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Mexico, D. F., July 9, 1944

Dear Harry:

You will recall the informal correspondence which I have had with the Secretary and with you and other officers of the Department, as well as my official despatches on the Mexican-American Commission for Economic Cooperation. In this correspondence I have tried to bring out not only the origins of this Commission but also certain fundamental considerations which I believe we have to bear in mind in connection with our political and economic and commercial relationships with Mexico. Concerning the understanding of the President and of the Secretary and of some of the higher officers of the Department, like yourself, I had no doubt whatever, but I have had increasing reason to see in an adequately concrete form that among some of the officers of the Department there is no real understanding of the basic nature and usefulness of this Commission, but on the other hand, almost a definite desire and intention to undermine it and more latterly to do away with it.

I have also noted in the now Foreign Economic Administration a tendency on the part of some of the officials to take an attitude of scepticism if not of opposition to the Commission. I have noted also that in a lesser degree, among some of the secondary officials of the War Production Board there is a lack of understanding of the objectives of the Commission and of its opportunities for usefulness.

That such an attitude should prevail among some of the officers of the Department is almost incredible to me for the Department of State is and must remain the policy-making

department

Harry Hawkins, Esquire,  
Director, Office of Economic Affairs,  
Department of State,  
Washington.

department of our Government, or at least the Department in which policy is formulated in collaboration with other agencies of our Government. This places a great burden on the Department of State; which must be adequately equipped not only in its machinery but through its personnel from the top to the bottom, to handle problems of our political and economic and commercial relationships on the broadest possible basis of understanding - which means that the men who deal with these questions should be men capable of taking into account all the factors that a great country like ourselves has to keep into account in formulating policy, which means that ~~there~~ <sup>they</sup> must not only be theorists but also thorough understanding of the political problems which have to be dealt with in relationships, it means that they must realize that we are dealing with sovereign states whose rights and prerogatives we must respect as we do our own and expect them to respect ours. It means that they must be men who realize that policy cannot be made in a vacuum and determined by theoretical memoranda but that it must be based on the political realities which have to be dealt with in the conduct of foreign relations in any field. It means that they must be men who must have adequate vision to look not only to today and tomorrow but to the day after tomorrow. It means that they must be men who realize that people in other countries may be of different color and of different temperament and speaking a different language but that fundamentally they are human beings whose primary reactions and aspirations are just the same as ours or very little different. It means that they must be men who realize the different degrees of political, economic and social development in other countries, the aspirations of those of lesser development to improve their countries, and the necessity for governments representing these peoples to work for the improvement of the economic and social standards in their respective countries.

The Department of State through its long history, from the very beginnings when it was composed of only a few people, after the organization of our Government, has, in an extraordinary measure had the personnel which was able to handle these problems in an adequate and understanding way. Today the Department of State has a tremendous personnel as compared with these early beginnings but it is significant, and this must be noted, that the real increase in the personnel of the Department of State, began towards the end of the last world war when economic problems came so thoroughly into the foreground and became so important to our country because of the position which it had assumed in the world picture, politically and economically.

At the end of this war our position will be relatively

more

more preponderant and greater than it was even at the end of the last war. Enormous responsibilities which are already on us during the period of this great war will not in any sense be lessened when the victory is won because it is then that the real difficulties with which our country will have to cope will begin. On the way in which we handle these economic problems, on which political relationships will so largely depend, will depend not only whether we shall be able to build a lasting peace but also how long our country will remain secure in the position which we have not sought but which in the development of world affairs has been thrust upon us, but which we cannot avoid if our country wishes to live, maintain reasonable standards of living and maintain our personal liberties.

