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ADDRESS BY THE HONORABLE GEORGE S. MESSERSMITH,
AMERICAN AMBASSADOR TO MEXICO, AT THE "AMERICAS
SESSION" (LUNCHEON) ON TUESDAY, OCTOBER 10, 1944,
AT 12:15 P.M. IN THE HOTEL PENNSYLVANIA, NEW YORK
CITY.

I shall not take up any of the time allotted me to endeavor to say to you with what profound satisfaction and pleasure I find myself able to participate in this Annual Meeting of the National Foreign Trade Council and to speak to you today. I have followed the constructive work of the Council during so many years and I am happy to count so many of the members from all over the country as among my very good friends. I have felt myself in so many ways intimately bound up with the work which you are doing and with the interests which absorb you, that you will appreciate without many words from me the very real pleasure I have in being with you and in renewing associations and friendships, which I cherish and value.

At a time like this when we are putting forward all of our energies towards the winning of the war and at the same time giving attention to the problems which will occupy us in our own country and in all parts of the world in the political and economic field, it has been difficult indeed for me to determine what I might most usefully say. It has occurred to me, however, that although this is the Americas Session of the Council, it would be most helpful if I covered some of the broader phases of the matters to which I know you are giving so much thought - for in many respects the problems which concern us in the Americas have similar aspects in every part of the world. I shall, therefore, endeavor today to sum up in retrospect some of the factors in our national effort and economy, which bear most directly on questions of international trade; of interpreting the meaning of victory to those who are interested in carrying on the foreign commerce of our country; and finally of estimating and appraising the potentialities of the postwar world as these may relate directly to the foreign commerce of the United States.

In our eagerness to learn what the future holds, particularly at a time when, on account of the present devastating war in which we are engaged, the channels of international commerce have been almost entirely closed, blocked and very confined, we may lose sight of the progress made in previous

previous decades and may fail to evaluate fully the solid basis upon which future trading will be based. In looking back there is much that can be cited, not only to encourage those who are vitally interested in the foreign trade of the future, but much as well which indicates the main lines of the policy which we are most certainly bound to follow.

Even the limited theme which I have set for myself for these remarks is so broad, that it would be impossible in the scope of a short address to cover all the aspects of the practices established in the past, to consider the importance of the changes which have occurred under the impact of recent events, and to define their influence on future commerce. However, it is important for the business interests of our country to know how much the systems of the past will be retained, to what extent practices which have grown out of the war will be continued, and what influence these will have on our future commercial policy in carrying on trade with other countries.

The economic and commercial history of the United States is a broad and dynamic record of unprecedented achievement in which all parts of this great country have contributed their share. The industrial development which has taken place put this country in the vanguard of the nations utilizing the highest degree of knowledge and skills in all the sciences and arts which civilization has developed. We had prospered before the advent of this war because we had utilized not only our great resources but had striven for standards in manufacture which have made the products of our factories esteemed and sought for all over the world. Skills in workmanship and efficiency in organization have enabled our manufacturers not only to produce superior articles but at costs which, in spite of our high living standards, have enabled our country to compete successfully in the world's markets. Thus, the advantages of quality and costs have been steadily maintained in our manufacturing processes in the past and I see no reason to foresee that these advantages will not continue to secure for American goods a high ranking place in the markets of the world wherever the mark "made in the United States" is known.

