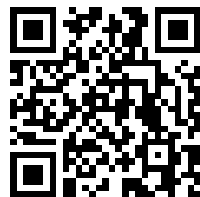


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**National  
Foreign Trade Convention**

**WASHINGTON, D. C.**

**MAY 27-28, 1914**

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# OFFICIAL REPORT

of the

## National Foreign Trade Convention

Held at the HOTEL RALEIGH  
WASHINGTON, D. C.

Wednesday and Thursday, May 27th and 28th, 1914

A full account of the proceedings, including the papers prepared in advance and their discussion, the speeches made at the banquet, and the Preambles and Resolutions adopted by the Convention.

ISSUED BY THE SECRETARY  
NATIONAL FOREIGN TRADE CONVENTION HEADQUARTERS  
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**BY**  
**E. V. DOUGLASS, Secretary**  
**NATIONAL FOREIGN TRADE CONVENTION**

## FOREWORD

*"This assemblage of representative business men is held with the highest purpose. By gathering and concentrating at this National Foreign Trade Convention the opinion of leading men in commercial affairs in our country, it is hoped to further develop foreign trade opportunity and to suggest ways and means to expand the foreign commerce of the United States. No issue is of more vital importance to the welfare of American industrial enterprise and labor than stimulation of our commerce abroad. It is a recognized fact that extensive trade overseas tends to stabilize industry by insuring to manufacturers and producers a larger sphere of activity."*—Mr. JAMES A. FARRELL, President of the United States Steel Corporation.

*"We realize, first of all, the unquestioned patriotism, the desire to work for the best interests of the people of the United States, of every man connected with this administration, both here and in the Capitol. We realize the fact that the government of this people is, in the final analysis, a government by public opinion, and therefore we have thought that it was wise at this time, planning as we do a more active campaign in the markets of the world, that we should come here and discuss one with the other the vital problems growing out of this great world business."*—Mr. ALBA B. JOHNSON, President of the Convention, addressing President Wilson at the White House, May 28th, 1914.

*"I am sure Secretary Redfield expressed the feeling which I would wish to express, which is the feeling of encouragement that is given by the gathering of a body like this for such a purpose. There is nothing in which I am more interested than the fullest development of the trade of this country and its righteous conquest of foreign markets. \*\*\*I hope this is only the first of a series of conferences of this sort with you gentlemen, and I thank you for this opportunity."*—President WILSON, in receiving, at the White House, the delegates to the National Foreign Trade Convention, May 28th, 1914.

*"There is not one of you who can read the records of our exports of fully finished manufactures without a sense of pride in America's competing strength under conditions which have been those of peculiar difficulty. If anything were wanted to give us confidence in our power, it is the fact of what we have done in the last year and are doing now, at a time when, upon the one hand, the buying power of Europe*

*is less because of much depression, and her competing power is great because of her depression.*"—The Honorable W. C. REDFIELD, Secretary of Commerce, in opening the National Foreign Convention, May 27th, 1914.

*"However sanguine you gentlemen may be, I believe none of you surpass me in great expectations, so far as this nation's development is concerned, in the foreign markets and in the foreign commerce of the world. The fact that this new organization is effected—this first meeting—is evidence that we are going forward and not backward. It is to be expected, it is certain, that the ability which our business men have shown in the creation of the productive power of this country will commend them to the countries that need development."*—The Honorable W. J. BRYAN, Secretary of State, at the banquet of the National Foreign Trade Convention, May 27th, 1914.

The foregoing extracts from addresses at the National Foreign Trade Convention signify the importance of the purpose and results of a notable development in American industrial history.

A realization that the foreign trade had become, more than ever before, a vital element in national prosperity, prompted the calling of the National Foreign Trade Convention at Washington on May 27th and 28th. The movement came at a significant moment in American history. With the establishment of a new tariff precipitating all producers and manufacturers into the field of greater world competition, the enactment of a new banking and currency law designed to extend the activities of national banks to other lands, and the completion of the Panama Canal, the environment of American business became world-wide.

In the fiscal year of 1913 the total exports from the United States were valued at \$2,465,884,149. The imports were valued at \$1,813,008,234. This unprecedented total foreign trade of \$4,278,892,383 had been attained as a result of the vast natural resources of the United States, and the individual enterprise of American corporations, but without the support of any comprehensive public policy. But with a swiftly growing population the exports of foodstuffs and natural products began to show a proportionate decrease. It was apparent that the continued and healthy increase of export trade must depend upon a steady growth of foreign sales of American

manufactures. This implied an unprecedented era of competition between American and foreign manufacturers.

Three alert and successful societies, created for the encouragement of commerce and the cultivation of friendly relations with other nations, gave their support to the movement. They were the American Manufacturers Export Association, the American Asiatic Association, and the Pan-American Society of the United States. The Convention was organized by and held under the auspices of these organizations acting through the medium of a general committee, of which the Chairman was the Honorable Lloyd C. Griscom, of New York, formerly Ambassador to Brazil and Italy, Minister to Persia and Japan. The membership of the committee included leaders of the various foreign trade activities of the nation, qualified by actual experience in oversea commerce, to give direction to a movement looking toward the co-ordination of the nation's potentialities for greater foreign trade.

The constant objective was a truly national conference of practical business men and the creation of an active and accurate public sentiment in support of such policies as should, through interchange of opinion among all interests affected, prove advisable for the inauguration of a great forward movement in foreign commerce.

To this end invitations were sent to commercial and industrial organizations throughout the country. A program of discussion of every pressing foreign trade problem was prepared. Business men who were enabled by experience and ability to speak authoritatively on various aspects of foreign commerce were invited to prepare papers. In order that the Convention might become an effective interchange of opinions and ideas, these valuable and exhaustive papers were printed in advance and sent to all delegates with the request that they come prepared to engage in a discussion thereof.

The discussion was designed to proceed first upon broad lines regarding the fundamental condition of trade in the United States, the impossibility of successful exploitation of foreign markets without sound preparation in conditions of domestic production being realized. With this survey of the existing conditions of business as a foundation, the Convention:



gave its attention to the problems confronting the effort to expand American business abroad.

The results were highly satisfactory. Not only did the papers constitute the most comprehensive presentation of foreign trade problems ever concentrated in a single American convention, but analysis and discussion by the delegates vividly illuminated the field of survey.

Although the Convention was held on comparatively short notice at an oppressively warm season of the year, it was attended by several hundred delegates representing nearly one hundred commercial and industrial organizations from all sections of the United States. Its national importance was attested by the fact that its purpose was cordially indorsed by the President of the United States, who received the delegates at the White House; the Secretary of State, who delivered, at the banquet, an outline of the administration's policy toward American business abroad; and the Secretary of Commerce, who opened the Convention. Mr. Alba B. Johnson, of Philadelphia, was elected President, and Mr. E. V. Douglass, of New York, Secretary of the Convention.

Throughout the discussion there was manifest a keen appreciation of the transition of American industrial opportunity from a domestic present to an international future. This was accompanied by numerous declarations of the pressing need of more systematic action on the part of both manufacturers and the Government. The lack of any national commercial policy such as is possessed by the most formidable competitors of the United States, the almost total absence of the American flag from the highways of ocean commerce, the necessity of American banking accommodations abroad, and the inevitable benefits of co-operation among all elements into advancement of foreign trade interests, were set forth with clarity and vigor.

So faithfully did the delegates devote themselves to their task, that two days yielded a comprehensive survey of the opportunities and obstacles in the path of American foreign trade.

That these deliberations might bear substantial fruit, a series of resolutions was unanimously adopted. The first of

these provides, that since the development of the United States makes it essential to the best interest of the nation that the government and the industrial, commercial, transportation and financial interests should co-operate in an endeavor to extend our foreign trade; and that since the Convention was called to consider the means by which this purpose may best be served, that the president of the Convention should appoint a National Foreign Trade Council to endeavor to co-ordinate the foreign trade activities of the nation, and collaborate with the Chamber of Commerce of the United States of America.

The National Foreign Trade Council has since been appointed with Mr. James A. Farrell, of New York, as chairman, and a nationally representative membership. Resolutions were also adopted favoring the reorganization of the Bureau of Foreign and Domestic Commerce of the Department of Commerce at Washington, along the lines recommended by Secretary Redfield, pledging support to measures for the increased efficiency of the already capable and efficient diplomatic and consular services; favoring the upbuilding of the American merchant marine; the taking of a manufacturers' census; the negotiation of commercial treaties for the encouragement of foreign trade; and legislation permitting co-operation of American exporters in coping with combinations of foreign rivals in foreign, as distinct from domestic business.

That the future development of the foreign trade might continue to receive the stimulus of common counsel, the Convention authorized the National Foreign Trade Council to call a second National Foreign Trade Convention at such time and place as it may deem advisable.



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# RULES

FOR THE

## National Foreign Trade Convention

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The sessions will begin promptly at the hour stated, and, in order to facilitate the conduct of the meetings, delegates are urgently requested to be in their seats a few moments beforehand.

Should any delegate desire to submit remarks or opinions to be read to the Convention by the Secretary, it is requested that they be typewritten and furnished in duplicate, with the understanding that they can only be read to the Convention if all the time allotted to those who wish to deliver their remarks verbally is not exhausted.

When all speakers have been heard on the subject-matter of each paper, which must be within the total time allotted for that paper, the author thereof may, if he so desires, reply immediately; or, should he deem that the remarks or inquiries can best be dealt with subsequently, his reply will appear in the printed record of the proceedings, which will be furnished to each delegate as soon as printed.

In order to make the Convention truly representative, and avoid confusion, to call for a vote on any subject each delegation will be entitled to one vote and the delegates from each of the participating organizations are requested to designate one of their number who shall act as their spokesman. All resolutions and suggestions which may be submitted at the Convention must be handed in advance to the Secretary who will transmit them to the proper officials.

It is hoped and expected that ideas and plans of a constructive nature as applied to foreign commerce will develop from the Convention and it is felt that all of the delegates will deprecate any criticism or suggestions which do not tend to constructive policies, as it is obvious that, notwithstanding the limited time for the discussion of the numerous papers, plans with respect to the future development of our export trade may be evolved to the permanent advantage of our industries.





# **NATIONAL FOREIGN TRADE CONVENTION**

**Hotel Raleigh, Washington, D. C.**

## **OPENING SESSION**

**Wednesday, May 27, 1914, 10 a. m.**

Mr. Alba B. Johnson presiding.

THE PRESIDENT: We shall be glad if all of those in the back of the room, and in the other room, will come forward as soon as possible, so that we can proceed with the meeting. I would like to ask those who are to read papers, and the Vice-Presidents of the Convention, if they will be good enough to come forward and take seats upon the platform? I wish to repeat the request which was just made, that the honorary Vice-Presidents of the Convention will be good enough to come forward and take their places upon the platform. I would like to extend the same invitation to the members of the General Committee.

There are a number of reasons that make it a little important for the business men of our country to give special consideration at this time to a forward movement for increasing our export trade. Foremost among these reasons is the completion of the Panama Canal involving an expenditure of over four hundred millions of dollars and involving unprecedented achievements in engineering and in science. The completion of the Panama Canal involves also the rearrangement of a certain part of the business of this continent. To a lesser degree it further involves a rearrangement of the commerce of the globe. This country has borne the burden and the expense of its construction not wholly nor largely as a

selfish matter personal to ourselves, but as a service to the entire civilized world. It is fitting, therefore, that we should, so far as it is in our power, take thoughtful measures to reap that part of the benefits of this great undertaking which belong to us as a nation. As a part of the preparation also for this great forward movement in the world's markets and at the behest of all three of the great political parties, comprising practically all the voters of our country, the party to whom the responsibilities of government were entrusted has with great care and great labor enacted a new tariff law.

This law which has been passed is regarded by many as experimental. Nevertheless, I think that it reflects great credit on American employers and upon American business men that this law which has been effected in good faith by the party in power is accepted in good faith by the business interests of the country. There are two views held—two fundamental views upon the wisdom or the unwisdom of the high tariff. Both of these views are supported by convictions that the high tariff or the low tariff act to the interests of the country at home and in the markets of the world. However strongly we may hold to our convictions in favor of a high or low tariff, we must consider the intelligence, the good faith and the patriotism of those who hold the other view. I think that this feeling actuated the entire business interests of the country.

After having for fifty years lived under a high tariff and having had during that time the advantages of a revocation of tariffs preached to us, we have now in good faith adopted a tariff far below the needs of the tariff for revenue only and we are going to try out the experiment of ascertaining whether opening the door to foreign imports into the markets of the United States is also going to open a door equally broad to the markets of the United States in the countries of the world.

Another important measure which has been enacted is the new currency law, a law designed by the responsible party in power to remove the dangers and the vicissitudes under which our business has labored from expansions and excessive contractions of business. This law is designed to give greater flexibility to our currency. It is designed particularly to

facilitate exchange transactions with other nations, and it is designed also to give a greater and freer amount of capital to those requiring it for the ordinary legitimate transactions of their business. Now, this is an auspicious time to consider the position of the United States in the markets of the world, because hitherto our trade balances with other nations have been made up largely by our exports of foodstuffs. We have, since the infancy of the country, been a large purchaser from foreign nations and up to this time we have been able to pay our debts to them by the products of our fertile fields, our mines and all our natural resources. The time has now come, however, when we can readily look forward to a practical cessation of this source of revenue, when we must look forward to selling to them our finished products, when we must look to the export business of our manufacturers as a means of equalizing the balance of our trade. (Applause.)

Following the above remarks, it was moved and seconded and unanimously voted that Mr. Alba B. Johnson be elected permanent President of the Convention, and that Mr. Edward V. Douglass be elected permanent Secretary of the Convention.

It was moved, seconded and unanimously voted that the rules as printed in the official program be adopted as the rules of the Convention.

It was moved by Mr. Schieren, seconded and unanimously voted that the President be authorized to appoint a Committee on Resolutions, consisting of nine persons.

THE PRESIDENT: I appoint Mr. Charles A. Schieren Jr., as Chairman of this Committee. I will appoint the other eight members of this Committee later.

It is particularly appropriate that a Convention for the promotion of the foreign trade of the United States should be officially opened by the Secretary of Commerce, who has been laboring so intelligently and so earnestly for the promotion of American interests throughout the world. I have great pleasure in presenting the Honorable William C. Redfield, Secretary of Commerce, who will open the proceedings of the Convention. (Applause.)



### ADDRESS OF SECRETARY REDFIELD.

SECRETARY REDFIELD: Mr. President and gentlemen of the Convention, this seems to me like getting back into old times again, and it is a particularly happy moment for me because I face a group of men ready and anxious to ride one of my own hobbies. It is not often that one has that particular kind of personal satisfaction. I go back, not so many years as some of you, for I recognize near me the pioneers of American export business and honor them for their work, but I go back more years than I like to think have passed since the time when it dawned upon me that the way to fill a vacancy in our order sheets was to go somewhere else out of this country and get the business.

I remember the somewhat faltering, scared, feeble steps which were first taken into what was then an almost unknown sphere, and yet, after all, I found there were gaps in the ranks of our commercial competitors abroad and that orders could be taken from America in the very heart of Germany and in the center of England and France, and that the money which came from those quarters was quite as good with which to pay American interest and American wages as any other that could be had. From that day, twenty-one years or more ago, the need, privilege and opportunity of developing the foreign trade of our country has grown upon me, and I think I may justly say every month. I see around me the business warriors who have carried the flag of American industry into many a land. I have been with some of you on the other side of the globe and I look with confidence and hope not merely to a continuance of that growth of our foreign trade which has made the advance of America in the world's competitions one of the great economic facts of the last ten years.

I look, I say, not only with confidence toward an advance, but to its greatly increased ratio. I have talked in confidence with many manufacturers on the other side, since, for a long time, my business was such that I sold to manufacturers yonder. I have talked with them often in their own shops and if there is one thing they dread more than another as regards the

future of their own businesses, it is that America shall wake up to her privilege and her power. More than one English and German industrial manager has said to me that the thing he feared was the awakened mind and the awakened sense of power in American industry. I know they fear it and the reasons why they fear it. So we have grown, you and I, in these last ten years from feebleness into strength, until now I have seen—and you may see if you have not seen—the products of American industry sold all around the world everywhere, and we are urging the path of American progress to larger and better triumphs all the time.