I can understand why there are those in the Foreign Economic Administration and in the War Production Board who do not understand the purposes and objectives of the Mexican-American Commission for Economic Cooperation. These are temporary organizations in the Government which for the most part should have immediate and concrete problems to deal with growing out of the war emergency and their personnel is largely drawn from civil life and is made up of men who in their various fields and private life have competence but who have had little concrete experience with foreign relations and if they have had contact with the foreign field they have been interested more as traders in an individual line and for a particular company rather than having to keep in mind the broad interests of our country. Of course I realize that in the Foreign Economic Administration the principal reason for certain people looking upon the Commission with jaundiced eyes is the fact that for some inexplicable and utterly unfounded reason they feel that they should be represented thereon and I have good reason to know that a good part of the unfavorable attitude taken by some people in the FEA is based on this lack of representation. So far as the War Production Board is concerned I do not believe these factors have anything to do with the unfavorable attitude of the Commission by some. I think it is based on lack of understanding of the problems of the Commission. On the other hand there is every reason to believe that this attitude towards the Commission in the War Production Board is much more constructive and understanding than in the FEA.

I am willing to have, and I think we can, a certain degree of understanding of the attitude of the FEA and WPB, or it is better to say of some individuals therein, but I must confess that it is incredible to me that in the Department of State where there is supposed to exist among all of our

personnel



personnel this adequate background and adequate vision that there should exist these strange ideas with regard to the Commission which has found expression in recent months in such a definite and unmistakable way.

I realize that there is always room for differences of opinion and for differences of opinion which offer productive or more constructive and sound action, but what concerns me is that the attitude of those in the Department who have endeavored to undermine the Commission has been anything but sound or constructive and certainly lacking in vision, even if it may be honest opinion. If it is honest opinion it is the opinion of those who fail to understand the broad implications of the problems with which we have to deal. I confess however that I cannot escape the conviction that on the part of at least one or two people in the Department of State the attitude towards the Commission is one of prejudice rather than lack of vision and understanding and background. I am writing to you because there has come to my attention a long memorandum dated May 2, 1944, which was apparently submitted to a Subcommittee of the Executive Committee on Economic Foreign Policy. I understand that this memorandum was submitted to the Subcommittee on the basis that it represented the views of some of the officers of the Department but not necessarily of the Department and that it was a preliminary memorandum thrown into the hopper of the Subcommittee with the idea that this Subcommittee should take action thereon so that its recommendations could be submitted to the Executive Committee on Economic Foreign Policy. I understand that it was even put down as the "number one" item on the agenda of the Subcommittee on Economic Development of the new Executive Committee on Economic Foreign Policy. I had heard that it was being considered in the Department that some such memorandum on the Mexican-United States Commission for Economic Cooperation should be prepared and that this was under the impetus of those who looked on the Commission with a jaundiced eye. I wrote to the Secretary, bringing to his attention considerations why I thought such a memorandum should not even be prepared within the Department because it would come to the ears of the Mexican Government and it could do us no good and a great deal of harm and gave him the reasons for this opinion. If my memory serves me right I sent you a copy of this letter to the Secretary which was dated May 1, 1944. In this letter to the Secretary of May 1, 1944, I went fully into the reasons why I thought this memorandum should not be prepared and went fully into the background of the Commission and its possibilities for usefulness.

Apparently



Apparently my letter came a little late for the memorandum on the Commission prepared in the Department, representing the views of some of the officers of the Department is dated May 2, 1944. What however has rather shocked me is that the memorandum was submitted by the Department to the Subcommittee on Economic Development of the Executive Committee on Economic Foreign Policy for consideration. I understand that certain members of the Subcommittee were very eager to proceed with the discussion thereof but that the Subcommittee has now, under direction, stopped consideration of this memorandum and will for the present confine itself to the consideration of other matters. This at least is encouraging but it is no cause for congratulations or for satisfaction to any of us who are deeply interested in the development of our country's position with respect to the rest of the world, that such a memorandum should have even been brought to the attention of the Subcommittee for consideration.

I have a letter from Secretary Hull, dated May 25, 1944, in which he states that due to his many occupations he had not had an earlier opportunity to acknowledge my letter of May 1 on the Mexican-American Commission for Economic Cooperation. He states:

"Of course there has been no serious discussion in the Department with reference to withdrawal from the Commission. Such discussion as there has been has revolved mainly around certain suggested changes in procedure. In the minds of the best men here the whole program of future deliveries to Mexico presents certain difficulties which must be carefully thought out and integrated with our overall commercial policies. We want to proceed carefully because if we try to move too fast we will likely cause trouble. I know that you have a real grasp of the problems involved."