The miracles of production which have been accomplished since the beginning of the war have set records of volume, quality and speed which have astonished the world, no less than the industrial leaders and the millions of workers who have themselves done the job. This is an important fact which must be taken into account, not only in regard to the furtherance of our domestic economy and the meeting of its expanding needs, and in the maintenance of prosperity at home, but also in relation to important developments in the international trade of the future. It is unnecessary to point out the various fields in which American "know-how" has reached unprecedented heights in accomplishing on time the vast schedules of war materials. Records have been broken in the manufacture of aircraft, naval and merchant shipping, synthetic rubber, automotive equipment, high octane gasoline, electronic apparatus, guns, and ammunition, and thousands of other articles in which the most consummate skill and manufacturing perfection have been combined to produce a quantity and quality of goods almost beyond human comprehension. This equipment was produced, of course, primarily to carry on the war; but the same industrial and engineering capacity and

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skill of the same millions of workers and other millions now serving in the armed forces will be devoted to the manufacture of even greater quantities of materials and goods for use in building of the peace and prosperity in years to come. Intensive thought and study, of course, must be given and is being given to the change-over when the nation lays down the sword and grasps again the handles of the plough. Without in any way underestimating the gravity, the breadth, and the difficulties involved in this change-over, I am not one of those who can share the pessimism which some of us seem to feel with regard to this transition period. There is no need to consider this transition period any more dangerous than that which ensued when with unprecedented success the country took over the total mobilization for war. The same genius of capital industry, science and labor, which accomplished the transition to a war economy in so marvelous a fashion, will bring about the transition to a peace economy. There would seem to be no cause to believe that our country will not find its way to peace in as magnificent and an orderly a manner as it girded itself for war, for to assume any other attitude would be to take it for granted that we have lost the capacities which our economy has so definitely demonstrated it has.

In solving the problems of our domestic economy and in this sphere of international trade, we have stored up a wealth of experience and knowledge which will steadily stimulate the processes of finding new uses and new consumers for our products. Increased efficiency in production methods and the utilization of new materials and methods of manufacture will not only create vast numbers of added customers at home but also abroad, where the quality of American goods has become increasingly known. It is probably this single fact alone, more than any other, which should convince the American exporter that the markets of the future hold potentialities of trade surpassing in volume and movement anything hitherto realized. Goods which have had a wide distribution in the past will in the near future come on the market in greater quantities and in many instances at cheaper prices - improved in quality and attractiveness through the use of new materials and superior styles. Processes developed in the laboratories of war will be applied in the manufacture of peacetime goods, designed not only for consumption in this country but for certain areas abroad where conditions of climate create demands for special goods and appliances. The intensive study which has been put into manufacturing problems to meet special needs connected with the winning of the war; the imperative necessity of applying consummate ingenuity and inventive genius in urgent cases to meet the challenge of the enemy; the clues which have been found to undeveloped technical fields and hidden processes - these are part of the heritage of the past and of the present war era which will increasingly have a far-reaching effect upon our home economy as well as upon the development of our commerce abroad.

Notwithstanding that after the war foreign countries will desire to buy vast quantities of the goods which the United States will be able to produce in unheard-of volume, there will remain the difficult problem of how we are to be paid for those goods. In the end, such payment will have to be almost wholly in the form of goods which foreign countries themselves produce; and which we in this country want and can use in exchange for the things which we wish to sell to them in order to maintain our own industrial activity and employment at the highest possible levels.

A most serious question facing this country, therefore, is whether we will let down our tariff and other barriers against the goods which we must import in order to balance our exports. Unless we, in cooperation with other nations, take vigorous action to reduce the network of trade barriers which clogged and impeded the flow of international trade in the period between the world wars, we shall again find our vast production backing up in surpluses--actual or potential--creating unemployment, reducing incomes, and forcing down our living standards as well as the living standards of other countries.

It is well for us, I believe, to endeavor to realize, and not to underestimate, the scope and grandeur of the American industrial and technical achievement as it has progressed with the nation from colonial days to the present time, ever forging ahead, assuring our prosperity and establishing the foundations of our culture and civilization. It is what we had accomplished by unremitting effort and application up to the outbreak of the war that made it possible for us to carry through the extraordinary tasks of the war and to achieve the victory. Our faith in our country's progress in the future and in our well-being could not be based upon anything more substantial than the industrial productive capacity of the nation, the vast extent of its mechanized transportation, its millions of farms with innumerable herds of live stock, and its ships travelling to the very ends of the earth. Material progress, which is vital to an enlightened way of life, is fundamental to a nation's growth and destiny. Our genius has not failed in the past. Why should we doubt that it will fail to meet the problems of the future - innumerable and difficult as they loom before us today.