I think we are in the midst to-day of facts which illustrate our competing powers more strongly than they have ever been shown before, because it is perfectly well known to you, I am sure, that our competitors across the water have been hungry for business these many months. Long before there was anything like business recession in this land, it struck Germany and Austria and France and England. Long before we had aught of which there could be complaint, they were bitterly complaining. One has but to read the economic journals of the great industrial countries of Europe or has but to look over the reports that our own commercial agents have sent from there. They have been anxious for business yonder for at least a year and perhaps for more. Yet, in the face of those facts for many months after those facts existed, our exports of manufactures grew both relatively and actually and even to-day it is they, it is the exports of fully finished manufactures, in which there is the least recession. That is the one item in our foreign trade which has shown the greatest competitive strength. There is not one of you who can read with care the records of our exports of fully finished manufactures without a sense of pride in America's competing strength under conditions which have been those of peculiar difficulty. I have in mind a number of large contracts in various directions for which both England and Germany intensely bid and which came to America, and at a time, if you please, when they were ready to follow the well-known maxim that it is cheaper to run a shop at a loss than to shut it down. *If anything were wanted to give us confidence*

*in our power, it is the fact of what we have done in the last year and are doing now at a time when upon the one hand the buying power of Europe is less because of much depression, and her competing power is great because of her depression. When she needs to purchase less and is anxious to sell most; at that time it is that our exports of manufactures in competition with her show strength and not weakness.* So I look with earnest hope and with confident belief to the future, and I base this upon certain very definite facts. I know of no man anywhere who has now or has ever had the thought of hampering or restricting the export trade of this country. I have never seen him in any walk of life, either in the legislative or in the executive. There has never been mentioned in my presence, either by inference or indirection, either in Congress, when I served there or since I have been in executive duty, anything that showed the faintest purpose or desire on the part of any man to hold back or to do any other than forward in the best way possible the interests of our foreign trade.

It is perfectly easy to illustrate that by the facts of the past year, and perhaps the best welcome I can extend to you who are interested in our foreign trade is briefly to recite the situation as I found it in the Department of Commerce a year ago, and the situation as it stands to-day. I found the important bureau which has charge of our foreign commerce under able and devoted leadership, indeed, but hampered by appropriations that would have been amusing if they were not tragic. If I tell you that the total sum available for the promotion of our foreign and domestic commerce was \$60,000 per annum, you will at once recall that there are houses represented among you that pay for their individual share in foreign trade at least as much as that sum, and as I said at the time, I know of several department stores in my own Borough of Brooklyn whose annual expenditure in the promotion of their business is at least one-half greater than the total amount which has been hitherto and is to-day existing per annum for the development of our American commerce.

Personally I have laid it to the gospel of fear under which we have so long grown up. Thank God, that day is gone!

I found the chief of that great bureau, who had done so much to make its power useful, the poorest paid of all the chiefs of bureaus in the Department; and to my mind as a business man, the situation was of a curious character. Upon the one side much that was excellent and admirable had been done under considerable difficulties, and upon the other side there appeared no thought of putting this important work into its place of dignity and power to which it was fairly entitled.

Almost a year ago, making up my mind that that state of affairs should no longer continue, I submitted to the President a plan for the reorganization of that bureau to give to it the power and the opportunity which it ought to have. It involved an increase of the force, it involved an increase of the pay of that force; I mean the force here in Washington. It involved larger appropriations for the work that had hitherto been done. It involved, in addition, the creation for the first time of a force in the foreign field which should be the beginning of what was proper for America to have; and, last, it involved the establishment of such an organization at home as should make those facts and the information gained available to you. As the matter stands to-day, the \$60,000 of last year, which is the present year—for \$60,000 per annum is all we have until June 30th next—has become in the pending bill \$125,000, of which \$50,000 is for South America, and \$75,000 for the rest of the world. The compensation of the officers of the bureau has been increased by the law now pending in the Senate.

In addition to that, there has been authorized for the first time the creation of our force of commercial attachés. There has been mentioned—and I speak of it with great frankness because there is not anything in the whole matter that I desire to conceal—there has been made some criticism because in my report and in my request to Congress for the creation of this force of commercial attachés, I asked, and now ask, that this force be created outside of the civil service regulations. The reason is perfectly simple. I do not know how to get, through civil service examinations, the men of the personality to do this work. Two important essentials were long ago set down, that those men should be

men who had had actual experience in foreign trade, and secondly, that they should speak fluently the language of the country to which they were sent, or a language current in commercial circles therein—as French, for example, in Russia. Those two fundamental things will be insisted upon.

In addition, it seems to me that for these posts, if they are to be of value, we must have men of such personality that they can meet on equal terms the business men of our great competitors, face to face. It is because I do not know how to get through any examination this element of personality, that I have asked, and ask now, on my own responsibility, the privilege of appointing these men, they to be judged and I to be judged on what the service they may render shall be. So we have pending the authorization approved by a committee in the House, and now approved by a committee of the Senate, of the creation of this force. With that approval which we hope to have within the next month, we shall have the beginning for the first time of an adequate representation of America in the foreign field.

I have been called upon by the Russian Commercial Attaché. I have had a visit from the Italian Commercial Attaché. A very quiet and estimable gentleman appeared a short time ago in the capacity of the Japanese Commercial Attaché. But America has been perhaps the greatest and the last of all the nations to adopt this plan of action.

With the passage of the pending bill, then, we hope to get this force established. There will be no hurry about it whatever. The most important thing will be to get the type of men most fitted for agents abroad. With this legislation we hope to complete our organization abroad.

The general view will be presented in each of the important nations by the attaché, a local view presented by local districts, and ports by the consul, and the view of a subject, covering all its phases, taken by the commercial agent who travels, on that single theme, from land to land. Now, it ought to be said in this connection also that this bureau has established an efficiency record for consuls. I assume there are some of you who believe the tale, now grown somewhat ancient with use, that the consuls—or many of them—are of

no particular use. We have an actual record of the commercial efficiency of each consul, and could tell you in a very short time just what each of them has done commercially. You remember they are not able to give their whole time to commerce. They have other duties to perform. But what they do commercially is known, and their efficiency is reckoned, and in a recent case in which thirty changes were made in the consular service, twenty-eight of them were made on efficiency records furnished by our department to the President for that purpose. With that beginning of a foreign force, small indeed, and inadequate—concededly so, but a beginning—what shall we do at home to make it practically useful? If this information is sent in to our office here and stowed away, or we wait for you to send a letter, then it may be of little avail.

Therefore, we have begun, and hope to extend, the opening of branch offices of this bureau throughout the country. Four are already in use, in New York, Chicago, San Francisco and New Orleans. They are of the most simple character; one or two men in a room in the public buildings, so that no rent is paid; but there, and through these offices, not only is the work of this bureau brought into your offices, but the consuls and the commercial agents are able to have a point from which you can reach them, and where anything doubtful can be determined by personal contact. Five other cities have already petitioned for offices of this kind. That is as many as we shall be able to establish, if we are able to establish that many more this year. But it is our hope, if the funds permit, to bring to all the great industrial centres of this country, through the means of personal contact and personal interview, the consular force, the force of commercial attachés, the force of commercial agents as well as all the information which the bureau itself gets by mail and through other sources. We are dependent upon the will of Congress in all those things. We hope that having made the beginnings of an adequate force abroad, we can make the beginnings of an adequate force at home, so that the business office of the manufacturer will be brought into actual touch with the hundreds of men who will in time represent the coun-

try abroad. If we get that job started well in two years, we shall be very thoroughly content.

Now, that is what has been done. It has been started, approved by the President, has met the approval of Congress thus far and will be within a very weeks, we believe, put into actual effect; that is, at the opening of the fiscal year. From that we hope to develop into a still larger field of usefulness. And in it all there has never been resistance, there has not been objection. The whole thing has met, in spirit and in act, only a desire to help forward the foreign trade of our country.

Now, there is one thing I want very frankly to say, because it is not upon your program and it needs very much to be said. I found that export trade began in our shop. It did not begin in Washington. It did not begin in an association or in the office. It began outside in the shop. Just precisely as we found American competitors who would a great many times get away with us, so we found German and English competitors who would a great many times get away with us. I confess it did not occur to the gentlemen who led the business that that was any special reason for saying "We cannot." It did occur to them that it meant a ruthless criticism of their own methods; that nothing honored by tradition or by custom was to stay in that shop if a better method could be invented. It meant the passing out of many things that had been held industrially sacred, and it meant the coming in of many things that had been industrially unknown. But nothing ever did us more good in the factory than to meet the keen pressure of this competition, and to be forced, if we would meet the world in commercial arms, to do it by searching our own ways first, to see if they were good or not. Now, I say that with emphasis, because that gospel is badly needed in America.

To-day there are hundreds of your associates and mine who still do not believe they can, and who have not yet the courage to try. I have had a letter this morning from one of the large ones who still thinks he cannot, and whom I have not yet been able to spur to the point where he is willing to see whether he can or not. This gospel of turning

our criticism in upon ourselves is sorely needed here. It is the characteristic of our German competitor that he delves and digs into the heart of his industry. It is the characteristic of our English competitor that with his enormous free capital he hangs on with a bull-dog courage and a confidence in himself that is supreme, and wins, often, thereby. It has been characteristic, I am sorry to say, of America, that in this single respect we have been too much afraid. We have lacked belief in ourselves, and having looked at the multiplication-table so long, have at last come to think that the great human forces are regulated thereby.

Now we must end that day, and end it by a process something like this which I shall tell you. I have in mind a shop in this country, a successful one, which for fifteen or twenty years went on very well. At the end of that time a new manager came who made indeed certain reforms. After some time an expert was obtained at a large price to see what further could be done in improving methods, and he made certain other reforms. Had they stopped there, the doors of the foreign markets would have been closed to that establishment. But they did not stop there. Still dissatisfied, still uncertain whether what they were doing and had for years done was the best that could be done, a new manager was taken in and he was told that he was given freedom to think and freedom to act and freedom to spend if he would be responsible for the results of his thinking and acting and spending. I visited that shop at the end of a year after tradition had been thrown aside and past methods had been forgotten. At the end of that year I found one vital process proceeding at one twenty-eighth of the cost of the year before, another at one-ninth of the cost, another at one-fifth of the cost, and the same hope for improvement existing in every phase of the factory life as one after another were taken up. And yet I speak of a shop that had been critically examined by competent experts before any of these things were undertaken, and pronounced to be good.

Gentlemen, let us not forget the fact for a moment that in the foreign field we meet men who have cast aside traditions, men who carry the scientific side of business



as we almost do not at all here; and if we are to meet them as I know we can, for I have tried it in their own countries, and I have never found it impossible, we must do it by forgetting our traditions, by remembering that nothing is good because we own it and no method is wise because we use it, and that in your shop and mine, six months ago must be ancient history, if we are to succeed.

Do I put it too strongly? If you will stay after your Convention is over and go to the Bureau of Standards of this Department, you shall see for yourselves the extent to which the industries of America do not use the available scientific knowledge which is obtained. It is an astonishing fact when we come to grasp it, the unwillingness of you and me and our fellows throughout this country to utilize in our factories the knowledge of scientific research out of which, for example, Germany has created her chemical industry. And yet, we could show you an industry,—for example, one that I have in mind, that has never given—I was going to say an hour's, I will be safe in saying a day's—thorough scientific study to the nature of the material with which it works, has never spent so much as a few thousands of dollars to determine how it can best be found and utilized to advantage.

So, going through industry after industry in our country, we have had greatness of mind and energy and strenuousness of purpose; we have had all that and conscience and character, but we have gone so fast that we have not been willing yet on any very large scale to do the deep research work that would test our methods in the final analysis of truth as to whether they were the best possible or not. No, it is sadly true and ought to be known to be true that against this thoroughness of work there is more or less unconscious and unwilling resistance among American manufacturers. I believe that it is largely past and is passing, but the result still needs to be learned too much. I look to the coming day of our export trade as a day which shall fill us all with pride. I look to the time when we shall regard the gospel of fear as something of the childhood of our industrial life, and inasmuch as it lies within my power by word of mouth, by official effort and by influence to remove any barriers that may stand in the way of our for-

eign trade, whether they be at home or abroad, I shall think it my privilege and my duty alike to do that. (Applause.)

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THE PRESIDENT: After the address of welcome which has been so cordially given by the Secretary of Commerce, and after his encouraging words upon the outlook of American industries abroad, it is fitting that the discussion upon the export markets of the United States should be opened by the President of that big brother of American industries, the United States Steel Corporation. (Applause.)

I have great pleasure in presenting Mr. James A. Farrell, President of the United States Steel Corporation, who will be the next speaker. (Applause.)

### ADDRESS OF MR. JAMES A. FARRELL.

President of the United States Steel Corporation

MR. FARRELL: This assemblage of representative business men of the United States is held with the highest purpose. Many of you are devoting your best efforts to the extension of closer commercial relations between the United States of America and other nations. Representing, as you do, varied business interests in the United States concerned in foreign trade, whose efforts lie in the direction of bringing about a more important position for our country in the markets of the world, this first national Convention should become a landmark in the progress of American commerce.

By gathering and concentrating at this National Foreign Trade Convention, the opinions of many of the leading men in commercial affairs in our country, it is hoped to further develop foreign trade opportunities and to suggest ways and means to expand the foreign commerce of the United States. There is no issue of more vital importance to the welfare of American industrial enterprise and labor than stimulation of our commerce abroad, as it is a recognized fact that

extensive trade overseas tends to stabilize industry, by ensuring to manufacturers and producers a larger sphere of activity.

We are here to discuss along broad lines the fundamental condition of trade in the United States because it is impossible to successfully exploit the foreign markets unless our domestic production is on a suitable scale to make foreign exploitation possible. In considering these domestic conditions it is important that, having regard to the vast area and resources of our country, we should determine what present trade conditions are in each section of this country, in what respects they may be improved, and what measures may be taken to strengthen the sinews of our domestic commerce that we may become more potent factors in seeking oversea markets. Every business house, every firm, whether in trade or in the professions, every chamber of commerce, board of trade and commercial organization—in fact, every man, woman and child in these United States has a vital personal interest in the furthering of our export trade. It has yearly assumed a more important position among the factors which determine the material welfare of this country. It annually becomes more impressive in its function as a balance wheel to our constantly recurring periods of trade prosperity and depression.

The progress of American manufacturers in export trade is encouraging, and has been made in the face of many seemingly insurmountable difficulties. The development of the vast natural resources of this country has heretofore taxed the ingenuity and resourcefulness of our manufacturers in supplying the requirements of the home market. The great strides which we have made as a manufacturing nation are causing us to look beyond our borders to find markets for our surplus manufactures, just as we found such markets in former years for our surplus foodstuffs and crude materials.

The United States' exports during the calendar year 1913 were valued at \$2,484,000,000, and the imports at \$1,793,000,000, an excess of exports over imports of \$691,000,000. The annual increment of such vast sums as those represented by our annual balance of trade in recent years must increase the

prosperity of our country irrespective of how this balance of trade must be expended.

Probably 80% of the value of two and one-half billion dollars of annual exports represents labor at some stage of their production, from the origin in the soil or farm, or in the mines, and all the subsequent processes of manufacture and preparation and finishing, up to shipment. In the final analysis, the bulk of the cost of all manufactures or production is the labor. The wages, which are paid in the production and distribution of the two and one-half billion dollars of exports, amount to approximately two billion dollars annually, and it may, therefore, be reasonably assumed that this involves the employment of two million men in the manufacture or production of exports. There is, therefore, engaged, directly or indirectly, in the production or manufacture of material ultimately destined for the foreign trade, about one out of every ten men in this country.

Considering that the two and one-half billion dollars of exports involves millions of tons of freight, the revenue from same is of material importance to the successful operation of the railways.

Let us also consider, as has been brought out in the papers submitted, that our oversea trade and the thousands of steamers employed therein is wholly dependent on this commerce, and it will be patent that, not only is the export trade of vital importance to the railways, steamship lines and the multitude of industrial enterprises affected collaterally and that, aside from the domestic trade of the country, there is no factor which is so much involved in its material prosperity as the export trade, but that, due to its great significance with respect to the economic conditions of our financial relations with the markets of the world, the export trade is likewise a vital factor in international affairs.

The average excess of exports over imports of this country during 1913 was about fifty million dollars per month. During the early part of this year, this excess has fallen off to but twenty-four million in February and only five million in March, while in April returns show an excess of imports

over exports of ten million dollars in value. This important development alone demands serious consideration.

The nations of the world are no longer, as in earlier times, so largely concerned with military aggrandizement as with commercial prestige. The contest to-day is for supremacy in the trade of the world's markets, because that country which is a commercial power is also a power in other respects. Of our two and one-half billion dollars of exports, manufactured goods amounted to one and one-half billion, of which over one-half, or 778 million dollars in value, consisted of fully finished manufactures. Forty per cent. of this, or approximately 305 million dollars in value, were manufactures of iron and steel. In 1880, agricultural products formed 84% of our total exports, in 1913, 46%; in 1880, manufactures formed 15% of our exports, in 1913, 49%. It is apparent that we are yearly requiring for our own consumption an increased percentage of the foodstuffs and raw materials heretofore produced and exported and that we must in future rely more on exports of manufactures if we are to maintain not only the favorable balance of trade, but a relative position in the world's markets and in the family of nations. It is, therefore, in the final analysis, not only essential that we should increase and stimulate by every proper means our export trade to enhance our country's prestige and wealth, but that this is rapidly becoming a necessity in order that the domestic consumption of the country which is recurringly insufficient to absorb the capacity of our plants, mills, workshops and other avenues of production, should be supplemented by the export trade.