I know that Secretary Hull and you and a number of officers in the Department have a full understanding of the problems which we have to face now and later and why we shall have to face them. I know that Mr. Crowley as head of the FEA and as a practical businessman and at the same time a man of vision and understanding has a very real understanding of the problems of the Commission. I know that Mr. Nelson, the head of the War Production Board has a full understanding of the problems which we have to face after the war and some of their associates in the WPB do. I know that Mr. Crowley and Mr. Nelson who have a very full understanding of some of the practical problems which we have to face are thoroughly understanding and willing to be helpful with respect to the Commission because they realize the Commission is a very helpful initiative and can serve as a very helpful instrument.

As this memorandum of May 2, 1944 is apparently not being given definite consideration in the Subcommittee on Economic Development and as some of these questions which have been raised with regard to the Commission, even to the extent of our removing our countenance of and cooperation with it, are not being given serious consideration now, I am not going into any full analysis of the memorandum. I only wish, first, to express my satisfaction that the memorandum has been taken off the agenda of the Subcommittee.

I must however express my surprise that a memorandum, even if it was represented as presenting the views of only some of the people in the Department and not necessarily of the Department, should have been given currency, which starts out with the statement "it has seemed to the Office of Economic Affairs that the American Section of the Mexican-American Commission for Economic Cooperation is following practices and advocating measures which are in conflict with established commercial policies of this Government." The memorandum then goes on to state what the writers of this memorandum believe to be some of these practices. All I can say is that the writers of the memorandum only indicate through their following statements and throughout the memorandum as a whole that they have very little knowledge of the genesis work and operations of the Commission. It seems to me that if such a memorandum was to be presented, even in an informal way to any committee on economic policy and development it would have been desirable for the Department, which is responsible for the formulation and conduct of policy, to have sat down with the members of the American Section - Mr. Rockefeller, Mr. Taylor and Mr. Lockett - and I am sure that these members of the American Section of the Commission would have been glad to sit down with them, and will be glad to sit down with them, with adequately high and responsible officers of the Department of State to discuss the work and procedures of the Commission. I think however that you will agree with me as I am sure that Secretary Hull would agree that if the objectives and procedures of the Commission are to be given serious consideration by the Department, which consideration of course they should have, then the important thing is first for the Department to sit down through some of its high officers with the American members of the Commission to talk things over. If there is any question concerning the procedures and objectives of the Commission this then is certainly the first step.

I can also not fail to conceal from you my surprise that a memorandum of this kind should be formulated and brought to the Subcommittee for consideration without the knowledge of the American Ambassador to Mexico, who should certainly be in a position to bring some broad considerations to the attention of the Department with respect to the place which the Commission has in the picture of our relationships with Mexico. I had to get all my information about this memorandum and of these

discussions



discussions in the Department second-hand and I confess that has chagrined me a great deal. I will complete this month thirty years of service with the Department of State and during that time I think I have kept about as adequate balance and as equal interest in our political, economic and commercial relationships as any officer in the Foreign Service. I think without any doubt, even if I say it myself, there is no officer in the Foreign Service today who has given such considered attention to our economic and commercial problems as I have and who knows the economy of our country and conditions in so many other countries with which we have to deal as I do. It is a little bit discouraging that the views of "some officers" of the Department whose experience both at home and abroad is so relatively more limited than that of men like myself should apparently carry so much weight. Frankly, what I cannot understand is that although we have written to the Department so fully, both in official despatches and in letters with regard to the Commission, such a memorandum should have been prepared and presented to a Subcommittee on Economic Development for consideration without even any knowledge on my part from the Department concerning it or its contents.

I am not going to enter into any discussion of the details of the memorandum which I have read very carefully many times. It is the easiest thing in the world to write a most devastating and convincing answer to this memorandum but I am not going to take the time to do that now. In many ways the memorandum itself is its own best answer for it is completely lacking in understanding from beginning to end.

