political divisions, in new governments, and in new official regulations affecting shipping. Nationalism in maritime countries seeking to maintain national merchant marines has inevitably led to subsidies. Experience with subsidies has brought within the sphere of Government influence the wide range of problems with which the shipping industry must be concerned.

The great changes wrought in the shipping world by the World War brought to an end many laws, agreements, and principles by which Governments aided their shipping and ship building industries. The reestablishment of such principles and the addition of new ones, the reenactment of laws and the reissue of regulations are matters which come directly within the scope of the functions of the Department of State and constitute a principal activity of that Department in those aspects of shipping matters with which we are concerned.

A third observation has to do with the natural evolution of shipping and with its position in the international communications system of the world. As I pointed out at the outset, perhaps no single factor had more to do with the appointment of American consuls to Europe 150 years ago than

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the necessity for the protection of the interests of American shipping. In no way was a ship of that period of more value than as a carrier of the mails. Negotiation of matters of business, public and private, with countries separated by water could be accomplished only by the use of ships. Even 100 years ago ships were the sole means of communication between areas separated by water. It is interesting to note that steam driven shipping, operated as a common carrier and on regular schedules, is now exactly 100 years old and had its inception in the carriage of mails. So important was this function that the first trans-Atlantic steamship under the American flag was financed by foreign funds in order that Bremen might have direct mail service with the United States.

During the past century the Department of State has witnessed commercial shipping shift from the position of the sole communication medium by sea to an entirely different status. The advent of telegraphy and transoceanic cables rapidly displaced ships as business negotiators and the recent developments in radio and aviation have so reduced time and distance that ocean mail service faces the almost certainty of decreased utility. By the end of the current year, there is reason to believe that a substantial part, if not the greater part, of international first-class mail will be carried by the air services. As an example of the development of communications, it will interest you to know that in order that the officers of the Department of State in all parts of the world may be adequately informed as to events in this country a radio news bulletin is sent them by way of Navy radio every day and is received in thirteen of our foreign missions at strategic points for further distribution by mail to our officers.

If the communications aspects of shipping as a trade negotiator have been absorbed by air and telegraphic communication, what then takes the place of the mail and business negotiating functions of shipping? We believe that the answer lies in the vastly increased world traffic in goods which should exist through the increased needs of peoples brought about by higher standards of living; in the ability of ships to carry low rate commodities at low cost; in the ability of ships to make the products of one part of the world the daily food of other parts of the world; and in the ability of ships to bring together materials, men and machines at strategic points where this combination may most efficiently create an industrial product.

But these very processes are those which basically suffered the most through newly created trade barriers, through exchange controls, through preferences of all kinds, with the net result that international trade has been hampered and hamstrung at every turn.

It is true that cargo cannot move witnout ships, but it is also true that ships cannot move without cargo and this latter, I should like to remind you, is increasingly true. Because we recognize this to be true, it is the basic problem of encouraging the flow of cargo in which the Department of State has interested itself as its contribution to the development and maintenance of our merchant marine. In thinking and planning for our merchant marine and finding

ways to promote its growth and health, we need always to be on the alert to detect the subtle and devious ways in which proposals which are in the nature of economic nationalism parade in other clothing. A ripe field for this is in the field of trade restrictions. We cannot have foreign trade unless there are ships to carry the goods -- no one will dispute that. Furthermore, we desire that these ships be American flag vessels whenever possible. But when this point is used to support proposals which are primarily aimed at the diversion or restricting of trade, such as those which require goods to be shipped by more costly routes or less efficient lines by penalizing the most economical handling, then the proposition becomes just one more of the artificial barriers which are the very essence of economic nationalism. It is just such practices by foreign nations to which we object.