The large industries in our country have for many years been building up their trade in foreign markets in an energetic manner along intelligent lines, and may be said to be the advance agents of American trade in all parts of the world. Smaller producers are reaping the advantage of this pioneer work through the better acquaintance of foreign consumers with American products and methods and, speaking of the Iron and Steel industry, the growth of its exports has been an increasing factor in the development of the trade of many collateral products.

The larger exporting interests consider that any increase or expansion of our foreign trade is a common growth and a common prosperity, irrespective of the class of goods, the size of the industry, the locality from which the business originates, or the port of clearance from which the products are shipped.

The expansion of export trade on the part of European countries has largely been due to the co-operation between the various commercial organizations for the promotion of trade relations with individual countries; the development of commercial organizations in Germany has done much to mold the economic position of that country. Over six hundred national commercial organizations, with five thousand auxiliary branches, indicate the scope and activity which such a multiplicity of ramifications bear to the results obtained by concentrated effort.

In the export field, three of the parent organizations, with a membership of over 30,000 firms, exert their combined influence in fostering the export trade of Germany. What is true of Germany in this respect is also true of England, France, Belgium, Austro-Hungary and other European nations.

There is a popular misconception that the paramount factors in the export trade of foreign countries are due to their financial ramifications and shipping facilities; but the striking annual increase of our country's trade with foreign nations reflects the results of adapting our products to the requirements of oversea markets, of painstaking effort and enterprise in competing with older manufacturing countries; of the knowledge our banking and manufacturing institutions are acquiring with respect to foreign opportunities; of the assistance that is being given by the Government and its consular representatives; of the increased efficiency of the productive establishments of this country, and the capacity of their officials for organization and commercial development.

The difficulties in conducting an export business are not insuperable and the American manufacturer will continue to concentrate his efforts on process, cost of pro-

duction and adaptability of manufacturing to the requirements of the markets, as well as to the offering of wares of peculiarly American origin and ingenuity. By their use of special machinery, their extraordinary facility of invention, experiment and improvements, American manufacturers are participating to a large extent in the era of expansion in foreign commerce.

The important increase during recent years in the exports of manufactures reflects this adaptability and enterprise, and the equally large decreases in the exports of raw and semi-finished materials foreshadow the desirability of continued effort along the line of manufactured exports, if we would continue to hold the theoretically favorable balance of trade.

The subjects that are appropriate and germane to consider in order to accomplish the desire of this Convention, to stimulate both the domestic and the export trade, as each is dependent upon and a complement of the other, are so numerous and of such wide importance that, necessarily, we can only hope to cover at this meeting those of the most significant importance. It has been thought by the Committee on Plan and Scope that, after we consider the commercial conditions of the United States, it is proper to consider how our foreign trade has been or may be affected by legislation in this country and by foreign governments. It is also desired to consider methods of financing our production for foreign trade; to consider what effect the tariffs of this and foreign countries may have on the upbuilding of this one great national necessity, increased exports; to consider the position of the distributing, forwarding and commission merchants as allies and intermediaries between the manufacturers and foreign consumers; to develop the importance of this foreign trade to our railways and steamship lines; to take up individually, so far as possible, the prospects and problems of business in our principal oversea markets; to invite from the Government its co-operation in its diplomatic and consular service; and by every other means which is appropriate

further the extension of American commerce and interests abroad; and, lastly, the needed stimulation of American trade abroad by inducements to be held out to our financial interests to seek foreign loans and foreign investments.

These are some of the subjects to which your consideration will be invited and it is not beyond the reasonable bounds of hope that this great Convention of representative business men from every section of these United States, wielding with their capital and resources and individual efforts an influence which, in the aggregate, has not yet been sufficiently realized, can to a large extent determine the future destiny of this country as a world power with respect to its foreign trade. It is essential that we should act as a unit in all matters to accomplish those great purposes which can only be effected by co-operation and concerted action, and it may be hoped that the outgrowth of this initial Convention will be the close co-operation of the manufacturers and producers, merchants, transportation and financial interests of our country and of our Government in a unified effort for the upbuilding of American industries for the conserving and exploitation of American manufacture and production to the common betterment of our domestic and export commerce.

You gentlemen who are interested in the development of foreign trade are performing a great work in the advancement of peace and civilization, for the good-will established by better acquaintance with foreign customers and satisfactory methods of dealing must redound not only to the benefit of the individuals and firms interested, but to the prestige of our country.

The commercial world is watching our consular service and the efforts of our Government to keep this most important branch of our foreign representation on a merit and business basis. They will not forget that this service remains the one organized expression of our country in the stupendous economic contests which are now engaging the nations of the world in competition. The commercial interests of the United States should support and fortify



in every possible manner the splendid work of the Secretary of Commerce, and other departments of the Government, in their efforts to maintain and improve this branch of our Government service.

In the struggle for the trade of the world, the United States will occupy the place for which the bountiful resources of nature and the efficiency of the people have equipped her. The intelligence, enterprise, and co-operation of the people and Government will be applied to maintain and strengthen her position. (Applause.)

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THE PRESIDENT: There was one word which I intended to say, and that is that the Chairman of the group who have brought about this Convention, Mr. Lloyd C. Griscom, was to have presided over the sessions. It is a very great regret to me and to all of us that he has been prevented from being here by a temporary illness, from which, fortunately, he is recovering; but we all of us miss him and extend to him our most cordial sympathy, in being deprived of this pleasure.

The next speaker is Mr. Dudley Field Malone (Applause) who, as Assistant Secretary of State, was for nine months in charge of the consular service, and who now occupies the exceedingly important post of Collector of the Port of New York. I have great pleasure in presenting Mr. Malone. (Applause.)

MR. MALONE: Gentlemen of the Convention: By looking at your program, you will see that I am an added starter, and as such I am expected to run neither well nor long.

I have been delighted to come down from the Port of New York to extend a greeting to you gentlemen of vision, who prove your vision by your presence in this Convention, to urge my small, earnest co-operation in such efforts as you may be able to make. I am glad to tell you that if you stick closely to the export business I can give all of you the freedom of the Port going out (Laughter), whereas, if you insist on building up your import business, I am inclined to give close scrutiny on your coming in. (Laughter.)

I was in Washington for nine months, in charge of the consular service. I am not interested, and you are not interested, I believe, in any partisan discussions. We, as men interested in the development of the trade and the prosperity of America, should not be interesting ourselves to-day in the prospects of particular persons for the Presidency in 1916; we should be lending our best energies for the co-operation of the business men and the officials of the Government toward the development of the trade and the commerce of America, for the prosperity of 1914. (Applause.) And, gentlemen, as the head of the consular service for nine months, I can assure you as a fact that this administration has dedicated itself and has already placed that consular service on an absolute basis of merit and efficiency, and knows no other consideration. (Applause.) While I was in charge of the consular service, seventy transfers and promotions were made, and not in any single instance was the man, or his friends or his advocates, asked what his politics might have been or were; but he was judged entirely upon the records in the State Department, of his merit and efficiency as a consular officer, and so true is that that under this administration for the first time one man was kept in office and one gentleman was appointed to office, to the two most important places in the consular service—the consul-general of London was the much-lamented Mr. Griffiths, who was loved by the British people, and the gentleman appointed under this administration to Paris was Mr. Thackara, himself a Republican, whose wife was a daughter of General Sherman; and so, surely, there is no partisanship, there is no politics in this appointment, nor has there been in any appointment made under this administration in the consular service. The consular service should be peculiarly the foreign representation of the trade and the business enterprise of the business men of America, and so it must be kept and sacredly guarded.

Gentlemen, I am not going to read a paper. I am not going to speak as an expert. I merely wish to say that I come from the great Port which is constantly at your service. We have four thousand men in the Port of New York. Last year we took through the Port one billion dollars' worth of

merchandise. We collect from six to eight hundred thousand to one and a half million dollars a day in duties. We collected eight hundred thousand dollars last year from smugglers. (Laughter.) We have a delightful variability of interesting business at the Port of New York; and yet it is an economical, businesslike administration, for it costs us to collect each dollar for the Government, less than two cents on the dollar for the entire expenses of the Port of New York. (Applause.) And if any of you gentlemen in your business enterprise are able to show such an economical administration, then you are fit to go into foreign markets. (Laughter.)

The reason for the foreign enterprise must be this, gentlemen: Whether you like the tariff or dislike it is scarcely to the point. I once had a professor who said all the amount of argument in the world will not argue away a fact. And the tariff is a fact. And since it is a fact, what does it mean? It means this fiscal policy is an invitation to all the world to compete with us, and all the world will not compete with us if we do not intend to go out and compete with all the world. And so, because of the fiscal policy, we must look abroad. Our manufactures are piling high above our needs. The President once said we were bursting our own jackets, and pretty soon we will not be able to feed ourselves with our own food-stuffs! We will have to look abroad. And so, political and economic necessity must give us the vision, if we have not got it naturally, so that we shall look abroad. You men, in the business future of our country, by the genius and industry you show, will be looked upon as the apostles of trade, because you have been the men of faith. There was a famous apostle who did not believe because he did not hear and see with auricular hearing and ocular vision. Some men in America, to-day, in the world of business do not believe in export expansion because they cannot see the benefits before their eyes. We in America have lived within ourselves. We have lived to build up ourselves, and now we have built up ourselves to the full stature of manhood, and we must look around to foreign markets, to enterprise with foreign competitors, for the growth of the trade and commerce and the greater prosperity of the Republic.

I bring a greeting from the Port of New York, from the State of New York, to the business men of this Convention, to be of good cheer, to maintain the faith that is in you, for our export trade will increase by your genius, and the people of the Republic will be grateful to you. (Applause.)

**THE PRESIDENT:** It is a great pleasure to hear such cheering and inspiring words as those brought to us by Mr. Malone. We shall endeavor to take advantage of the freedom of the Port of New York. (Laughter.)

We now come to the serious business of the Convention, that is to say, the discussion of the various papers which have been printed and distributed among you, and which are listed in the order of the exercises which has been prepared.

The first of the papers is that by Mr. Edward C. Simmons, Chairman of the Board, The Simmons Hardware Company, St. Louis, Missouri, upon the subject: "Present Commercial Conditions in the United States, with Special Reference to Foreign Trade." The plan which has been proposed and which we will follow is that the writer of the paper or some one acting for him will, wherever possible, present a brief synopsis of the paper, and then it will be followed by discussion. Those who desire to discuss any paper are requested to present their names before the paper comes up for discussion, to the Secretary of the Convention, so that we may be able to utilize the time of the Convention to the best advantage, and to allocate to that subject the time which is necessary for its proper consideration. Mr. Simmons' paper was to have been presented to us by his son, Mr. Wallace D. Simmons. I would like to ask whether Mr. Simmons is here. Will you be kind enough to come forward, Mr. Simmons?

I might say that the presentation of the subjects is limited to five minutes, and we hope that those who wish to discuss will also limit their discussion to five minutes each. Mr. Simmons, won't you come up on the platform?

**MR. WALLACE D. SIMMONS:** Mr. Chairman and gentlemen: I want to say to you that the first time I knew that there was to

be any presentation of this kind was when you heard it about two minutes ago. I had no thought of being called to speak to you. I received a telegram last night from my father in St. Louis to me in Philadelphia, asking me to come here to represent him.

I am not going to attempt to give you a resumé of his paper, first because I have just read it myself, and, second, it would hardly be worth while to take the time of this Convention to attempt to put into five minutes a statement of present conditions in this country as they relate to foreign trade, except to say that I find particularly emphasized in my father's paper the conditions which generally could be called those of hesitation and lack of knowing, as he expresses it in quotation marks, "where we are at." It seems to me that is the general situation which could be described in less than five minutes and perhaps five seconds, and the discussion of those conditions could be extended almost indefinitely.

I have dabbled in foreign trade pretty extensively, and I found it is necessary, in handling foreign trade, to know from a mercantile standpoint at least, what goods to offer. It narrows down, as I said before, to the question of knowing where we are at. We must know that before we are safe in going to the expense and trouble, and in taking the time and making the preparation to extend to foreign markets. We must know what we can back up, and what we cannot do. I will be glad to answer any questions.

(The full text of Mr. E. C. Simmons' paper follows.)

## PRESENT COMMERCIAL CONDITIONS IN THE UNITED STATES, WITH SPECIAL REFERENCE TO FOREIGN TRADE.

BY

**E. C. SIMMONS**  
Chairman of the Board,  
Simmons Hardware Company, St. Louis.

The wars of the future between civilized nations will unquestionably be wars of commerce, rather than of gun and sword—and especially a competitive fight for the

distribution of manufactured products. It is a well-recognized fact that most of the merchandise products that we export are made of iron and steel, or have parts of those metals; consequently, it is well to direct our attention to goods of that class, on which the possibilities of a very large export business are clearly in evidence.

In the limited experience we have had—although a long experience, extending over many years—we have found our greatest success in selling goods of extraordinary value, or of the very best quality; that it was entirely useless to send cheap stuff abroad, or to make any effort to sell it in foreign lands; but when we came to offer goods that were superlative in quality, and better than were made in other countries, it was not very difficult to sell them, and those sales have continued to increase each year.

We have always found it quite important that there should be good salesmanship coupled with this effort. The necessity for good salesmanship exists just as much in selling goods abroad as it does in this country. We may send out the best of our manufactured products with a poor salesman behind them, and the results will be nothing; send those same goods out with a first-class salesman—a man who is a student of human nature—a man who is a good mixer—a man who can adapt himself to the people with whom he is to-day, and then change and suit himself to the people he mixes with to-morrow—and he will be successful in selling them.

Salesmanship is a mental tussle with the odds depending on circumstances. If the salesman is strong physically—if he feels fresh, ambitious, enthusiastic, he has a mental advantage. If he is a good reader of human nature—knows when to pull and when to push—when to talk and when to keep still—he has a great psychological advantage. He must also have brains sufficient to master the goods he sells, and be able to show and to demonstrate clearly and convincingly their particular advantages. A salesman who tries to sell his goods without using his “Think-tank” has a great deal of good space in his loft unoccupied.

People abroad are different from those in this country. Here they want new goods every season, and the more you change the style, the more you will sell—the more the people like it because it is a change. That is not the case abroad. In talking with a shoe man in Germany, he said that he bought some American shoes as a sample to try them; the next year the American salesman came along, representing the same factory, but he had discarded all the patterns of shoes that he sold him last year, and had entirely new ones. He did not like it and would not buy any; he wanted the kind he had had before, that he liked and that he had been successful in selling.

The best results that I have ever known in efforts to sell goods abroad were brought about by getting a salesman from the country in which you want to sell your goods—get a native; bring him over to this country; take him into your factory and your store; let him learn our language here, and while doing that, let him learn all about your goods and your ways of doing business; then send him back home with his samples, and with satisfactory prices, and he is almost sure to be successful.

A friend of mine, engaged in a certain line of manufacture, had heard about the opportunities of selling goods in Germany, so he sent one of his American salesmen over there with a line of samples. The man could not speak the language—he had never been abroad before; in substance, he was as “green as a gourd” about everything he came in contact with. The result was a failure, and my friend, the manufacturer, said: “There’s no use trying to sell my goods abroad.” The trouble was he did not try in the right way.

The export trade is a matter of great moment to us—especially as a needed vent to our surplus energy and the finding of a market for our surplus products. While it is true that in 1913 our exports of bread-stuffs broke all previous records in value, and that exports of cotton are the backbone of our foreign trade, yet, it must be evident to the thoughtful student that the proportionate increase

in future must come largely from manufactured products. We shall find increasing demand in our domestic markets for our raw material and agricultural staples, and in the future a favorable balance of trade must depend more and more upon the sale abroad of our finished products.

The bright side of this is the apparently illimitable supply of raw material at our command—the skill, intelligence and capacity of American workmen, and the ever-increasing efficiency of labor-saving machinery, and of new inventions. Nor must we forget the “style,” adaptability and finish of American products, such as cannot be matched elsewhere in the world. Beyond all this is the enterprise and ingenuity of our manufacturers—the same spirit in fact which in years past—while yet we were a struggling nation, commercially and in a manufacturing sense—took away the American market from the foreign importer, and then followed him across the seas to compete successfully in the markets of the world.

There is another side to the picture, and one that needs and merits our sober consideration. We are not thoughtful and studious enough of the ways and customs, and idiosyncrasies—if I may so express it—of our foreign customers. We endeavor too much and too often to force our ideas upon them, instead of adapting ourselves to their ways. To successfully do business with any people, you must not only understand them and sympathize with them, but you must likewise look at all things from their point of view. Nothing in the world is so educational and so illuminating as to get and consider the other fellow's point of view. We have too much of that Anglo-Saxon pride of race which regards itself as superior to other people, when in truth it would be much better from all points of view, much more kindly, much more charitable, much more profitable, and often more in accordance with facts, to merely reckon them as different, rather than attempt to institute any comparison as to superiority, or the reverse.