I should like to say only a few things and first that I have never argued that Mexico should be openly given preferential treatment in the way of goods in these critical times. I realize that there are major considerations of equality of treatment that we have to keep in mind. When Secretary Hull was good enough to have Mr. Crowley and Mr. Nelson and Mr. Stettinius and me in his office in January of this year to talk over this Commission I made it clear that I did not think that any open preferential treatment should be given to Mexico for obvious reasons but that adequate consideration in our own interest of the delivery of certain materials to Mexico did not involve any open preferential treatment. I had not in mind any arrangements between the two governments through which Mexico would be given preferential treatment, but anyone who has any knowledge of realities knows that a certain measure of preferential treatment is being given by us now to certain countries and will be given and should be given and it is not going to give rise to any difficulties whatever such as the preferential system within the British Empire. When it comes to preferential treatment we have shown it even during the war and we have shown it to Brazil without any question in various ways. I am not aware that it has aroused any difficulties for us except with the Argentine where we would have the difficulties in any

event

event. It is all right in theory to speak of equality of treatment and I think we must maintain it as a principle in political and economic practice but it would be utterly unrealistic to take the attitude that we must meticulously give such equality of treatment in every detail because the way in which this world is organized and because of the way it will continue to be after the war there will be no equality of treatment as some theorists speak of it. We can maintain the theory of equality of treatment and must do so but in practice there are all sorts of factors which will bring about some countries for example getting more goods than others. Some will get more goods either because we want them to have them or because there are factors in the other countries which will make it possible for them to acquire more goods than other countries can. We believe that all men are born equal but we know that they do not stay equal and there is no power under the sun other than God who can see that they remain equal and he hasn't seen fit yet to carry that through in practice. Much less can we in the economic field, although we maintain the principle of equality of treatment, see that certain countries because of conditions in our own country or in other countries do not receive in one form or another what might be called better treatment. The only difference between my thinking and that of some others is that I am facing the realities which we have to face and if we don't face them we are lost in the post-war world when certain economic factors will come into freer play no matter what degree of inter-governmental arrangements there may be or what degree of controls, international or national, may remain in effect.

Then there are those who have fears that this Commission, being one composed of representatives of our Government and the Mexican Government, is sponsoring and assuming responsibilities for the industrial ventures which may be undertaken in Mexico. This is reading something into the Commission which was never intended for it was never intended that the Commission should undertake any ventures on its own account or that of our Government and the Government of Mexico. The Commission is merely an instrument through which sound industrial development in Mexico can be studied and discussed between representatives of the two countries, it serves as a forum through which unsound industrial ventures can be discussed and discouraged. There is so much that could be said on this point that I will not even begin to go into it further except to state that it is sheer rot to speak of this Commission as being a danger because it would lead us into the sponsorship of unsound industrial ventures for which eventual criticism could fall on our Government or on the State Department. Whatever industrial ventures will be undertaken will be undertaken by private Mexican capital or by American capital or by American and Mexican capital jointly, and in some cases such as power projects and

irrigation



irrigation projects perhaps by the Mexican Government, there is no question however of our Government sponsoring any project.

Some of those who speak of the Commission in this sense of representing a danger because of ultimate criticism of our Government fail to take into account the tremendously important advantage we have in having this medium through which and in which industrial ventures may be discussed and where both we and the Mexican Government can have a discouraging influence on the development of unsound industrial enterprises.

The other principal objection which some of the critics of the Commission find is that the development of some of these industrial enterprises is going to lead to increased tariff duties when it is our principle and practice in the United States, and in which we hope increasingly to lead other countries, to keep down tariff duties and other trade barriers. You know that there is no one who like the Secretary and yourself, is more convinced of the soundness of the Secretary's trade policies, which he has so valiently and so successfully struggled for, than I am. I think my past performance shows how thoroughly I am in accord with this principle which the Secretary has been so valiently defending and propagating. We can have success however only if in carrying through such a policy we keep in account the legitimate aspirations of other sovereign countries and their legitimate rights in order ~~to~~ improve their own well-being and standards of living. Such improvement in the standards of living can only come about through the development of their industry and agricultural economy along sound lines, ~~and in purely naturalistic lines.~~ But this industrial and agricultural development will come in other countries where agriculture and industry are relatively undeveloped. We as a country and people certainly cannot put ourselves in the position of trying to stand in the way of the improvement of standards of living in other countries and I am sure that we are not going to do it. I think that to try to do this would remove the basis of all the confidence that the world has in us and in many ways we would not be much better than Germany under Hitler if we took such an attitude.