The experience of the last two decades, immediately preceding the outbreak of the present war, has in particular widely increased our knowledge of the technique of carrying on international trade both in the export and import field. We have had experience with foreign markets throughout the world and we are now prepared to utilize and to capitalize that experience in building up the trade of the future. It is not, I believe, over-optimism to believe that we shall profit not only by our successes but also by our mistakes, and of these latter we must take particular account.

With the advent of the war many American firms found to their great disadvantage that they had placed their representations in the hands of individuals and entities who were in fact also the agents of enemy houses allied to economies competitive with our own and from whom only the most doubtful allegiance and cooperation could be expected. Many established lines of business previously built up with effort and expense were discontinued or disrupted, consequently such business connections throughout the world were found to be useless in many cases and resulting in losses not only of goods but of markets.

Not the least of the competition which American exporters and importers faced in the decade preceding the war arose from what we now call enemy activity, the network of German enterprises enmeshed within the framework of international cartels, and working for sinister political purposes directed by Germany. The disruption of international trade spreading over the world in the decade of the thirties kept pace with

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the growing power of the Nazi regime which, by an all-embracing control of its horde of agents, directed and instigated subversive activities in practically every country of the world. The aim of this activity was not only to hamstring the commerce of competing nations and secure direct material and financial benefit for Germany, but also under the guise of legitimate trade to further vast political and strategic plans for domination, as in the case of the operation of air-lines in certain of the Republics of South America. The enormously broad scope of the Proclaimed List published by the State Department from time to time has clearly indicated how extensively these ramifications developed, and the great familiar names in international trading circles have shown how powerful and how successful these German efforts had been. It is a debatable question still whether the machinations of the German foreign office through its official representatives abroad performed a service for Germany in foreign countries greater in importance and effectiveness than that achieved by certain powerful German firms, such as the I. G. Farben and others, which carried out effectively under the cloak of trading the world-wide plans of the German Government to aid the vast scheme of world conquest.

It is apparent still through the continued activity of German entities in certain countries, and in this Hemisphere notably in the Argentine, that the sinister fascist connections have not been wholly eradicated, and that this is a task which the United Nations in their forward march to complete victory still have to complete. Nor can we afford in this country by our willingness to make every contribution to building a permanent peace to place blindly our trust in enemies who will pretend regeneration or in those who during these crucial years have failed to cooperate with us and the other peace-loving nations of the world in this great struggle for freedom and order and decency.

Above all, it is well for those merchants who are leaders in international trade to fix their policies in their dealing abroad in harmony with the war aims of the United Nations, which are to banish aggression and to dislodge the willing tools of aggressors from all participation in international affairs. This policy should be applied by businessmen seeking connections abroad for the purchase or the sale of goods, the establishment of agencies, the appointing of representatives, in the making of investments, in the negotiation of contracts, or in undertaking any kind of business. It should at last be realized by those engaged in international trade that the building of healthy economies throughout the world depends upon the soundness of commercial practices and the willingness of traders to take cognizance of the political realities of the international situation. No system of political security, though successfully reared and established by the common efforts and good will of the great and small nations, can long endure if the very foundations of its existence are undermined by unfair and discriminatory trade practices furthered either by selfish, monopolistic international cartels, or by the machinations of would-be aggressor governments or by nationalistic regimes whose sinister aims are either to perpetuate themselves in power or to gain temporary political advantage at the expense of the common good.