Because of such difference, each race is entitled to its own customs, its own ideas and its own ways of doing



and having things. Naturally, if we are to increase the bounds of our foreign trade, we must settle our own domestic commercial affairs first, or else, lest our business foundation here be assured, we shall make but a sorry showing abroad. The trouble is that so far as the relations of Government and business are concerned, we are still in the position of that Alabama Congressman who did not know "where he was at." I am unqualifiedly in favor of Governmental regulation and supervision, and of all due publicity—provided, of course, these things be done soberly, advisedly, and in fear of the Lord. There's nothing to it if such things are to be done in the spirit of reprisal or of revenge, and if animated solely by a spirit of political demagoguery.

The controlling and overseeing power of Government has come because of offense and derelictions that need not now be recounted, and, as always, the pendulum has swung as far on the other side. Regulation and supervision do not necessarily mean handicaps and obstacles, and yet that is the present danger and apparently the present trend. We shall have to trust to the good sense and impartial judgment of the American public to correct that undue radicalism which constantly manifests itself in Congress, for, after all, public opinion is more and more the controlling influence in this country, and Congress can be depended upon to listen to the voice of its masters. It seems a matter of experience that the large concerns in manufacturing must be the ones to bear the larger share of the export business, and they cannot bear their share if they are to be disintegrated into warring and inharmonious fragments, or hampered by unduly restrictive laws. There is a size that is weakness, and a size that is strength, and I do not believe that it is the part of Government to stunt a healthy growth, or to do other than prevent monopoly and special privilege.

I take pleasure in paying tribute to the great improvement there has been in our Consular Service during the past ten or twenty years. Formerly our Consuls appeared to the people to be selected for other reasons than qualifications

or fitness—appointed perhaps to pay some Party debt, or because of being a political protégé—with the result that they gave us but little help in a commercial way. For the last five or six years they have been exceedingly helpful and show an entirely new spirit.

It is my best judgment that we should have a Government Training School for Consuls, in Washington—where young men who were so minded could be instructed as to the manufactured products of this country. Perhaps it could be called a "Consuls' College." Manufacturers could be permitted to bring samples of their wares to Washington—show them—explain the quality and the merits; also demonstrate their usefulness to the students of this College, and in that way educate them—in a sense—as to just what our products were, and why our manufactured articles are better than similar ones made abroad. Let me illustrate this by referring to American tools, which are far better, more graceful and more useful than anything made in any other country. We find that people in other countries are willing to pay for these tools, and that the demand for them is steadily increasing.

Now, let us turn for a few moments to the conditions of business in the United States. Speaking in a general way, business is very quiet. There are some few local exceptions. These exceptions are the Southeastern Atlantic States, the Central Southern States, Minnesota, Wisconsin, Montana, extreme Northern Illinois, Indiana and Ohio. These sections or states had good crops last year—which accounts for their having a fairly healthy business at the present time. As a whole, there is exceeding conservatism in buying—purchases being for immediate wants only, and then in the smallest possible quantities; in other words, "hand to mouth" buying has been the rule for at least twelve months, and still prevails. Merchandise stocks throughout the country are extremely low. This not only obtains with the retail dealer, but also with the jobber.

Collections in general are slow, because of the absence of cash in the hands of the farmer and the retail dealer. While the banks have plenty of money, they are very

chary about loaning it out. The lack of cash is particularly marked in certain sections of the Central West, because of the severe and destructive ravages of the hog cholera during the past two years. It must be remembered that hogs are practically so much cash to the farmer, and their loss is the actual loss of just so much money.

In the manufacturing sections of the East—especially in the neighborhood of New York, there is a good deal of pessimism and apprehension, because of the number of people out of employment. In many sections of the country, particularly the farmers and the business men are much concerned over the condition of the railroads, and the number of men that the railroads have discharged—also the number of trains that have been discontinued. This action has excited a great deal of apprehension, though of an entirely indefinable kind, as of the possibility of worse things to happen.

The lumber business is exceedingly quiet, because of the general lack of building outside of the large cities, save in the Central South where it is rather good—especially in Alabama. The coal mining situation is torn asunder by labor troubles and disputes, and by lack of demand, because neither the manufacturers nor the railroads have been running full time. This is the dark side of the situation.

As against this, crop conditions were never more favorable, nor the outlook brighter. There is abundant moisture throughout the country in all sections, even in the semi-arid grazing regions of the West, and there is good promise of abundant water for irrigation purposes for crops. The oil industry has been the saving grace of the situation in many sections—particularly in Illinois, Oklahoma and California. The acreage of Winter wheat was never so large, the conditions so good, nor the outlook so promising for a very large yield.

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THE PRESIDENT: The paper by Mr. Simmons has been distributed and is now before you. Are there any who wish to make remarks upon it?

(No response.)

We will therefore pass to the next paper upon the program, "The Future of Foreign Trade," by Mr. James J. Hill, President of the Great Northern Railway, St. Paul, Minnesota. Is there anyone here representing Mr. Hill?

(No response.)

Mr. Hill's position as one of the great builders of the Northwest, as one of the far-seeing prophets of America, is so well recognized that anything which he has to say upon any subject always commands the attention and respect of the American people. His paper is before you. I should be glad to hear from any who wish to present remarks respecting it. Is there anyone? (No response.)

(The full text of Mr. Hill's paper follows.)

## THE FUTURE OF FOREIGN TRADE.

BY

JAMES J. HILL

President, Great Northern Railway, St. Paul, Minnesota

One way of looking at the foreign trade of any country or of the world considers actual present conditions and immediate results. Another way studies future developments, adapting itself to needs and tendencies as they appear above the horizon. By one or the other of these methods the foreign commerce of every country is directed. The nation which knows how to combine the two will be most prosperous and secure against such unexpected reverses as that which reduced Venice from the trading sovereignty of the world and have changed supremacy in commerce from one country to another.

The foreign trade of all countries in the world was estimated in 1912 at more than \$35,000,000,000, and rapidly increasing. It has doubled in the last quarter of a century. That of the United States has about doubled every twenty years since 1830. The total imports of countries other than the United States are put by Mr. Whelpley at \$16,000,000,000 per annum; of which the United States

furnishes \$2,000,000,000. We naturally want to increase that share as much as possible. There is room for it, since the foreign trade of England per capita averages about \$125, that of Germany \$67 and that of the United States \$41. We are competing freely to-day in the same markets with Great Britain, Germany and France. So far as the trade of the world as a whole is concerned, the bars are down. The narrow, the limited, the local view of a nation's foreign trade becomes no longer of value or force. The trade telescope has but one focus for the distant object and the near. Commercially speaking, the nations of the earth have been brought most close to each other.

A new order of things has been brought about by the progress of human information, invention, discovery and skill. Even a century ago the average man was almost as strictly localized as a tree. Only exceptional individuals cut themselves loose from their environment. Intercommunication was slow and difficult. Foreign commerce was confined to a small range of articles. Life was narrow and limited in its desires. Trade between nations was larger in amount but still retained many features of the days when Phenicia sent beyond the Pillars of Hercules for her supply of tin, or when the ships of Rome carried to her port the grain to support her growing population.

To-day commerce has burst the trammels once imposed upon it by the small range of demand and supply and the parochial conception of trade. The multiplication of enormously increased means of transportation and the cheapening of the cost of carriage have conspired with greater scientific knowledge and new machines, new methods, to distribute broadcast over the world its mighty stores of wealth. Commodities as well as people are in constant and lively motion. No demand can arise anywhere in the four quarters of the earth that it is not presently satisfied. The "First Book of World Law" has been published by the Peace Foundation, and there is the third article in its Declaration of rights: "Each part of the world needs all the other parts; unimpeded exchange of the world's goods promotes world prosperity; therefore

obstacles to such exchange must be removed." Commercially the world is becoming one vast clearing-house, through which must pass without discrimination the orders and the way-bills and the receipted statements of all its busy people.

The character and direction of the larger currents of trade are no more under the control of any country than are the currents of the atmosphere or the ocean. Purchases are regulated by individual and national needs. Sales will be regulated and production determined by natural advantages; the first item in which is a large supply of raw material of high quality. Wherever this exists, it will control, until the advantage is offset somewhere else, the trade in this particular commodity. Following this plain rule it is not difficult to see where to look for the future commercial strength of the United States.

We must, for the present at least, depend for our foreign sales chiefly upon a few great staples. In food products we are already falling out of line. Our increasing population, drawing upon a soil already much impoverished, turns food production from a resource into a problem. Down to ten years ago we exported from 25 to 40 per cent. of our wheat crop each year. Since then the percentage has rarely exceeded from 10 to 15. The rapid decline of our position as a producer of breadstuffs has been checked a little by the tremendous efforts made to induce a better agriculture and a more intelligent care of the soil. Federal and State Governments, stirred by the earnestness of individuals and by the practical example of great railroad companies, are helping to make better farmers and to save and restore the land. Our export trade already feels some benefit from this attempt, pitifully small although the results of it seem to a man who goes through the country and sees how the average farm is handled. But nothing can prevent the practical extinction of our grain exports. Cattle and dairy products are being imported.

The United States has an apparently sure supremacy in the production of corn. More than 60 per cent. of the world acreage of this cereal belongs to us. Yet we

imported more than eight million bushels of corn between October 3, 1913, and the end of last February. So far as breadstuffs are concerned, we cannot rely upon them in future to supply any considerable portion of our sales to other countries. Our farm processes are still almost incredibly antique and unproductive. According to a careful study by Dr. Carl Helfferich, of Berlin, the yield per acre of wheat in Germany in 1912 was more than double that in the United States; that of rye nearly 80 per cent. greater, of barley over 30 per cent., of oats nearly 50 per cent., and of potatoes only a little short of 100 per cent. Such returns from a soil cultivated long before Tacitus wrote, in a climate inferior to ours for grain production, tell the whole story of American farm methods. The best that we can hope for, continuing the slow improvement now in progress, would be to keep production from lagging too far behind increase of population. If we double our acre product, which could easily be done, the chances are that, before our farmers can be educated to the point of doing it, our population will double also. It has increased over seven millions since 1910. This is at the rate of about two per cent. a year, and the most sanguine person cannot, under present methods, expect from our farm production any such continuous rate of growth.

On our other great natural resources our foreign trade is now and must continue to be based. The cotton consumption of the world in the last year is estimated at something under twenty million bales, and more than fourteen million bales were picked from the fields of our Southern States. But the immense increase in price has set every manufacturing country of the world at work to provide its own supply. England has India and Egypt, both capable of large cotton production. So are great tracts in South America and Africa. We cannot expect to retain a practical monopoly of the production of this staple which we once enjoyed. From the United States comes one-half the world's supply of copper. Of 351,000,000 barrels of petroleum, we contributed over 222,000,000. The

pig iron production of the United States in 1912 was 44 per cent., and its steel production 54 per cent. of that of the entire world. We are far ahead of other countries in these items, not alone because of skill or success in manufacturing, but because nature gave us the raw material in abundance, elsewhere unknown. The history of countries like Spain teaches what must be expected where reliance is placed upon resources that cannot be reproduced as can the products of the soil.

A rather short-sighted optimism has concentrated attention for many years on the increase of our exports of manufactured products. It is with no intention of belittling the really important conquests that our large manufacturers have made that attention is called here to the insufficient and precarious nature of this resource. Exports of manufactures imply competition with all the world and all over the world. It has been proved that no artificial barriers can prevent this ultimate result. For a tariff of one nation equalizes that of another. The common factor cancels out, and the battle must be fought, in the last analysis, just as nature intends that it shall be—on even terms.

To succeed in this field, therefore, there must be a continuing advantage in access to cheap raw material, or in efficiency, or in opportunities for profit to capital invested. If we measure, again, our progress by that of Germany, which has to obtain so large a portion of its raw material elsewhere, we shall not feel so much like self-congratulation. The great progress of our iron production has been noted. Yet Dr. Helfferich finds that the percentage of increase between 1887 and 1911 in the United States was 268.5, and in Germany 287. Moreover, it was 486.3 in Russia; and that country of undeveloped resources, so similar in this respect to our own a generation or more ago, must be reckoned with in the industrial future. In steel production the contrast is still more marked; our percentage of increase from 1886 to 1910 being 910.3 as against 1,335 for Germany. It is clear that, if we are to hold our own, we must meet this competition in pro-



duction, which is translated instantly into competition in foreign trade.

Germany has waxed fat to a considerable extent on spoils taken from the foreign trade of Great Britain. And perhaps the most instructive thing in the world would be to consider the means by which so many English markets have been captured by Germany, and why so many industries have changed their seat from Sheffield and Birmingham to the busy manufacturing towns of the German Empire. The main reason lies in the inability of the English manufacturer to change his working conditions in conformity to general changes that have taken place, beyond his power to arrest or alter, in the markets wherein he must give a free field and can hope for no favor. It must be borne in mind always that the future and, even more and more surely, the present struggle for foreign commerce must be conducted under rules laid down by civilization itself. There can no longer be a scarcity of any commodity in any place on the surface of the globe if a surplus of that commodity is to be found anywhere else on the surface of the globe. Through the growth of all forms of publicity, of commercial reports, of communication by cable and wireless, the situation is at once made known. Railroads and steamships are ready to carry the desired article from any spot to any other spot, however distant. And, so long as the transaction shows a profit, capital and men will be ready to undertake it. No real monopoly of trade can ever exist again, except within the narrowest areas or for an inconsiderable space of time.

It follows, necessarily, that all competitors must enter the lists under substantially equal conditions. Now England had controlled so large a share of the world's commerce in manufactures for so long that she apparently forgot this. She encouraged or permitted the establishment of conditions that left her hands tied as against a free competitor. And the reason for dwelling at some length here on this is that the United States is following her example. The power of the English trade unions

became practically arbitrary in fixing wages, hours and general working conditions. Germany found that, with a more advantageous wage scale, she could go into the world's markets and compete at prices which England could not meet. Hence the enormous growth of German exports of the manufactured articles. Hence a competition which the United States itself cannot meet in many lines, and which it could not meet at all did not immense and accessible natural resources and, in certain lines of manufacture, the use of highly skilled labor and highly complicated machines which cheaper labor is not competent to handle, give us a temporary advantage. But that advantage, like every other exceptional local condition in world trade, tends to be equalized and disappear. For, in the vast pool of the world's activity, where the material, the worker, the machine, the method, fly from one end of the earth to the other at call, only a purblind nation can dream of basing its future on anything less commanding than equality or superiority in the elements of production; including, of course, the wages of labor and the remuneration of capital.

This, Great Britain has not yet fully realized. The United States does not appear to understand it at all. Widespread and long-continued industrial distress in England come from attempting to hold markets against competitors while maintaining a wage scale that does not permit her to meet their prices, and does not offer to capital an inducement to go into new fields of development or even to remain where it has hitherto been occupied. She meets this not by removing the shackles from her industries, but by fastening other shackles on her capitalists; fetters that must be added later to those that already gall the limbs of labor. She has entered upon the most elaborate experiment ever seen to compensate the worker for the work he has lost through insisting upon impossible economic terms, now that work is no longer to be had, by a vast eleemosynary system which makes the State pay for his unemployment, his sickness, his misfortune and his death.

He is to be sustained in his position of inability to compete with other workers; and he is to be protected against the penalty of his economic defiance at the expense of the whole community. The budget just presented calls for an annual expenditure of over a billion dollars. Twenty years ago it was half that sum. Taxes are now accomplishing actual confiscation.

Reduced to its simplest terms, this project is not "humanitarian," but unspeakably cruel; though that high-sounding word and its familiar fellow, "social justice," are common cloaks for legislative cowardice or incapacity that does not dare apply the real remedy to the obvious disease. It merely postpones the inevitable, and intensifies the catastrophe which can no more be averted than hunger can satisfy itself on air. Great Britain is now maintaining many of her industries in an artificial condition by appropriating for the support of one class of her people the property of another class. Let it be understood that this discussion has nothing to do with the moral of the process, but only with its economic consequences. The British Empire is now sustaining itself by sequestering, under one guise or another, the stored accumulations of past generations. The end of that policy comes when this accumulated capital is exhausted or has removed itself beyond the reach of legal capture. When that day arrives, Great Britain will be face to face with her real problem. Its magnitude and its difficulty will be almost unique in history.