In no respect is this more clear than when we consider, from the point of view of those interested in the merchant marine, the policy of this Government in its attack upon excessive trade barriers through the reciprocal trade agreements program upon which this Government has embarked. This is in many respects the most important single, constructive program to bring back order in this chaotic world. It is too easy to go astray with the idea that since this is called a tariff bargaining program, we ought to bargain some special treatment for our shipping. A parallel idea can easily be raised in connection with many other economic interests. Our holders of foreign bonds could easily argue that we should bargain in these agreements for special treatment for them. The proponents of such ideas overlook the fundamental fact that the welfare of all these interests is based upon an adequate and profitable flow of trade back and forth. The bargaining power we have for use in negotiating these agreements is limited to the concessions we can wisely and safely make in our own tariffs and to the guarantees we can give of equal treatment -- that is, most-favored-nation treatment. All of this bargaining power is needed for use in getting the concessions we need for our export trade and for the guarantees of equal treatment and progressive removal of discriminations so that our foreign trade, both import and export, can move more freely, keep going the wheels of industry, and provide the cargoes necessary to keep our vessels moving. We cannot afford to divert this bargaining power and effort in other and special channels. If we did so, a double loss would result: first, dissipation of our bargaining power into side issues, and, second, the setting up of new special and restrictive arrangements when the essential need is to break down the existing excessive array of trade barriers.

In conception and in administration, the reciprocal trade agreements program has kept closely to this basic consideration. All efforts to use it for special or sectional aims have been successfully resisted. It has been kept to the main issue which is the reciprocal reduction of excessive trade barriers and a persistent bearing down upon all forms of special preferential and bilateral trade agreements between nations to the end that private initiative, released from excessive and discriminatory restraints, may be more effectively applied to restoring the volume and value of our foreign trade on a sound and profitable economic basis.

I have taken so much of your time this evening to refer to the trade agreements program because it is becoming generally understood in this country that it is the most constructive movement anywhere in the world today to bring order into trade, to free it from the severe restraints from which it is suffering, and to increase that flow of goods between countries which is essential for domestic and international health. This program was initiated by this Government and has been carried forward under the leadership of Secretary Hull with such energy that it has made real progress in spite of the considerable obstacles it has to meet on every hand. The developments have been such that most of the skeptics have become convinced. What I have wished to emphasize this evening is that, in carrying through this program, every single factor which must be considered in a trade agreement is carefully weighed; every point is considered so that no national interest may be sacrificed. In the deliberations of the Government the welfare and interests of every part of our population are kept in mind. This program is of primary interest, therefore, to such of our people as you for it is basically designed to increase the mutual flow of trade which provides the cargo for ships and without which no subsidies, no private initiative, no ingenuity in maritime circles can be effective. I have wanted to make it clear to you that the State Department and its Foreign Service have maintained this traditional interest in our merchant marine in even an intensified form justified by the world conditions which we have to face.

While the Department of State has occupied itself in recent years and now with this problem of increasing international trade as a measure of peace and as a direct benefit to shipping, it has for many years carried on a campaign for the reestablishment of uniformity in the laws of nations by constructive developments in the field of international law affecting shipping. We all know the advantage which has accrued to our large country through the uniform laws and regulations which govern our interstate business. Uniform State statutes adopted from time to time are of immense value in defining the risks and liabilities to which domestic business is subject. The same advantages accrue to us in the international field when we know that our risks and liabilities are for practical purposes the same in Brazil as they are, for example, in India.

Uniformity means a good deal more than nondiscrimination. For more than one hundred years it has been the sustained policy of our Government in international commercial matters to treat all foreign nationals alike and to insist that they in turn treat us as well as they treat third countries. We are now becoming more and more interested in obtaining uniform treatment throughout the world to free business from the necessity of struggling under 50 or 60 codes of law and regulations which may and do change almost over night.

We not only desire to trade with other nations and to have them trade with us, but we also desire that, when our citizens are sued, either here or abroad, or are forced to bring suit to enforce their legal rights, those rights shall not be uncertain and wholly dependent upon the court before which the suit is brought. We desire that there shall be as far as it is attainable uniformity in commercial practice and law among the nations as an indispensable

adjunct to the free flow of trade.

You will note that our cooperation with other countries along these lines, with particular reference to maritime matters, has brought about the adoption of the International Sanitary Convention, the International Salvage Convention, the Safety of Life at Sea Convention, the Bills of Lading Convention, and the International Load Line Conventions. Within the past year it has brought about the adoption of a number of conventions providing for better working conditions among seamen. Such measures make for competitive equality between the vessels of all countries and this is a primary concern of the Department of State.

Bringing the seven seas under a uniform admiralty law for commercial ships is to some extent international legislation by common consent. It is the constant endeavor of the Department of State to promote this principle.