As I have so frequently said in my letters and despatches this industrial and agricultural development in certain countries such as Mexico is bound to come and it will come whether we take any part in it or not. If we as a Government or through our industry and finance endeavor to discourage such industrial or agricultural development it will not mean that that development will not take place. It will only mean that it will take place with the aid of the capital, initiative and technical assistance of other countries. This is a basic truth which I think everyone in Government and in our industry and finance at home should realize. I am sorry to say that

my observation up to now is that this truth is better realized in important business and financial circles in our country than it apparently is by men in our Government. I have indications every day of the most concrete character of the interest which government, capital and technicians of certain other countries have in aiding and participating in industrial development in countries like Mexico after the war. We have got to recognize that they will be able to offer capital, initiative and technicians after the war. We have a magnificent opportunity not only in Mexico but in some other countries, because our capital and our initiative and our technicians will be more welcome in Mexico and in some other countries than these elements from certain other countries who will be able shortly after the peace to supply them. And there is fortunately a feeling in Mexico and in some of these countries of backward industrial and agricultural development that our capital will deal with them in more equitable and sound ways than that from other countries. To fail to take advantage of our opportunity is to throw away one of the principal instruments which we have to maintain our position in the post-war period which God knows will be difficult enough to maintain.

That some of these industries which will be established in Mexico and in other countries of retarded development will need a certain amount of reasonable tariff protection is inevitable. It is inevitable to prevent dumping by strongly established commercial interests in our own country and in other producing countries. We had to do the same thing at home but we did it in about as exaggerated a way as any country did. We learned that we had done it in an exaggerated way and the sound policies of men like Secretary Hull in this field have done much to destroy this system of exaggerated tariff protection in our own and in certain other countries. But we still maintain and will continue to maintain certain tariff protection for some of our industries. We know that we will maintain that tariff protection. It would be utterly lacking in reason for us to take the attitude that with industrialization, even on a modest scale and a sound scale in some of these less developed countries there will not have to be certain readjustments in their tariffs. We cannot deny them this right any more than we could have expected them to deny our right which we so fully exercised and for so long in an exaggerated manner. Now that we are following a more reasonable policy but are still exercising certain protection, which is obviously not all for revenue purposes, we cannot try to tell other countries, simply because we are trying to carry through certain principles that they cannot increase any tariffs in order to give a reasonable degree of protection to a new industry which otherwise couldn't live, no matter how sound it is.

The most sure path towards assuring that we will not be faced by unreasonable tariffs in other countries is by our

taking



taking the initiative in helping sound industrial development in these countries. If we do this we will gain good will and in many respects through our capital we will become partners with capital in other countries and this in itself will be the surest way of protecting ourselves against discriminatory tariffs. If others come in and take the initiative which was ours to take if we chose, then we can be sure that we will be faced by discriminatory tariffs which in many cases will be aimed directly at us. This is something for some of our people to ponder on for they have failed to take into account fundamental factors in their thinking which we cannot disregard. The surest way we can protect ourselves against unreasonable increases in tariffs and discriminatory treatment against ourselves is to help along through our private capital and initiative and technicians in the United States in the development of sound industry in countries like Mexico.

*potential*  
A lot of our people do not understand that Mexico is a country of twenty million people and is a more important consumer of goods from our country than even Canada and Brazil. I do not have the figures before me so as to make comparisons but in 1943 this country of twenty million people, of which twelve million still own practically nothing except a pair of pants and a shirt, and live on an incredibly low diet, bought goods from the United States to the value of 180 million dollars. Whatever industrialization will take place here and whatever improvement in agriculture will take place will only increase the imports from the United States for the more they produce here the more they will import. There may be some readjustments in the character of imports but I believe that even in the goods which they start to produce they will import more than they have been importing when not producing them. I won't go into detail but the example of textiles in which there is a developing industry in Mexico is an illuminating one. The more textiles Mexico has produced here the more she has imported from the United States in categories which yield us more money.