We have learned much regarding the operations of autarchic policy, that system of economy by which a nation endeavors to establish self-sufficiency, taking no account of the effect of such measures on the economies of other nations. Progressively in the decade of the thirties, when Germany was preparing for war, arbitrary devices in the field of economics, one after another, were employed to build up stock-piles of material for the coming struggle. In this way the channels of commerce throughout Europe, as well as in this Hemisphere, became dislocated and trade relations between countries were impaired by the machinations of the Axis states. Exporters and importers in this country saw their trade with Germany, and with numerous other countries that had been swept into the German orbit, constantly curtailed or disadvantageously modified in accommodating themselves to the pattern set by the German authorities. Many merchants, in the hope of still being able to carry on some trade, entered into barter agreements with the Germans when commodities were involved for which Germany had an impelling need. Others, in the same vain hope, accepted the special financial arrangements decreed by the Germans involving multiple exchange restrictions, including the use of the aski mark, as well as other devices, such as import and export quotas. Those who had branch houses in what are today enemy countries saw those businesses and investments swept into the maw of the totalitarian machine. Transfers of accumulated funds were forbidden under threat of penal law. In numerous instances American firms were actually denied free disposition of their own resources within the enemy's country. In southeastern Europe where the Axis had succeeded eventually in getting a strangle hold on the economic and commercial systems of those countries, political pressure compelled these victim states to throw in their lot with the dictators in the final hazard of war.

It may be necessary from time to time for sovereign states in the public good to take measures designed to avert a national crisis or to afford some temporary relief, which measures at the same time may have unfavorable, if not disastrous, effects upon the economy and well-being of other nations. However, if world economy is to be guided by the same high principles which guide our efforts to arrive at international security and peace, such arbitrary measures on the part of any state disastrous to the economic well-being and trade of others, should be preeminently considered in that light, and a way should be found out of the difficulty which is satisfactory to all.

Arbitrary actions, such as have been mentioned, must not only be the concern of other governments whose interests are vitally affected, but of business firms as well which are engaged in international commerce, who have the right to know what purposes are being served by the decimation or loss of trade, and whether the restrictions decreed are unavoidable as a temporary means of recovery or whether they serve the sinister hidden purpose of furthering monopolies, selfish nationalistic aims or schemes leading to plans of aggression. Since the material prosperity of a nation is the basis of its power upon which even its ability to defend itself depends, it is to be expected that decisions on such issues will be jealously guarded as sovereign rights. Since this must be so, wise statesmanship will earnestly endeavor to resolve these problems not only in the light of domestic expediency but with due regard to the grave international implications and consequences unilateral acts entail.

A review of the past would not be complete without an appraisal of the enlightened policies which our Government has been following in the field of international trade and in the doctrine of the good neighbor. While the Germans were pulling down the structure of international trade our great Secretary of State, in cooperation with like-minded statesmen, by rearing the edifice of the reciprocal trade agreements was struggling to repair the breaches through which, in the end, the floodgates of war eventually opened and engulfed the world in this present carnage. In the years preceding the war, in spite of the adverse currents flowing against the constructive efforts of this country in advancing international trade along sound and equitable and mutually beneficial lines; great and substantial success was achieved wherever the agreements had a chance to work. The soundness of the theory upon which the practice of the reciprocal trade agreements is based has been amply demonstrated not only in this country but throughout the world where the agreements have been in effect. On account of this progress, cooperation among nations in the exchange of goods is no longer on an experimental but on a proved basis. It is the supreme example of the kind of positivism in international relations which provides a sound basis for mutual aid and advantage in the economic field. The full scope and importance of the philosophy of the system of reciprocal trade agreements will be realized after the victory when the peace-loving states committed to a program of international cooperation commonly agree to give effect to methods of trade and commerce which further and safeguard the interests of all.