The Department's traditional functions in the protection and expansion of American shipping have recently undergone an overhauling in themselves and have been realigned with the communications functions of telecommunications, radio and aviation. On August 19, 1938, the Secretary of State announced the last important change in a program for the strengthening of the internal organization of the Department of State through the establishment of a Division of International Communications. This is the most recent of a number of changes in the internal organization of the Department during the past eighteen months, all of which were made after careful studies of the increasing demands on the Department which have come not only from greatly increased volume of work but from the expansion in the character and complexity of the responsibilities and functions involved in the conduct of our foreign relations.

The establishment of the Division of International Communications is in some respects one of the most important steps which the Department of State has undertaken in recent years to strengthen its internal organization. The international aspects of problems connected with radio, cable, telegraph and telephone, aviation and shipping have developed in importance at an extraordinary rate during recent years and what has been done in the Department is to centralize these activities, heretofore scattered in several divisions, and to establish a unified policy in the handling thereof. We have not brought in new personnel but have brought into this Division the Department's corps of experts heretofore occupied with these problems.

One of the sections of this Division is devoted to shipping and the Division as a whole is charged with the initiation of policy action of the Department and with the elaboration and carrying into effect of comprehensive and coordinated programs of activities in the international aspects of communications; with assisting in the preparation and interpretation of treaties in the respective fields; with the drafting of correspondence with foreign governments and our diplomatic and consular officers abroad. It is charged with the maintenance of liaison with other Government departments and agencies in international communication matters.

The Division will fill a great need which has been definitely felt for a coordinating center and integrating unit for other executive departments and agencies of our

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Government directly concerned with the internal aspects of communications. It will serve as a close liaison within the Government with the Coast Guard of the Treasury, with the War, Navy and Commerce Departments, with the Federal Communications Commission, the Maritime Commission and the newly created Civil Aeronautics Authority.

I should like to point out that the establishment of the new Division does not give to the Department of State any new functions nor in any way involves our participation in the internal aspects of communication matters. The traditional attitude of the Department is that the internal aspects of communication problems, as others, are the sole field of other departments and agencies. On the other hand, we feel very definitely that, in the interests of our people, the conduct of our foreign relations, our contact with other States, and all other things affecting our foreign policy and relations with other States, are the primary responsibility of the Department of State. I believe that all responsible officers of all departments and agencies of our Government realize the necessity of our Government having only one policy-formulating organ and only one organ conducting our relations with other States and that this, under our Constitution and statutes, must be the Department of State.

Although there can only be one Department of our Government formulating foreign policy and only one Department conducting foreign relations, we realize that our foreign policy is a matter of specific and primary interest to many departments and agencies. It is clear, therefore, that, while the Department of State considers itself as the agent of the President, the policy-forming organ of our Government, it realizes that policy-making is a coordinating process in which other departments and agencies are properly vitally interested. This applies specifically to questions involved in the formulation of policy on the international aspects of communications, including shipping, and you may be sure, therefore, that the Department of State remains in constant contact with the other departments and agencies interested in the promotion of our maritime interests and wishes to maintain close liaison with those private agencies and organizations in this country in that field.

Before I close, Mr. Chairman, I wish to pay tribute to you and to your colleagues of the Maritime Commission for your consistent cooperation in matters affecting shipping. That we may have been able to cooperate with you particularly in the establishment of the new passenger and cargo service to the East coast of South America has given particular gratification to me since I have long realized the inadequacy of American ships in the service to the East coast of South America, particularly with respect to the passenger service offered as compared with that offered by other nations. When the ship Brazil of the new line departs on its first voyage on October 8, it will carry with yours, the hopes and aspirations of the Department of State that it will serve as an instrument for promoting even closer relations than now exist with our good neighbors among the South American Republics.

It has been impossible, of course, to cover adequately the ambitious subject which I have given to the remarks I have been privileged to make to you this evening. I did wish to tell you in at least some measure how deeply the problems of our merchant marine interest the Department of State and to give you a few concrete indications of how it and its Foreign Service are daily occupied with these problems. We may not have been able to accomplish all that we have desired and that you may have wished, but, as the instrument of our Government which has to deal with other nations in matters affecting our trade and shipping, we want you to know that we have not been unmindful of our task. Through the many things we do every day here and abroad, and particularly through the trade agreements program we are so actively pursuing, we believe that we have not entirely failed you and our people. It has given me a great deal of pleasure to have the opportunity to be with you this evening and I hope that it may stimulate contact between our maritime interests and the Department of State in matters affecting the international aspects of shipping.