President Roosevelt and Secretary Hull are both understanding of the importance of Mexico and her potentialities in the political and economic field. They know that with Mexico our political and economic relationships are more important than those with any other country of the Americas. The Mexican-American Commission for Economic Cooperation is an instrument fostered by President Roosevelt and President Avila Camacho and it grew out of their understanding of the importance of these relationships. If there are some in the Department and in some of the agencies of our Government who do not possess this vision even in a lesser degree and who do not have this understanding even in a lesser degree, there are certain things such as policy which are determined at the top and not by these lesser people.

I think the time has come when these people who are barking and biting about the Commission must be brought to realize the truth and brought into line and vision and understanding must prevail in the best interests of our country.

I was going to go home to bring this whole matter before the President and the Secretary again but in view of the fact that this sniping at the Commission is apparently out of the picture for the present and that this means there are not under consideration any changes and in view of the fact that I have such pressing and major duties here I am not going to do so for the present. I may be getting older but I am not getting tired and there are some things for which I will struggle to the last ditch when I know that they are in the interests of my country. I have been in this business of the Department for so long that even though I may not be particularly intelligent there are some things which I know, and I am fortified in my position because I know that wiser and even more experienced men than I have the same position and the same views.

I am one hundred percent behind this Mexican-American Commission for Economic Cooperation because it is an instrument which we can use to such great advantage for our Government and our people and in our relationships with Mexico today and tomorrow. The functioning of the Commission has not been all that could be desired because it does not have enough meetings and this is a matter which I am going to give my careful consideration. I think the American members of the Commission, and by that I mean all three, will have to get together more frequently and I think the Mexican and American sections of the Commission must get together more frequently. I think too that there must be closer liason between the American section of the Commission and the Department which is responsible for foreign policy. All this can be worked out but in the meantime I can assure you that sound industrial projects by American firms or jointly by American firms and Mexican interests are under way. Some of them have been already established. For example a canning factory has been built in Sonora which is canning tomatoes in the so-called off-season when the tomatoes cannot go into the United States and which heretofore have been permitted to rot. It was started by Mexican and American capital and it is interesting that while today our war agencies are buying all the canned tomatoes because they need them, the company is not planning to sell any of their canned products to the United States but believes it will have a market for more than they can produce in Mexico. A number of other projects are already in actual operation and others are in various stages. I don't see any of them involving tariff protection for the moment, even of the most modest character. Other projects which are under way and which will certainly be carried through by mixed American and Mexican

capital



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capital and which are absolutely sound and reasonable will go forward more rapidly when the equipment can be secured from the United States. Some of these may require modest tariff protection by the Mexican Government and it is going to give it to them and with all this the Commission has nothing to do for these projects would have come forward just the same because they are sound projects. But the Commission is in the picture and through the Commission and through the informal discussions which we can have we can discourage unsound projects and thus avoid tariff issues arising of a character which would be disturbing.

I think we must begin to talk about this Commission in constructive terms and understanding terms such as President Roosevelt and President Avila Camacho had in mind when they originated it and get rid of this sniping by little people who don't know what it is all about. On this basis I am glad to discuss at any time with anyone in the Department the Commission and its work and objectives and procedures.

I know how understanding you are of all of these problems and that is why I have taken the liberty of writing you so fully and so frankly as I know you will agree with me with regard to the fundamental importance of this whole matter and of getting it on the right track and of getting some of our people on the right track. If I did not realize your full understanding of these problems and of their very broad implications I would not have written you with this frankness and directness. I have been impelled to do so because some of us who know what some of these things mean for the present and for the future have got to take very determined and very definite stands because we know what they mean for our country.

Cordially and faithfully yours,

GSM/mjs

George B. Messersmith