It would seem that, with such events passing before our eyes, and the veil of the future almost lifted for our benefit, we should not be beyond the reach of helpful suggestion or find rational conduct difficult. But the burdens placed by unwise restrictive legislation and unnecessary taxation upon business in the United States are producing their natural effects here also. Industry slackens less because capital is dissatisfied with the present than because it is uncertain of the future. Just such mistakes as Great Britain has made and is making may confront the American workingman with a lost job, an empty cup-

board and no younger and more promising land to which he can emigrate as his needy fellows have done for centuries when caught in the vise of economic errors or commercial revolutions. The future of our industry must be worked out here and by ourselves. Losing gradually the advantages that our position and resources have given us up to a recent date, nothing but a deeper wisdom and a keener sense of justice toward all the factors that must unite to create national prosperity can keep us at the front in the race with other nations, or even insure us against disappointment, disorder and economic distress at home.

Markets, prices, wages, remuneration of capital—every element that enters into the production, distribution and exchange of commodities, everything that forms the material of commerce or makes commerce possible, every price-making factor—are undergoing a world-wide leveling process. Advantages, natural or acquired, are being banished from the world as certainly as contagious diseases. Trade hereafter will stand like a colossus, with one foot on either hemisphere; and on the banner that it holds will be written, with a new force and meaning, the old motto of democracy: "Equality of opportunity." Men have for a long time demanded no less. The problem of the world's future is to make them content to take that and demand no more.

World trade cannot be a one-sided affair. Capital must be considered as well as labor, because they are "useless each without the other." When a plant ceases to be remunerative, it must be shut down. No miracle will keep it running indefinitely at a loss. But then the employé is out of work. He sees, not far ahead, the prospect of suffering for himself and his family, or removal to some more favored land. Even if he is able to persuade some crack-brained enthusiast or some coldly selfish politician to vote him a support at the public expense, under compulsion of law, neither can that last forever. Sooner or later all outside resources are exhausted. Capital must insist upon its fair remuneration and labor must

insist upon a fair wage and no more, in the wide lists of the open world. Back of both, as behind most of the great movements and achievements of the race, stands the stern and compelling figure of death, their final umpire.

Great and true analogies often lie before our eyes for ages until we learn at last the interpretation. This material world is a creature of the law of reduction to a common level. Every inch of fertile field, every valley that delights the eye, had its birth in sterile mountain fastnesses. Everywhere, incessantly, moisture and heat and frost and wind and running water are at work, leveling the earth. Infinitesimal molecules of vapor do what no human enginery could accomplish. The crag splits, the boulder turns to shale, the rubble carried along by the torrent becomes river sand, the glacier grinds stubborn rock to powder. Nature is the greatest of all democrats, and she never knows defeat.

The moral world is a separate sphere, where the humble may climb and the lowly be exalted. But in material things, the law of the common level prevails. The day is coming, some hints of its dawning may already be seen, when trade everywhere will be carried on upon a more equal footing; when commerce will be a battle between peers. It is the part of men both brave and wise to disband the mercenaries, to come out from fortifications that the years have undermined, and to work in the open for advantages that will ultimately be distributed, like alluvium on the river delta, evenly over the whole surface of mankind.

The nations first united to suppress piracy, then joined against the slave trade, and now find thread adding itself to thread in the busy web which is to cover the whole. Postal Unions, Red Cross societies, international agencies of many kinds are preparing the way for world-wide arbitration. The capture and the holding of foreign markets will depend, in the long run, on the same things that make domestic success or failure. In the not distant future wage scales, profit percentages, all the conditions of production will more nearly standardize themselves auto-

matically all over the world. Then nature's master hand will apportion different forms or divisions of industry according to the plan of her own handiwork. Then individual and national qualities will maintain a world-wide competition, and the fittest will prevail. In the continual advancement of a community become as universal as the atmosphere that wraps the common earth on which it lives and labors, the race will, indeed, be to the swift and the battle to the strong.

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**THE PRESIDENT:** Next on the program is "The New England States and Their Place in Foreign Trade," by the Honorable John F. Fitzgerald, former Mayor of Boston, Chairman of the Committee on Foreign Trade of the Boston Chamber of Commerce. (Applause.)

**MR. FITZGERALD:** Mr. Chairman and gentlemen: Like Mr. Simmons from St. Louis, I heard of this method of procedure just a few moments ago, and, of course, it might be wise to put such a rule into effect for speakers from some sections of the country, but do you think it is fair to Boston, from what you know about that city? (Laughter.) It reminds me of the time when I was the lone Democratic Congressman from New England. Those of you who are not familiar with the political history of the last twenty years can hardly imagine that; yet, it did occur within fifteen years, that the gentleman who is on the platform at the present time was the sole representative of the untterrified democracy from the six New England States. I don't know what politics my friend Farrell was engaged in, but if he was a Democrat, I was his representative. Mr. Reed was the Speaker of the House, and at the same time he received and deserved the cognomen of Czar, and they proposed a rule—the Democratic Party had been in power under Speaker Crisp for four or six years,—and when I landed in Washington and attempted to address the House, the Speaker would look up and say, "One minute," and so I got used to those short speeches. (Laughter.) Occasionally we would get in a five-minute

speech, so that the practice I secured at that time perhaps may prove of some service here, and I suppose may help out this atmosphere; and it being a very warm day, I suppose you all appreciate the kindness of the Chair in making this rule.

Of course, I cannot speak as the Collector of the Port of Boston, or as the Collector of the Port of New York did,—but I think I know the point of view of the Collector of the Port of Boston, when I say that he would be very willing to extend to you a cordial welcome; and inasmuch as the records here show that you have not been particularly fond of the ocean—because this is the first time in the history of this country that the merchants have organized for a foreign trade convention—you evidently don't like the sea very well! From Boston to Europe is 180 miles shorter than from New York to Europe, and if you follow your natural inclinations away from the sea, the less sea the better; so if you want to go to Europe, and send goods to Europe, come to Boston, where we will travel you 180 miles less on the sea. (Laughter.)

And then again, the Collector of the Port of New York was good enough in his figures about a billion-dollar-a-day business and a billion-dollar-a-year business, six hundred thousand to a million and a half a year daily revenue, to speak about eight hundred thousand dollars from smugglers. We have nothing of that kind—no such thing in Boston. I don't know whether it is due to lack of influence on the part of the Custom-House inspectors that all honest people come there; but you are not suspected if you come to Boston, and so that is an additional reason. (Laughter and applause.)

I don't know that I can talk in the few minutes allotted me and cover this field. I think I know the situation in New England, it has been so well stated here by what Secretary Redfield has said and by what Mr. Farrell has said, and what the call of the Convention itself says. This is the first foreign trade convention that has been held in the United States, and yet Mr. Farrell's paper said that there were thirty thousand organizations in Germany looking for foreign trade. That tells the story. It tells the story not only of New Eng-

land, but it tells it of the whole United States, and we simply have paid no attention to it. New England has had the home market idea. The Home Market Club is a New England product. And we have been living in that atmosphere since the war times.

The splendid paper that was written by Mr. Lewis Nixon tells of the days when the United States carried 93 per cent. of its commerce in its own vessels, and a large and substantial portion of the world's commerce as well; that is, when New England was supreme. We built the "Constitution" that achieved the victory that swept British shipping from the seas. In those days the foreign business was the atmosphere in New England, and everybody was engaged in thinking night and day of its possibilities, and Boston ships were found in every part of the world. Mr. Keegan, who is here organizing a splendid exposition to South America next year—I hope it will be successful—told me in the Boston Chamber of Commerce a few weeks ago that in his experience of fifteen years in the Far East in disposing of merchandise, that there he found a wonderful impression of Boston's interest in foreign trade, because he said when he went into one of the foreign countries, you would be asked, "An Englishman? No? Then Boston?" Boston! That was before I was Mayor of Boston. I know that. (Laughter.)

I endeavored while I was Mayor of Boston to do some things so that those chaps who could not talk the language, understood that Boston was on the map. I am glad Mr. Keegan told me Boston was so emphatically on the map nearly a hundred years ago. Mr. Nixon's paper says that 93 per cent. of our commerce was carried in our own vessels, and now it is 93 per cent. the other way. And yet England and Germany do not pay as low wages as Japan does. I was across the water three years ago in Berlin, and the Hamburg-American Line agents told me that they had leased one of their vessels to the Norwegians, and were getting six per cent. net on it, and could not make it pay.

About the atmosphere that exists in regard to the merchant marine: We have done nothing and nobody thinks about it, but when we have accomplished the wonderful things



America has accomplished during the last fifty years, of course this question of the merchant marine is going to be easily solved, and this question of the acquisition of the foreign markets is going to be easily solved, just as soon as we get our minds made up that we need the foreign markets—and we do. Thirty thousand in Germany seek foreign trade. Just imagine it! And when I was in Berlin three years ago, I found the Berlin Chamber of Commerce doing what? Starting the Commercial High School there out of its own funds! That is the reason they are doing business in every part of the civilized world. Their boys are down in South America, and they talk Spanish in Argentina and in Chile; they talk Portuguese in Rio; they talk French in Algiers and Abyssinia, and they are found in every part of the world meeting the requirements, just as Mr. Farrell's organization and Mr. Ryan's organization meet the requirements in every part of the United States. That is what has made their business supreme, and we must adopt those methods.

What are we doing in Boston? While I was Mayor, I went to every high school and told them the opportunities in South America, and as a result there are three thousand boys and about fifteen hundred girls learning Spanish. We want the girls to be able to transcribe the letter that has been dictated in English by the employer, in Spanish, so that the merchant can understand what he is reading. We have told the boys there is an opportunity through the opening of the Canal, and we are going to ask those boys to be willing to go down there. The home market for one hundred millions of people, the world's market for a billion people (Applause); and I have told those boys that if they want to become merchants, to be pioneers and go down there and plough the ground and then come back, in a few years they will be leaders in trade.

I have told the representatives of our colleges—before my retirement from the Mayor's office, I called on President Lowell of Harvard, President Murlin of Boston University, and President MacLaurin of the Massachusetts Institute of Technology, that we must work in harmony, with the knowledge that the ocean leads to more than a billion people—a billion five hundred millions of people. The college courses should

co-ordinate with the life of the city. We must energize the pupils in the schools. They must think commerce. Your college examinations should specify particularly commercial subjects in communities like this that border upon the ocean, and rewards and degrees should be given for those subjects equally well as with cultural subjects; and what is true in Boston must be done in every big city in the country. The atmosphere must be energized. We must create such an atmosphere so as to bring about the conditions that Mr. Farrell says exist in Germany; where in the great, big city of New York there will be twenty thousand merchants engaged in the export trade, where in Boston there will be ten thousand, where in Chicago there will be fifteen or twenty thousand, and where men will be found in every part of the United States willing to believe that, with a proper intelligence and energy and application put to it, the business of the world in most lines will be ours. This present year the crops are beyond compare. Cotton in the South, and wheat in the West, and corn, and everything that God Almighty has blessed any nation with, is ours,—harbors, the ocean, rivers, unlimited and limitless are ours to put vessels over them, without a dollar for trackage, and yet this is the first Foreign Trade Convention ever held in this country! Now that we have awakened, I see no limit to the possibilities, and in behalf of New England, speaking for the Foreign Trade Committee, of the Boston Chamber of Commerce, I want to thank the gentlemen who organized this Convention, and to say that they have done a public duty, and that the people of the United States, every one of them, are grateful to them for the splendid work of this Convention, and what its achievements will some day show to be true. (Applause.)

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(Mr. Fitzgerald's paper follows.)

**COMMERCIAL CONDITIONS IN NEW ENGLAND.**

BY

**The Hon. JOHN F. FITZGERALD**

Former Mayor of Boston,

Chairman of the Committee on Foreign Trade of the Boston Chamber of Commerce.

Gentlemen :

I consider it a great privilege to be able to attend this first National Foreign Trade Convention, and to extend, in behalf of New England, our heartiest support to this movement for developing our world's markets.

As a section, New England to-day believes that much of her future progress depends on so extending our markets. I come to you from a section which, in the early days of our national existence, was the leader in foreign commerce.

Let us briefly trace the history of New England in foreign trade. In the early days of our colonies, before the West was developed and the iron and steel ship displaced the good old wooden clipper frigate, New England owned her own vessels for carrying on foreign trade. It took New York 70 long years at this early period to surpass New England in foreign trade. During these years New England not only carried on an extensive commerce with the ports of the world, but she built the wooden ships which carried a large part of the world's trade.

At the outbreak of the American Revolution, more than one-third of the British tonnage then afloat had been built in American ports, and a very large portion of it in New England.

Her first great trade was on a triangular route in which she took shiploads of dried cod, staves and salt pork to the West Indies, where, in turn, the planters filled the boats with sugar and sent them to England, and from England were brought to the colonies the manufactured articles and luxuries. Also, a great West Indian trade grew up direct with New England. Molasses was made into rum and this industry supplied the traders who took other manufactured

products in another triangular route to the west coast of Africa.

So it was that the clipper ships of New England were to be found in all parts of the world where the Yankee traders bartered their own products in exchange for the world's goods.

The War of 1812 temporarily stopped this great commercial development, and as a result much of the capital formerly invested in shipping was put into home manufacturing enterprises. Thus the textile and many other of our present great industries had their early foundation laid at this time. When the war of 1812 was over, commercial relations were again opened with England, and as a result our home market was flooded with English goods. In order to protect the manufacturers who had just started, a tariff on purely protective lines was imposed in 1816.

Although our shipping continued to grow until in 1855 it was estimated that the tonnage of the United States was about one-third of the total tonnage of the world, the tariff regulations and improvements in rail transportation gradually made us turn around and face the West with our back towards the ocean.

By 1840, the iron ship was gradually displacing the wooden vessel, and New England was busying herself with developing her home industries. The Civil War only helped to more completely destroy New England's shipping and focus her activity upon the home industries and markets of the West.

The great railway development in the late 70's and early 80's provided the facilities to reach the western markets in the same degree that her wooden ships had been able to find the ports of the world. So it is conservatively estimated that to-day New England's commerce with the interior is ten times that of her foreign commerce.

A brief survey of New England's great industrial growth will prove that we are not only proud of her foreign trade in the clipper ship days of the past, but that to-day her enormous manufacturing development has brought her to a point where she can supply with an ever-increasing amount the world's markets as well as the home market.

In the first stages of her industrial development, she began to manufacture iron and steel and certain other products which to-day have largely gone nearer the source of supply of the raw materials, such as heavy machinery, engines, etc. Some of these industries, owing to the fact that the cost of transportation is not, after all, the governing factor, are, therefore, coming back to New England. We now can manufacture freight cars in Massachusetts to compete with Pittsburgh or St. Louis.

At one time New England was the workshop of the nation, and practically every kind of an article was manufactured here because the other sections of the country were not developed. This gave rise to the belief by many that New England was divinely ordained to make all these goods for all time without considering the fitness of locality for the manufacture of certain goods. We have, however, found that owing to certain natural advantages and our skill and abundant labor supply, that in the textile industry, boot and shoe, foundry and machine shop products, and paper and wood pulp manufactures, we are well assured of profitable expansion in competition with other sections of our own country and the other countries of the world.

The great diversity of industry in New England and the importance that manufacturing bears to the population, is best shown in the following table:

NEW ENGLAND:				
	Population (1910).	Number of Industries.	Value of Product.	Per Capita Value of Product.
Maine .....	742,371	126	\$176,029,393	\$273
New Hampshire .....	430,572	104	164,581,019	382
Vermont .....	355,956	84	68,309,825	192
Massachusetts .....	3,366,416	223	1,490,529,386	443
Rhode Island .....	542,610	135	280,343,797	517
Connecticut .....	1,114,756	188	490,271,695	440
	\$6,552,681	...	\$2,670,065,114	\$408
UNITED STATES .....	91,972,266	264	\$20,672,051,870	\$225

From this table it is clearly shown that the per capita value of the manufactured product is \$408, as compared with \$225 per capita for the total population of the United States. This readily shows the great dependence of the New England

section on manufacturing. With such an enormous amount of manufactures and with the enormous possibility for future development, it is necessary that industrially New England, to insure future success, should seek the world's markets.

New England produces more than one-half of the boots and shoes of the nation, and more than one-half of the cotton, worsted, woolen and felt goods.