Likewise we have learned that in the political field the policy of the "good neighbor" is as vital to the strong as to the weak and as beneficial to the smaller as to the greater. Consonant with our way of life and the ideals cherished by the American people, the attitude of the "good neighbor" expresses the spirit of our people not only towards the other Republics of this Hemisphere but towards all nations of the world whose goal of freedom and liberty is the same. No people of the earth have voluntarily made greater sacrifices of life and treasure for the common cause of humanity than the people of this country; and the chapter which is now being written in the world's history will secure for us a place in history which will be appraised not on the basis of our strength, nor on account of the tremendous might of our war production, nor on account of the victories of our fighting men, of which the glory will never die, but because at this crisis in the affairs of the world our nation rose to join the struggle with the unselfishness and zeal and sense of the "good neighbor". Even before we fully realized that our own security was threatened, and when the aggressor's sword had struck down our friends in other parts of the world, the spirit of sympathy and the sense of eternal justice of our people mobilized the nation and impelled us to those initial steps which history has recorded and which contributed so much to the eventual victory, even before our Armies were put in the field when we were attacked.

The role which has thus been assigned to us in history and which is being crowned with so much success in the war should encourage us to anticipate in peace the fulfillment of tasks equally mutually beneficial and constructive. Bound to our great allies by the impact of the struggle and its sacrifices, and to our friends by the zeal with which their cause

cause was defended, we shall emerge from this conflict confirmed in the wisdom of our course of being the "good neighbor" to all who love justice, honor and freedom.

By this review of our past, and of our present position at this juncture in world history, many things become clearer to us with respect to the course after victory and in peace. Time does not permit the discussion of the meaning of victory in all of its many implications. When the enemy falls the door of a new world will be thrown wide open and a new era of enlightenment will begin if we are wise enough to realize our opportunities in all the nations, great and small. The shadows brooding long over the world have lowered to such deep darkness, and destruction has been so universal, that the dawn of peace will break as it did in Noah's ark, when the divine wrath was turned from the world and the floods of destruction receded, and life in all its fullness and glory began to move again on the face of the earth. This victory will be so universally acclaimed so that even in the homelands of the conquered, the foe will find some measure of comfort in the realization that his mad course of death and destruction is ended. It will be the signal for new hope, new enterprise, and great endeavor throughout the world and for hopes and aspirations which must not be frustrated.

In no sphere of life will victory have more immediate and accelerating effects than that of economic recovery and trade. While the process of reconversion to peace-time operations is launched at home, there will be a vast acceleration in the tempo and extent of international trade. It is unnecessary to emphasize the results of five years of destruction, and in the Far East longer, and of the lack of consumers and industrial goods throughout the world. We shall reach the beginnings of the epoch of peace with a greater capacity for the manufacture of goods than any other nation in the world. The ready shipping at hand to carry these great quantities of goods will facilitate the momentum of recovery, a process which will develop with greater speed than at any time in our history.

Many steps have already been taken by our Government in concert with other nations to prepare the way for this recovery through international agreements, such as that concluded at the recent monetary conference at Bretton Woods, and other measures designed to expedite and facilitate the exchange of goods between producing and consuming countries. While the opportunities for trade with other nations of the world will be vast at the very beginning of the peace, certain governmental regulations will probably be necessary for a brief period until the volume of goods begins to catch up with the extraordinary demand. However, there is no cause to anticipate that the restrictions governing the free movement of goods will be maintained a day longer than necessary. That certainly is the policy of our own country as we see it in the developing acts of government. It is to be hoped that other countries will follow the same wise course. In certain countries of the world, production will be slow owing to destruction in industrial areas and owing to the dislocation of labor through the ravages of war. The principles upon which our economy is based - the free enterprise system - and the conduct of trade through private business channels, all guarantee a healthy and speedy recovery not only to the country itself, but to the individual exporters and importers who will have as great a share in rearing the foundations of the peace as any factors in our national life.