A glance at the following table will briefly give you an idea of the most important industries of each of the New England States:

CONNECTICUT:		
	Value of Product.	Per cent. of total for the industry of the U. S.
Brass and bronze products.....	\$66,932,969	44.6
Foundry and machine shop products.....	65,535,155	5.3
Cotton goods .....	24,231,881	3.9
Silk and silk goods .....	21,062,687	10.7
Firearms and ammunitions .....	19,948,235	50.5
MAINE:		
Paper and wood .....	\$33,950,230	12.7
Lumber and timber .....	26,124,640	2.3
Cotton goods .....	21,932,225	3.5
Woolens, worsteds and felt goods.....	18,490,120	4.2
Boots and shoes .....	15,508,771	3.
MASSACHUSETTS:		
Boots and shoes .....	\$236,342,915	46.1
Cotton goods .....	186,402,313	29.7
Woolens, worsteds and felt goods.....	141,966,882	32.6
Foundry and machine shop products.....	86,925,671	7.1
Printing and publishing .....	47,445,006	6.4
NEW HAMPSHIRE:		
Boots and shoes .....	\$39,439,544	7.7
Cotton goods .....	33,601,830	5.3
Woolens, worsteds and felt goods.....	16,730,652	3.8
Lumber and timber products.....	15,284,357	1.3
Paper and wood pulp.....	13,994,251	5.2
RHODE ISLAND:		
Woolens, worsteds and felt goods.....	\$74,600,240	17.1
Cotton goods .....	50,312,597	8.0
Jewelry .....	20,685,100	25.7
Foundry and machine shop products.....	20,611,693	1.7
Dyeing and finishing textiles.....	13,955,700	16.7
VERMONT:		
Marble and stone work.....	\$12,395,379	11.
Lumber and timber products.....	8,598,084	7.
Butter, cheese and condensed milk.....	8,112,239	3.
Woolens, worsteds and felt goods.....	4,496,903	1.
Flour mill and grist mill products.....	4,133,337	5.

Our foreign trade problem in New England is at present undergoing greater changes in readjustment than perhaps in any other section of the country, owing to the fact that in recent years our exports are composed more and more of manufactured products, with a greater falling off in food products and raw materials. Although New England does not raise to any great extent these food products, she was, nevertheless, one of the greatest distributing points for the West to the foreign markets of these products. Such products go to make up the greater part of our export bulk cargoes. So, to-day, with our greater home consumption and corresponding falling off in export, except in times of bumper crops, New England, especially with the present export freight rate differentials favoring other Atlantic ports, has had much of its bulk cargoes taken away from it. As it requires a far greater volume of manufactured products to replace this tonnage, New England has, therefore, a much more difficult problem in being able to maintain direct steamship facilities with the leading ports of the world.

During the recent tariff investigation it was estimated for all the industries of the United States that the home market could be supplied on 65% production. This leaves a balance of 35% available for exports or as a curtailment of production. If this condition actually exists now, it certainly will be intensified with our future industrial growth if it expands even at the same rate as at present. So it is that we find ourselves in the same position that England and Germany were before us when they were forced to seek the world's markets.

Taking up the matter of exports of manufactured goods on which rests the future of the foreign trade of this country, New England's position is unique in that, as the oldest manufacturing center, it has been exporting some manufactured goods for many decades and its export trade is growing, but not, perhaps, as rapidly as it should, because its manufacturers are still using to too large an extent the foreign selling methods in vogue a generation ago. It is but natural that old houses whose founders pursued a certain export policy, endeavor to increase their foreign business by in-

creased effort directed along the lines that have been profitable in the past, and younger houses just as naturally follow the example of their older neighbors, who, they believe, should know because of their long experience.

I do not want you to understand that I am making an unfavorable criticism; I am rather putting in a defense. No one understands better than I that nothing influences more both individuals and a community than the force of example. Let the newer manufacturing communities congratulate themselves less on their up-to-dateness and enterprise and thank their stars for their freedom from hampering precedent and example. Let them be glad that their plants were built and their experience gained largely in the present generation.

New England, then, as the first manufacturing center was the first community to export manufactured goods, but in those days the home market was large and voracious, and exporting meant little to the pioneer manufacturer who graciously consented to fill such spontaneous foreign demand for his goods as was the inevitable result of the quality and consequent reputation of his product, which became known abroad in spite of him rather than because of his efforts to get this business. It was, of course, a matter of pride to him that people in the far corners of the earth heard what he was doing and demanded a share of the good things he was making; but he never dreamed of trying to find out what became of his goods or attempting to stimulate this demand. Why should he with the richest and most rapidly growing market in the world at the gates of his factory, snatching from his shipping room all he could turn out, and clamoring for more?

As a result of this situation, certain facilities grew up, designed to serve the foreign buyer who needed service and not the manufacturer who didn't care much whether he sold abroad or not. In the interests of importers abroad, buying-houses located in this country were established. The service they rendered was excellent, for they, under instructions from foreign houses, obtained quotations, placed orders, inspected and financed shipments—in



a word, bridged the gap between the man who insisted on buying and the man who would sell only if matters were so arranged that a foreign order wouldn't cause annoyance—all this the buying houses did, and for that matter still does,—charging the foreign importer a reasonable percentage on the gross volume of business transacted and interest on the capital invested for him in merchandise in transit.

The foreign trade of New England which thus sprung up, grew gradually as the years went by and because of the quality of the goods shipped out is still growing. And it is a profitable trade that any manufacturer is glad to have. But it is especially vulnerable to competition because of the lack of contact between the real buyers and the seller. Mutual acquaintance is the only solid foundation on which to rear an enduring commercial structure, and the proud edifice of New England's foreign trade in manufactured goods rests in part on sand, and one of the great problems is that of jacking it up and laying a foundation of stone and mortar without knocking all the plaster off the walls and twisting things generally out of shape, making it necessary to rebuild throughout.

You who, on starting in this field of commerce, had nothing but the opportunity to build, may not realize the applicability of my figure of speech, but the man who has gone through the experience of breaking ground and building a new house of up-to-date materials and of attempting to rejuvenate a dwelling that, though valuable, needs more timbers here and there, whose plumbing is of the vintage of '85, and whose roof leaks in spots, will, I think, grasp the distinction I am trying to make between New England and the rest of our country.

New England manufacturers have been characterized as ultra-conservative. This idea has no basis in real fact but is due to the failure to understand the atmosphere and conditions in which we live. The New England business man knows that the old export policy of waiting for the buyer to come to him or, at best, depending on someone else to do the selling, is out of date and he wants to adopt more aggressive methods, but naturally hesitates to make

a radical change in policy until he is sure he is making the right move—sure that he isn't doing anyone an injustice—sure that he isn't taking a destructive rather than a constructive step.

Some of the most thorough and up-to-date exporters in this country are New England concerns. We have shoe manufacturers, corset and other manufacturers, tool, hardware, and machinery manufacturers not only whose goods but whose names and reputations are known in every civilized community. These firms are leading the way where others in our community must follow, but the awakening to modern export methods is not yet general enough. That we are on the threshold of such an awakening is without doubt. Evidences of it appear on every side and have led the Boston Chamber of Commerce to father a movement designed to educate New England manufacturers generally,—not to the value of foreign business, for they know that, but in matters of export policy. We expect to be able to place at their disposal the service of a foreign trade bureau headed by an experienced man, familiar with all that is latest and best in the way of selling goods, a man thoroughly trained in the use of all existing facilities for obtaining information and making sales. This man will even work with the individual manufacturer where necessary, holding himself in readiness at all times to respond to a request for advice or information. It is our belief that this work will induce many to put forth intelligent initial efforts for foreign business and bring about an increase of business for those who have made a start by eliminating what is manifestly bad policy and by lubricating generally the sales-getting machinery.

Furthermore, we must energize the atmosphere with commercial ideas. Colleges should be encouraged to give degrees to boys in commercial lines; our boys in the elementary schools should write essays on foreign trade and how best to achieve it. The higher schools should reward students with travel scholarships to the busy places of commerce like London, Liverpool, Hamburg, Antwerp, Rotterdam and Hong-Kong, with the idea of developing in

these cities that lie on the ocean an atmosphere of commerce and industry. Branch banks should be established in South America and the merchant marine rehabilitated so as to develop an American atmosphere in the important trading centers of the world.

In this way, not only the New England States, but our whole country would be alive to commerce and have it uppermost in their mind. So it is as Chairman of the Committee on Foreign Trade of the Boston Chamber of Commerce that, together with our New England Foreign Trade Bureau and the Boston Branch of the Bureau of Foreign and Domestic Commerce, which Boston's commercial position entitles her to, we will leave no stone unturned in waging a successful campaign for the world's markets in New England.

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THE PRESIDENT: That is a splendid address from Boston. We are all in the Boston state of mind now. I was afraid that Mr. Fitzgerald was going to overstep his time, but he did not. Is there any discussion upon his paper, "The New England States and Their Place in Foreign Trade"?

MR. H. O. BRIGHAM, of Rhode Island, representative of the Providence Chamber of Commerce, and representative of the State Labor Improvement Commission: Mr. President, the opportunity to speak to this Convention was too attractive to be neglected. Mr. Fitzgerald is so well posted on the matter of port development and port necessities that it is a difficult task to follow him. A glance at page 6 of the report shows a development which should make an opportunity to carry on a great commerce from that section. We recently dedicated a new pier in Providence—last Saturday, in fact—and by a coincidence the New York Journal of Commerce, under date of May 16, commented upon the commerce from the port of Providence from the days when it was one of the homes of the clipper ships. There is now being a new development in this country. He speaks of the great development and commerce which will be brought, by the opening of the

Panama Canal, into the ports of Providence and of Boston, and notes the great manufacturing communities which are in that territory. This is one of the largest populations in the eastern hemisphere outside of New York and Philadelphia. We are trying to build up the port, and at the same time we are trying to aid our export trade. In Providence we have the famous factories, which you all know very well, and those factories are as much interested as any in the export trade.

I thank you for the opportunity of addressing the Convention. (Applause.)

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THE PRESIDENT: Is there any further discussion of Mr. Fitzgerald's address?

Mr. James L. Cowles, representing the World's Postal League, was recognized.

MR. COWLES: Mr. Chairman and gentlemen, as a representative of New England, as of a family who back 100 years ago were among the leaders in our foreign trade, who in the heart of old Connecticut did no small foreign business, I am here, and congratulate myself and the rest of New England that we are forgetting the home market and are at last beginning to feel that we are a part of the civilized world.

Mr. Chairman and gentlemen, I want to say just one word as to what our friends on the other side of the road can do for you and me. The Postmaster-General has it in his power to do an enormous service in our foreign business to-day. He is in absolute control of our foreign trade; and yet to-day Postmaster-General Burleson is taxing you twelve cents a pound on your goods to the outside world, while every country in Europe is dropping its rate to eight cents a pound or less.

Not long ago I had a letter from Lord & Taylor of New York. They have factories in Saxony and they have factories here. From Saxony they send their goods to South America in many instances for one-half or one-third what Postmaster-General Burleson is taxing you on your business to South

America; and yet he can declare an eight-cents-a-pound rate to the outside world to-morrow if he will, and I hope there will be a vote go down from this assembly requesting the Postmaster-General to put the postal service of this country on a par with the outside world, so far as this service is concerned.

There is one thing more I want to say to you.

THE PRESIDENT: The time is up, and I must rule that this is not pertinent to the paper which you are discussing.

MR. COWLES: I thought that it was relating to foreign trade business. That is all. I thank you very much.

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THE PRESIDENT: The next paper is entitled: "The Central States," by Mr. H. G. Herget, President of the Illinois Manufacturers' Association.

(Mr. Herget summarized his paper, the full text of which follows.)

## **PRESENT COMMERCIAL CONDITIONS IN THE CENTRAL STATES.**

BY

**H. G. HERGET**

President, Illinois Manufacturers Association, Chicago, Illinois

There seems to be a spirit of unrest and depression in the United States. Our factories are running at reduced capacities and prices are in many instances at, or under, cost of production. The car surplus May 1, 1914, was 230,533, or greater than it has been since 1909. What has caused this recession in business? Possibly overproduction, or it may be the lack of confidence, but we feel quite certain that well-meaning, but too much, legislation is one of the contributory causes.

Commercial conditions in the Central States, comprising Illinois, Ohio, Indiana, Missouri, Michigan, Wis-

consin, Iowa, Kansas and Nebraska, are far from satisfactory. These are the large agricultural states of the Union, and also by reason of location, they comprise a large manufacturing area. Here too, do we find the center of population of the United States. According to the census of 1910, the last one on manufactures, these states have a population of 26,651,890 with 79,851 factories, having 2,137,488 employes, whose annual wages are \$1,283,806,000, and value of the products \$6,224,764,000.

The importance of Illinois and Ohio as manufacturing states must be admitted. According to the above census, they have a combined population in excess of ten millions with 33,164 factories, employing one million, eighty-four thousand people, with an annual wage of \$782,365,000.

The principal grains grown are corn, wheat and oats, and the real corn belt of this country is in the very center of the area described by these states. Out of the annual production of three billion bushels of corn, only about six hundred millions ever leave the farms where grown, while only about two hundred fifty millions, or less than 10%, represent the primary movement to commercial markets. It is this surplus which heretofore has fixed the price for the whole globe. In Argentina, this year's crop of three hundred fifty million bushels will furnish an exportable surplus of two hundred fifty million bushels. Thus, Argentina will furnish as much exportable corn as this country delivers to primary markets. With a crop little more than one-tenth of ours, Argentina possesses a surplus which has a price-fixing potentiality equal to our own. This condition will not improve, but the range will widen and it would seem that within a few years, Argentina will actually dominate the price of corn in this country, as it is now doing.

The price at Atlantic and Gulf coast points for corn in bags, price included, is as low as in Chicago. In fact, corn from the Argentine has been bought for delivery at Montreal with a view of taking same to Chicago. This is certainly carrying coals to New Castle. We can readily see that our farmers are not able to compete on corn with Ar-

gentina as the freight rate from shipping ports in the center of the Argentine corn fields to New York and Galveston is less than from Chicago to New York or from Kansas City to Galveston. This even makes it possible for Argentine corn to come inland from the seaboard for several hundred miles and compete upon an even basis, so far as the amount received by each grower is concerned, with our American corn. This shows that Argentine corn in our markets is not dependent upon high prices, for it can reach a large part of our market at a freight charge as low or lower than can our own western corn. The cost of production in Argentina, through low wages, smaller land capital investments and decidedly lower standards of rural living, is below anything our farmers can approximate. Upon the basis of cost of reaching the market, her fields are nearer our seaboard than are the corn fields of Illinois.

Such experts as Mr. B. W. Snow, Crop Statistician, have ventured the opinion that if business conditions were normal and our eastern market were still dominated by western corn, the price of corn in the Mississippi Valley would to-day be 10c. per bushel higher than it is now, or an increase in value of sixty million dollars to the farmers for the crop. Twice as much wheat and oats have been imported from Canada during the months of November, December and January as during any previous quarter, and this, notwithstanding the duty, has not been entirely removed. The Canadian shipper has therefore been able to absorb the duty charge and yet the price of wheat is ten to fifteen cents per bushel lower than a year ago and the price of oats about five cents per bushel. During this same period, there were received at all primary markets a total of one million, eight hundred fifty thousand head of cattle. These figures include some duplication. The imports for this same period, counting cattle on the hoof and slaughtered, were three hundred fifty thousand head, or about one-fifth of the current arrivals at primary markets. Land values and the higher plane of living in the Central States will not admit of competition with Argentina in the growing of corn and cattle or with Canada in the grow-

ing of wheat and oats. There must be some readjustment of values or else a foreign market must be found as an outlet for our crops. It is plainly to be seen we are not able to compete with Argentina or Canada in raw material, and the manufacturing interests in these Central States, particularly those located in the Illinois, Ohio, Missouri and Mississippi River valleys must find a foreign market for manufactured products from the grain grown on their fields. As we are largely an agricultural country and the very center of the corn producing territory of the United States, it behooves us to find foreign markets for these grain products, and this will require some systematic and continuous advertising, to the end that the foreign countries will learn that corn contains more nourishment per pound and per cost, than any other grain that is grown. We are so vain as to think we are especially favored as to land and climate, that we are able to produce abundantly and enough to feed a good part of the civilized world. McLean County, Illinois, last year produced food to the value of Thirteen Million Dollars.

The reason I dwell so much on agricultural products is that, in my opinion, the Central States must plan to export largely such articles as are produced or grown within that territory, for we are, at this time, with the opening of the Panama Canal, not as favorably located for the exportation of our products as are the coast states. It costs us more to take a shipment to the Atlantic Coast or to the Pacific Coast or to the Gulf of Mexico than it will cost to take a shipment from one coast to the other, and it will probably require a readjustment of freight rates to put the manufacturing interests in the Central States on a competitive basis with those factories located on or contiguous to tide-water.

Time will not admit to give statistics as to the large export trade of the Central States in shoes. An American shoe store in an European city is a welcome haven for a foot-sore American. There is also a large export business in automobiles, and the Ford Motor Company of Detroit, Michigan, has shipped to foreign cities all over the civilized



world 20,000 automobiles during the first seven months of their present fiscal year. As to agricultural implements, which are manufactured to such a large extent in Illinois, you will find them in all countries where grain is grown to an appreciable extent.

The chief element in the prosperity of every state and nation is the economy of transportation of persons and property.

Distance and the time in transit from any part of the world are now no longer to be considered, for water rates have removed any advantage which any particular manufacturing center might have. It has been shown, and is now being demonstrated, that fresh fruits and melons, amounting to several hundred thousand boxes, are shipped each winter from South Africa to London, and it would seem as, if distance from market is far enough, it acts as a stimulant instead of a handicap. Growers develop new qualities in the products and find new ways of reaching far-off customers.