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International prosperity and recovery will follow the peace more rapidly if cooperation between Government and business is so carried on that the flow of commerce will be facilitated and not hindered. It is essential that all regulations governing the movement of goods be relaxed at the earliest possible moment and that financial and banking facilities be made available to ~~accommodate~~ the full needs of trade. After the protracted period of political and economic turmoil through which the world has passed during the last fifteen years, it is reasonable to expect that a relaxation of all controls immediately would retard recovery and hinder the free movement and interchange of goods. Our Government as well as the governments of other allied nations is giving intensive study to situations which create special international problems; as in the case of countries whose purchasing power will be inadequate to meet their most serious needs until recovery from the effects of the war restores productive capacity. It would appear to be the government's task to endeavor to meet these situations, and the obligation of the business world to afford full cooperation.

It would seem likewise, the obligation of governments eager to make lasting adjustments in the economic as well as in the political field, to appraise properly the importance of competition on a basis of economic efficiency. While business in general accepts competition as a necessary and healthy element in carrying on trade, it quickly ~~discovers~~ and resents the participation of factors which secure unfair advantage to certain groups or to certain nationals. In other words, American business rejects, I believe, and will continue to resent what may be called "foreign government subsidized trade. The world has grown too small for any system of exclusive regional arrangements. Tariff adjustments can be made through the system of reciprocal agreements conferring upon the parties to the contract the benefits accorded to the most favored nations, in the list of which all peace-loving countries may be included. The economies of nations are determined by domestic conditions and internal factors vastly dissimilar in many instances, so that adjustment to a profitable international trade may not be made to any common pattern.

Nevertheless, it is incumbent upon the smaller as well as the great nations to deal with these questions in line with basic principles of fairness and equal opportunity to all.

Finally, somewhere along the path of the future, those peoples who are now our enemies may again be admitted to the family of nations and it is hoped will eventually be able to participate in the benefits and blessings of peace. It would not seem, however, that either Germany or Japan would again regain the preponderant positions they enjoyed in world commerce, as the hatreds ~~they~~ have engendered and the injury which they have inflicted on humanity will banish ~~them~~ for many a year from the market places of those whom they have ravished. Their international connections in most parts of the world have been destroyed, and for a long period at least cannot be restored.

I should have liked in the course of these remarks which I have been privileged to make to you today to be a little more concrete with regard to some of the problems to which I believe our capital and industry and our leaders in export and import trade will have to give their attention. I have already briefly mentioned the importance of putting our representation in the hands of our nationals or of those in whom we can have complete trust. I should like to emphasize the importance of our further improving our distribution method so as to decrease the cost of our goods to the foreign consumer and maintain our competitive position. I would have liked to emphasize the necessity for continued emphasis in the improvement of our manufacturing processes and in the continued stimulation of technical research in order to maintain the margin which this has given us as a factor in overcoming increasingly high costs in our country.

I should also have liked to point out the necessity for our studying the granting of more complete credit facilities, particularly to purchasers in this Hemisphere. And I should like to have particularly emphasized the importance of studying our banking structure, both at home and abroad, in order that our capital and credit facilities may work towards greater advantage as an instrument in furthering our trade and commerce. These are all subjects of primary interest to our industry and to our exporters and importers and emphasis on these is essential for our political and economic well-being.

Without going into the causes which have so sorely troubled almost all countries during the decades of this century, and during which period the two greatest wars of history have been waged, I believe that there is reasonable assurance, in view of the appalling experiences through which humanity has passed and the sufferings which we have experienced, and the alertness which these experiences have induced among the nations, that these causes of trouble will be successfully neutralized, if not permanently nullified, so that we can look forward to a long epoch of peace in which the arts, the sciences and commerce can thrive. I believe that there is every reason why we should look forward to the future with optimism for we have in the last few years shown a capacity to carry through and win a war, in collaboration with our Allies, which has carried our armies and our fleets to every quarter of the world. This should give us not only the optimism but the courage and the confidence to build our enterprises of the future on a grander scale than heretofore with the unalterable faith that the destiny of our country, collaborating in a concert of nations attached to peace, order and equity, is a glorious and an endless one in which we each have our inevitable part to play and which we will not fail to play.

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