The manufacturing interests in the Central States must seek foreign trade. As the buying or consumptive capacity of the workmen and the farmers in this country is now in competition with the labor of the world, we are no longer able to dictate prices which shall prevail in this country. Waste is the great American sin. If, in manufacturing, we have a far-reaching lesson in efficiency and economy, no one can foresee what tremendous effects it may have upon the national character.

With Herr Ballin, Director-General of the Hamburg-American Line, we must say: "My Field is the World." In this connection, I wish to commend the Department of Commerce for the valuable information to be found in the Daily Consular and Trade Reports. These issues contain many topics of interest to the exporter.

The people of a nation have it within their power to advance the interests of their foreign commerce in two ways: one by intelligent legislation at home, and the other by intelligent diplomacy abroad. The shipment of merchandise from one country to another means to the selling

nation a foreign market for the raw material, the employment of labor to the extent of 30 to 90% of the selling value of the goods, and the payment for this material and labor by foreigners in money or its equivalent.

In the year 1913, the people of the United States entered upon a radical change in the national attitude toward domestic and foreign commerce. With the passage of the new tariff bill, the American manufacturers will be left to their own resources and liabilities. If the administration provides competent, permanent and resident commercial diplomats or attachés to all important American missions, a threatened disadvantage may be turned into a victory. The advance of American foreign commerce may be likened to a more or less free conflict with an allied army of foreign competitors. No manufacturer can afford to ignore the technologist. There is a rivalry in efficiency and improved manufacturing methods as well as in merchandizing. It is only in recent years that we have become a serious competitor of the older industrial nations in the world's markets in the sale of factory products. It is reassuring to know the foreign markets are becoming more and more accessible to our goods. American foreign commerce rests on a basis of international friendship. It is not too much to say that anything in the shape of legislation or of increased facilities, which assists the outward flow of the products of labor, is of unquestioned advantage to the producing nation.

We must meet the requirements and demands of the foreign buyer. We must pack and ship our products as he wants them. In this particular, we have been very backward. Some years ago there was an opportunity for this country to sell a great quantity of alcohol to Japan. The demand was made that the alcohol be packed in five-gallon tins. Our revenue department refused to grant permission to export alcohol in this way, and the alert German Government quickly seized upon this opportunity and met the requirements of the Japanese buyer so that Germany has, to this day, been supplying Japan with the alcohol needed there, notwithstanding the higher cost of produc-

tion of alcohol from potatoes, as made in Germany, as against the price of alcohol made from corn in this country. Undoubtedly we have forever lost this trade simply because we would not furnish the buyer the alcohol as he required it. Herein lies an important difference. The European manufacturer is always anxious to meet the needs of the market, while the American manufacturer standardizes certain brands and offers nothing else.

American wares should be carried in American bottoms. We should have a merchant marine flying the United States flag engaged in international trade, even if necessary to grant a subsidy, such vessels to be used as transports in case of war. Think of it—not a single American vessel entered or cleared at Havre during the year of 1913.

Germany is probably the most aggressive nation in the world looking for foreign trade. The manufacturers there require the salesmen to learn the language of the country they are to visit. They become acquainted with the buyers, learn their habits and inquire fully as to their financial responsibility. Having then concluded the buyer is worthy, they grant him a credit of six months or longer, and naturally they favor them with the business, rather than to accept our arbitrary terms of cash settlement against shipment. The foreign shipper is very largely assisted in this by the means of being able to sell bills of exchange which are not as yet common in this country. I will not touch on this favorable form of settlement as, no doubt, this matter will be referred to in some paper to be read at this Convention.

Mr. Edward N. Hurley, who has just returned from a trip to investigate banking and business conditions in South America, has found that if the United States desires to sell its manufactured products in that country, it will be necessary to pay the same attention to the interests, customs and habits of the buyer as is now shown him by the European seller.

We should also adopt the metric system of weights and measures, a system which is practically international and almost universal. As a matter of fact, the United

States and England alone use the confusing method of calculation known as the English system. The manufacturing industries of the Central States will surely be alive to their best interests. They must have a waterway from the Great Lakes on the north to the Gulf of Mexico on the south, so as to give them the benefit of water rates and to enable them to load vessels to foreign ports and coastwise points without breaking bulk.

Illinois is now the second largest coal-producing state in the Union. There is an inexhaustible supply of good pure water for manufacturing purposes, so that with proper and fair shipping rates, the Central States should be able to meet the competition of the world, on such products of the factory made from the raw material grown and produced in those states. It should be possible for us to bring ore from the Mesaba Range to Gary or South Chicago and reship from there manufactured steel in competition with Pittsburg or Belgium.

The State of Illinois has voted a bond issue of Twenty Million Dollars for the improvement of the Illinois River, connecting with the Mississippi River at Grafton, Illinois, to provide a waterway to the Gulf or coastwise points and foreign ports. It is estimated the interest on these bonds can easily be paid by the sale of hydraulic power produced by the increased flow of water.

With the favorable geographical location of the Central States, the productive fertility of the soil, the energy and ambition of its laboring men, farmers, merchants and manufacturers, and given fair and competitive rail and water rates, we are prepared to meet the competition, not only of the United States, but of Europe, in the foreign trade of the world.

There is one comfort for the people of the United States, possessed in no such degree by any other nation at the present time, and that is the abounding possibilities of the North American Continent in its national resources and the amazing vitality and resourcefulness of its inhabitants.

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THE PRESIDENT: Is there any discussion of Mr. Herget's paper? We will pass on, then, to the next paper, "The Southern States," by Captain Ellison A. Smyth.

(Captain Smyth summarized his paper, the full text of which follows.)

## **PRESENT COMMERCIAL CONDITIONS IN THE SOUTHERN STATES.**

BY

**CAPT. ELLISON A. SMYTH**

President, Cotton Manufacturers Association of South Carolina

During the past three years the Southern States have raised large crops of cotton and all kinds of grain, which were sold and marketed at satisfactory prices and, consequently, the South to-day is not only the land of opportunity but the land of wealth, as is evidenced by the bank deposits and activity and energy displayed in all lines of business, as well as farming. When one considers the size of the cotton crop in 1860 and the years before and the ruling price paid for cotton, and realizes that the average crop for the past three years is three times as large and selling at over twice the price, it can readily be understood why the South to-day is rich and prosperous.

In the line of export trade, apart from shipments abroad of raw cotton, our chief exports are cotton fabrics and, as stated by Mr. R. M. Odell, commercial agent for the United States Government, who has for the past two or three years visited foreign countries and who made a most valuable and instructive address at a recent meeting of the American Cotton Manufacturers' Association, in New York City, "The world's trade in cotton manufactures, as may be seen from one of the tables accompanying this paper, amounts to the huge sum of approximately \$1,200,000,000 annually. The United States, which has 22 per cent. of the spindles and supplies two-thirds of the raw material, has less than 5 per cent. of this export trade. The most important markets for cotton goods are

India, China, Turkey, the Levant, South America and Africa. The markets in Turkey, Egypt and South Africa have hardly been touched by us, while our share in the enormous trade in India and South America is not nearly as large as it should be. Africa, with a population of 170,000,000, or more than that of North and South America combined, promises to be one of the largest markets for cotton goods in the world. The fact that there is no cotton industry on the entire continent, that climatic conditions make cotton the principal material for clothing, that the rich natural resources of the country are gradually being developed, thus enhancing the purchasing power of the natives, and that the rapid building of railways is providing transportation facilities to the interior, make it a field well worth the attention of American cotton manufacturers."

I shall not say much about the export trade with the Orient, as that will be covered by other speakers, but perhaps the most promising field we have at present to develop in a larger degree for export trade is with East Africa and the ports of the Red Sea. One great stumbling block, however, has been put in our way by the action of Congress in the recently passed tariff bill placing an import duty on raw ivory of 20 per cent., which import duty is not charged by any other nation and never was before the present law was enacted. Africa alone produces raw ivory and the trade for raw ivory is still one of barter. The competition is strong between Italian, German and English traders for the African business, and now our representatives are handicapped by a 20 per cent. import duty and we are at a decided disadvantage. The popularity of the American cloths at the Red Sea ports is generally acknowledged and out of the imports into Aden, Arabia, during the past year, of the 45,000,000 yards 25,000,000 yards were American cloths. There are several American houses that have resident agents and depots at different points in East Africa who deal largely in hides, raw ivory and other products, and in return import from America cotton goods and other merchandise such as petroleum,

typewriters, sewing-machines, canned fruits, miscellaneous hardware, etc. At present, however, cotton goods make up more than 60 per cent. of the direct imports. In German East Africa, we are at no disadvantage as compared with German importers, as the German goods receive no favors such as lower freights and tariff concessions, but this is not the case with French East Africa, where we are seriously handicapped, also in South Africa, where England exacts a 3 per cent. import duty while admitting English goods free.

For several years a valuable business had been worked up by American exporters in the Island of Madagascar, but, since the French Government assumed oversight of affairs in Madagascar, the tariff favors French products to such an extent as practically to make it impossible for the American trader to do business.

In addition to the East African field, the Philippines offer the most attractive market and our exports in cotton goods to the Philippines during the past year have increased 100 per cent.

In this export trade the Southern cotton mills hold the commanding position. A few years ago a group of South Carolina cotton mills sent their own representative to the Red Sea and he visited different markets, spending over a year, leaving their samples and soliciting the business. The result has been very satisfactory. The situation of our export trade, however, calls for a co-operative and well organized campaign to not only hold the business we now have but to enlarge it, and the Southern cotton mills who are now prepared to cater to the export trade are not only willing but anxious to join in any effort that will lead to greater development and greater volume of the export trade. We believe that the export trade or the markets abroad should not be regarded as a dumping ground for goods that could not be sold at home, but we should realize that our mills exceed now the consumptive capacity of the home trade and every effort should be made to extend our export trade in all productions and in all directions.

THE PRESIDENT: This paper is to be discussed by Dr. Clarence J. Owens, Managing Director of the Southern Commercial Congress, Washington, D. C.

DR. OWENS: The South has a vital interest in foreign trade. The Southern Commercial Congress was organized upon considerations related to the Panama Canal, Latin America, and world commerce. The interest of the Congress has not been with the view of aiding a particular port, nor of developing trade in a given field, but rather has been fundamental, in that the first consideration is the physical leadership of the Southern States, presenting an opportunity for supremacy in the general field of commercial relations.

In coast-line and harbor indentations, the South, from Baltimore to Brownsville, exceeds the Pacific Coast by two miles to one, and the North Atlantic by four miles to one. There are twenty-seven thousand miles of navigable streams in the United States. Twenty-four thousand of the twenty-seven thousand flow to the South Atlantic and the Gulf of Mexico. These two physical factors, together with the geographical relation of the South, in its proximity to South America, guarantee the extension of Southern trade, and its permanence.

South America is really Southeastern America, with practically the entire West Coast of the Continent east of the East Coast of North America. With the announcement to the world of the operation of the Panama Canal during this month, there are to come adjustments in transportation that may be fluctuating and unsteady for a period, but must ultimately become established along lines of genuine economic advantage. The South is in position, on the simple basis of transportation, understood by all business men, to cut distances in half by way of the Panama Canal, with many of the great ports of the East and West. I am not of those who expect a magic advantage to come immediately to the Southern States, but I have the conviction that the physical advantages in coast-line and navigable streams, together with the proximity to Latin America, insure the extension and use of our Gulf and South Atlantic ports, the building up of our cities and



the general prosperity of our people. The Gulf ports that during all the centuries have been, in a sense, in a pocket of the great sea, are now upon a highway of world commerce.

The practical work of the Southern Commercial Congress in the field of foreign trade relations, has been first in the field of education, in endeavoring to have the geography of the Western hemisphere taught in our schools and studied again by our business leaders; to divert the many students from Latin America, who leave their countries for educational advantages, from the trend to Europe to the colleges and universities of the United States; to use legitimately the press of the United States and Latin America, and the magazine of the Pan-American Union, and similar publications, in educational propaganda, bringing about a greater mutual understanding between the continents; to have Spanish in particular, but also Portuguese and French, studied in the schools of the United States. To this end the Congress has not only used all the means at its command, but has disseminated its appeal through the Bureau of Education of the United States Department of Interior.

The former managing director of the Southern Commercial Congress, Mr. G. G. Dawe, as a special commercial agent of the Bureau of Foreign and Domestic Commerce, made an investigation of our Gulf ports in the field of, first, their extensibility, and, second, their state of expectancy, relative to beneficial influences to result from the opening of the Panama Canal.

The Congress has endeavored to use its every influence in the restoration of the merchant marine to the seas. Toward this end a special committee has been organized. A few months ago President Fletcher, Mr. Bernard N. Baker, and I, as a committee from the Congress, called upon the President of the United States for a discussion of the merchant marine, and he authorized us to say that it was his hope that all so-called partisan questions might be settled during the present session of the Congress of the United States in order that the remaining years of his administration might be given in a broad statesmanlike way to the question of the merchant marine and many similar questions where their im-

portance is held in common by all citizens, regardless of their party allegiance.

The Southern Commercial Congress was requested by the Bureau of International Health, under the guidance of Dr. Wickliffe Rose, to take the initial step for the introduction of that important work, that has rendered such distinguished service to the Southern States, into Latin American countries. The Congress arranged for the initial discussion, with the co-operation of the Pan-American Union. Among the conferees were the Latin American diplomats from around the Caribbean. I argued, as the representative of the Southern Commercial Congress, that by carrying a humanitarian work in the field of preventive medicine to the peoples to the South they would be readier to treat with us in diplomacy and to engage with us in trade. Although the initial steps were taken less than three months ago, the work has already been inaugurated in the republics of Panama and Costa Rica and is to be extended around the Caribbean and throughout South America.

The platform has been used effectively in inspiring the people of the South to make adequate preparations for the opening of the Panama Canal. One notable illustration is found in the tour of the States included in the territory of the Southern Commercial Congress by Director-General Barrett, of the Pan-American Union, whom I had the honor of accompanying, as addresses were delivered to large and representative audiences, under State Governmental recognition, throughout our territory.

The climax of the efforts of the Congress in the field of foreign trade, restricted thus far to Latin America, was in the Fifth Annual Convention, held in Mobile, Alabama, in October, 1913. The Board of Governors of the Pan-American Union, composed of our Secretary of State and the diplomats from Latin-America located in Washington, by a unanimous resolution called off the biennial Pan-American Commercial Conference in order to participate with the Southern Commercial Congress in the Mobile Convention. Thousands of the men of the South of all stations, interested in the theme, were present. Delegates from Latin America, dip-

lomatic and consular representatives of Latin American countries located in Washington and elsewhere throughout the United States were present. The President of the United States was present and delivered a notable address that has been referred to as "The Mobile Declaration." It becomes a notable state paper as a further interpretation of the Monroe Doctrine. The platform of the Southern Commercial Congress is the only one that has been occupied by the President of the United States, with the exception of the Congress of the United States, since his inauguration. The theme of the Mobile Congress was associated with the relation of the United States in general and the Southern States in particular to the Panama Canal and world commerce.

The Southern Commercial Congress conducted a commercial expedition to Latin America. On the bluff overlooking Gamboa, where the last dike was blown up wedding the Atlantic and Pacific, the delegation dedicated a site for a permanent memorial to the late Senator John T. Morgan, of Alabama, who, for thirty years, kept the canal idea alive in the Congress of the United States, a statesman who has justly been referred to as "The Father of the Canal Idea." Definite work was performed in the field of interpreting the markets of Latin America for American goods and the products of Latin America needed in the United States in order to bring about an interchange of products in commercial relations, as we work upon the theory that we must not only sell to Latin America, but we must buy the products of their raw material and manufactured products. The one specific result, however, that is to affect Western hemisphere finance growing out of the commercial expedition is the effort put forth, and the guarantee now practically assured, that the bank of emission, to be established in the Republic of Panama, will be American-controlled. This, coupled with Section 25 of the Federal Reserve Act, making possible for the first time branch banks of the banks of the United States in foreign lands, announced the beginning of a period of direct financial relations of the operations of these branch institutions as mercantile agencies, so to speak, operated in the interest of their constituents, giving America the chance, for the first

time, to compete in this regard with Great Britain and Germany.

The activities of the Southern Commercial Congress, therefore, during the past six years have resulted in the building up in the organization of a Department of Foreign Commerce. Mr. William A. Reid is the Counsellor of the Department. His writings and his series of illustrated business talks on commercial scouting around and about the world have attracted wide attention. Mr. Reid's writings and achievements reflect the sentiments and opinions of foreign diplomats, men of affairs, merchants, and importers with whom he has lived and mingled for fifteen years and among whom he has placed vast quantities of American manufactured products. During the last two years Mr. Reid's articles have been published each month in the bulletins of the Pan-American Union of Washington. Mr. Robert E. Daniels, who has been with the Southern Commercial Congress for nearly three years, is the Secretary of the Department of Foreign Commerce.

Director-General John Barrett, of the Pan-American Union, offered the co-operation of the international organization over which he presides, the following being an extract from his letter:

"I beg to extend to you the expression of my interest in the movement which you outline for the building up of a Foreign Trade Bureau within the Southern Commercial Congress. You can rest assured of the hearty co-operation of the Pan-American Union, of myself as its executive officer, and of the members of my staff."

The Department of Foreign Commerce of the Southern Commercial Congress will conduct its work in four fields, namely: Correspondence, Press, Publications, and Platform.

The members of the Southern Commercial Congress and commercial organizations throughout the South will be advised of the fact that the Southern Commercial Congress offers expert advice in the field of foreign trade in answering inquiries and in securing information as to the practical entrance into the field of foreign trade.

Through the press material will be disseminated regularly for the information and inspiration of the business leaders of the South interested in foreign trade.

Through the Monthly Bulletin of the Congress, with a department set apart for foreign trade, and through special pamphlets and publications, statistical data and practical information will be disseminated regularly.

By the use of the platform the experts associated with the Department of Foreign Commerce will fill engagements throughout the States included in the territory of the Southern Commercial Congress. These engagements will take the form of practical talks to business organizations, business firms and corporations that desire expert advice in their foreign trade relations.

A library of books, pamphlets, statistics, maps, guides, etc., will be assembled at the headquarters of the Southern Commercial Congress for the convenience of constituents.

The division of the work of the bureau will be as follows:

1st. Co-operation in the trade-extension work now being done by the United States Bureau of Foreign and Domestic Commerce, the Pan-American Union, and various recognized organizations by carrying their information and data, as well as that of the Southern Commercial Congress, to a far greater number of people.

2nd. The use of the vast amount of commercial and industrial data collected by Mr. William A. Reid, during his five years of "Commercial Scouting Around and About the World."

3rd. To utilize the stereopticon and moving-picture film in bringing international commercial and industrial progress to the attention of chambers of commerce and educational institutions, especially in smaller cities and communities.

4th. Interpret for Latin America raw material and manufactured products of the Southern States and the United States.

5th. Interpret for the United States the raw material and manufactured products of Latin America with the idea of the exchange of commodities.

6th. The study of Latin American markets for the raw material and manufactured products of the South and the United States.

7th. Detailed information of the most practical character for American shippers and manufacturers.

8th. Assemble authentic information on transportation as to the cost, mileage, and character of bottom from United States ports to Latin American ports.

9th. The advertisement of American products in Latin America through, first, the press (in publicity as well as the regular advertising columns), and, second, in the personal efforts of representatives of commercial organizations, business houses, as well as the Government.

10th. By translating into English all pamphlets, statistical facts, etc., for the use of the Bureau and its constituents.

11th. In teaching and encouraging the teaching of geography as related to trade, in endeavoring to direct Latin American students to the colleges and universities of the United States, in encouraging the interchange of professorships, in encouraging the study of Latin American history on the part of students in the United States, and United States history on the part of students in Latin America, and the instruction of students of the United States in Spanish, Portuguese and French, and in directing students and graduates from the schools of the United States into business relations with American firms practically engaged in trade with Latin America, and into positions in the business opportunities in Latin American countries. (Applause.)

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THE PRESIDENT: The next paper is kindred to those just discussed, "The Gulf States and Their Place in Foreign Trade," by Mr. James A. Arnold, Secretary-Manager, Texas Business Men's Association, Fort Worth, Texas. Is there anyone here representing Mr. Arnold?

(No response.)

(The text of Mr. Arnold's paper follows.)

## PRESENT COMMERCIAL CONDITIONS IN THE GULF STATES.

BY

**JAMES A. ARNOLD**

Secretary-Manager, Texas Business Men's Association, Fort Worth, Texas

A study of trade relations from a business angle involves primarily a consideration of the potential as well as the market value of articles exported and imported. If we exchange our cotton crop for luxuries, our lumber for bric-à-brac and our mineral products for tourist travel, then the more business we transact the poorer we become.

As producers and builders, the American people excel all previous civilizations and we are a present-day marvel in business efficiency, but in dealing with foreign countries we are a sorry lot of traders. Ever since Wm. Penn traded the Indians a handful of trinkets for what is now the State of Pennsylvania, the American people have been selling their birthright to foreigners for a mess of pottage so to speak. We will give a few instances.

We export over \$50,000,000 of cattle and their products per annum which feeds the nations of Europe, and our American heiresses spend a similar sum in buying and maintaining counts, dukes and titled peerages. These foreign noblemen are, as a rule, absolutely worthless—in fact become a perpetual liability—for it costs more money to operate and keep them in repair than it does to run our cotton mills. European royalty puts the black sheep of its families on the block and our rich American girls buy them and we virtually exchange railroads, wheat fields and millions of dollars' worth of products of farm, mine and factory for titled paupers who could not be resold for any sum. It does not require foreign treaties, a fleet of war vessels or tariff revision to stop this enormous loss. It needs only common sense in the homes of the rich.

We export \$108,000,000 of lumber and timber, and American tourists spend a similar amount in motoring over

Europe and sight-seeing in foreign lands although the most enchanting scenes of the world are on the American continent. We export \$51,000,000 of flour and spend it for tobacco. We export \$29,000,000 of corn and spend the money for chewing gum, toys and fine feathers. It is a common transaction to exchange an elevator of grain for a few musty documents, a train-load of fruit for some bric-à-brac, or a cargo of oil for a painting.

These illustrations could be multiplied indefinitely and in the aggregate they constitute a heavy item of traffic. While the possibility of extending the volume of our trade is great, the opportunity for selecting more useful articles of exchange should not be overlooked and is more easily corrected.

The subject of exports and imports is a question of more vital importance to the Gulf States than perhaps to any other similar area in the United States as we perhaps do more exporting and importing in proportion to business transacted than the people of any other section or country on the globe. For example, we are heavy exporters of cotton but import most every other article of clothing and food. I have not the figures available for the Gulf States as a group, but Texas statistics are before me and, as conditions are similar to those of our sister States, I shall use them as a basis for the discussion.

The annual balance sheet prepared by the Texas Business Men's Association lists 55 articles produced by the farm, mine and factory and shows a large surplus in only one item—cotton—and a small surplus in rice, cattle and petroleum, and a deficit in production in all other items, among the heavier ones being corn, wheat and hogs. The yearly production of the farm aggregates \$664,294,277, the mines \$20,827,712, and the factory adds a value of \$112,126,136, making a total annual production in wealth of \$797,248,525. We export or ship out of the State \$413,895,939 and import \$187,411,483 per annum. Our cotton crop constitutes sixty per cent. of the total agricultural production and ninety per cent. of our exports. Corn,



pork and agricultural implements constitute the bulk of our imports.

It is hardly necessary to say that we can and should "live at home" in so far as our agricultural products are concerned.

The potential possibilities of the Gulf States are too enormous for the mind to grasp. A faint idea may be obtained from the Texas situation. We have a total land area of 167,000,000 acres and have less than 30,000,000 acres under cultivation, and our mineral vaults have scarcely been opened.

Our most valuable import, which is not included in the above discussion, is outside capital moving into the State of which we receive approximately \$180,000,000 per annum. Foreign investments in American securities are the most desirable imports that can be obtained and, next in importance, are articles of trade most necessary in life and most useful in commerce.

The Panama Canal will force a readjustment of the trade relations between the continents and a realignment of world advantages in commerce, assigning to the Gulf States a lion's share of the new opportunities. It will awaken the southern hemisphere to industrial achievement and arouse the Orient from its slumbers, and the magic touch of its influence will quicken the farm, mine and factory life of the Gulf States and of the inland empire that lies beyond our borders.

Galveston is the leading cotton exporting port of the world and Port Arthur leads the world in exporting petroleum.

Cotton is our predominating raw material and in all probability will continue to lead in agricultural products. We are vitally interested in the extension of its uses. During the past decade the world has shown an increase of 17 per cent. in cotton consumption against 3 per cent. increase in population. Commerce has taken a large share of the increase, civilization is clothing savages and prosperity is demanding additional garments.

The Gulf States, I am sure, will join in any movement to extend trade relations with other countries and unite in any effort to promote the general prosperity of the nation.

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THE PRESIDENT: We will now pass on to the last paper of the morning: "Suggestions How to Obtain Foreign Trade," by Captain Robert Dollar, President of the Robert Dollar Steamship Company, San Francisco, California. (Applause.)

CAPTAIN DOLLAR: Mr. Chairman and gentlemen: I am from the far-away Pacific Coast. We have heard how far we were away from the end of the Panama Canal, when there was talk about the Exposition. However, we got the Exposition, and I think that I am safe in saying that it is going to be a credit to the American people. (Applause.)

We are far away from you. We are on this continent and we are a part of you. The Panama Canal has opened the way through the Rocky Mountains. You had to go over the mountains before, which prevented your coming to see us. Now you can go around on a level road. We hope to see more of you and hear more from you. You are going to hear from us in reference to foreign trade; I want to tell you that. Another thing I am going to tell you right now, on which probably 95 per cent. of you will disagree with me, and that is that before this century is out, the Pacific Ocean is going to be the centre of the world's commerce, and not the Atlantic; and not New York, but San Francisco. (Applause.) You see we have got big ideas out there. (Laughter.) There is one thing in the subject of foreign trade that I wish to remark on, and that is this: That we should to a very great extent sink our personality, our city, and our state, and think only of it as the United States of America. (Applause.) We are all one people. When I go out into the centre of China, they don't say to me: "There is a man from San Francisco"; they say: "There is an American," and it behooves us to be careful of the manner in which we deal, and the honesty and integrity with which we pursue our business over there

when we are called American citizens, because it reflects on our locality, and not on me as an individual so much, or on my firm. (Applause.)

A good deal of stress has been laid on what our Government has investigated and told us. That will never give us foreign trade. (Applause.) You have got to get your people to go out, and you have got to go out and study for yourselves whether a profitable trade can be maintained or not. And do not start in on that trade until you decide definitely and absolutely that you are going into it for good, and that you will not back out, and then you are sure to succeed. (Applause.) We can have the co-operation of the Government; they will help us. But putting them ahead of you, gentlemen, to go and investigate, is putting the cart before the horse. You can lead the horse to the water, but you can't make him drink. Now, you people see that you must do your own investigating first, and then it will be plain sailing.

Another matter I am going to talk about, that some of you will not agree with me on, is about American shipping. A good many people think, What difference does it make what flag is on the ship, as long as we can get our freight carried at a little bit lower rate? On general principles, it looks all right, but I want to tell you it is all wrong, for this reason: (Now I am going to say something that some will take exception to. But I am talking from personal practical experience of something that I know, because I own British ships, and that is this:) That every man aboard a foreign ship is a drummer for his own country. Why? Because by drumming for his own country he produces a trade *to his own country*, and the officers get *home*, and that is why they work not for us Americans, but for their own country. Hence the reason that Great Britain is the great nation that it is to-day. We are without foreign ships. Now you can tell better by what a man does than by what he says. To change that condition on my British ships, I make it obligatory on every officer I have on our British ships, that they move their family and make their home on the Pacific Coast. I have made every one of those fellows a drummer for the Pacific Coast. (Applause.) That, gentlemen, is a very im-

portant matter, when you come to consider the American versus the foreign ship. Don't forget that, because people will tell you it doesn't make any particular difference; but it does, and I know it. It is a pretty hard thing when your own officials and your own officers work against you. Why? Because they were working to get their ship to their own home port, to be with their families. It is only natural. But I have fixed it so they don't do it any more. (Laughter and applause.)

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(The full text of the paper submitted by Captain Dollar follows.)

## **SUGGESTION HOW TO OBTAIN FOREIGN TRADE.**

BY

**CAPTAIN ROBERT DOLLAR**

President, Robert Dollar Steamship Company

To start a crusade to promote Foreign commerce, which crusade can be divided up as follows:

**INVESTIGATION:** By our merchants on the ground, making a careful investigation and study of the various possible markets and their requirements, assisted by an efficient Consular service and, by travelling representatives of the various commercial branches.

**EDUCATION:** Having found where we can place our goods and what is required, a course of education must be undertaken to comply with the requirements of the purchasers. How we can best supplant other foreign competitors and where our articles are better adapted to conditions, to *gradually* educate the purchasers to appreciate and adopt them, and our standards.

**CO-OPERATION:** To have our manufacturers, exporters, transportation companies and Governmental bureaus work together on the theory that "In union there is strength." To have our Chambers of Commerce and those of foreign coun-

tries work closely together and set as clearing-houses for commercial improvement.

We must not expect to rush in and secure markets where other nations have been established for years. Must start pioneer work and be prepared to look to the future for results rather than attempt to secure immediate and profitable returns.

The trend of the trade and civilization has always been from the East toward the West, and the great Orient, now awakening from a sleep of centuries, is the natural market for the Pacific Coast. As the transcontinental railroads in America opened up the wonderful resources of the West and made the East rich and prosperous, so must the coast take advantage of the opening of the Orient.

Let our merchants adapt themselves to the conditions as they find them and comply therewith and not endeavor to force their own views and methods on a people whose environments and customs are different to ours, but rather to foster and comply with such customs and conditions until, by a gradual course of education, these peoples can be taught to appreciate and demand American methods and manufactures.

Educate the merchants and manufacturers to know that a dollar spent by one citizen to buy something from another is merely an exchange: and neither the town where this exchange is made, the State or the country at large is one penny better off; but that every foreign dollar paid for American goods is a new dollar put into circulation: and the town, the State and the country is just one dollar richer and the spending of this dollar benefits all.

WHAT IS REQUIRED TO MAKE A SUCCESS: To make a success of foreign trade, merchants must go into it permanently. *First*—They must look into it thoroughly and decide definitely that they will go in to stay; studying it from every point of view, selling the people what they want and not what you think they should buy, as many Americans attempt to do, thereby meeting certain failure.

THE BUSINESS MUST BE DONE BY AMERICANS: Then we must be represented in foreign lands by Americans. If your line is large enough you must establish your own house, managed by our own countrymen. If your lines are small, then a com-

bination can be effected by one representative handling different commodities. Do not attempt the business by employing foreign agents, as you will find out to your sorrow that blood is thicker than water, and that they will sell the products of their own country in preference to yours, and you will come off second best; this is human nature and is the same the world over. We have nearly all tried this plan and failed, and I speak from practical experience.

**CONFIDENCE:** Confidence is essential, especially in Oriental countries; this takes time to establish and can only be obtained by honest and fair dealing, but after this has been accomplished it is comparatively easy, but you will find they are all "from Missouri, and that you have got to show them" first.

**NONE BUT YOUR BEST MEN SHOULD BE SENT:** So in sending men to represent you, you must send the very best you have and you will find that the very best men you have are none too good. The idea is prevalent in some quarters that, if a man is not making good at home, it is all right to send him to the foreign field, as anything will do there. This is rank folly, as they will meet men who are a match for the very best we can send, not only from the natives of the country, but from our foreign competitors.

**DO NOT SEND IMMORAL OR DRINKING MEN:** Another qualification is that the man you send must be strictly temperate; if you wish to employ drinking men, keep them at home. Remember that the men you send do not only represent your company, but they represent your country, and to maintain the honor and dignity of our nation is of such importance that you will appreciate fully what I have said, to send your best and brightest men, who will be a credit and an honor to both your company and your nation.

**BETTER CLASS OF MEN:** In years gone by our country and our commerce have suffered severely from this not being done; our merchants are now alive to its importance, and I am pleased to say that they have made a great change for the better in the personnel of their representatives, and I strongly recommend that this good work should go on.

BANKING: Then, in American banking facilities, we are very much handicapped. In the Far East there is only one American banking establishment, and about the same condition exists in South America, necessitating the great bulk of our transactions passing through foreign banks, and the same remark that I have made about having Americans handle our business applies with double force in banking, where practically every transaction is laid bare. As a rule, all shipping documents pass through the bank, giving foreigners full information of what we are doing. Our national banking laws prohibited us from having foreign branches; now our laws have been modified, but it has been so long coming that foreign banks are firmly established, and our relations with them will require a long time to change. All the foregoing is important.

WE MUST HAVE AMERICAN SHIPS TO CARRY OUR COMMERCE: But the most important and vital defect in our laws is the prohibiting of American citizens to own American ships to engage in the foreign trade. All nations claim that the trade follows the flag. Is it any wonder, then, that we have met here to devise the ways and means of engaging in foreign trade? Those who do not know the conditions under which shipowners are tied hand and foot, would say truthfully, that our laws even permit us to buy our ships where we can get them the cheapest; all that is true. But our laws and regulations also say that if you import a ship, we will see to it that we will make it so expensive to operate that it will be a financial impossibility to do it. So this munificent offer of Congress to allow us to buy cheap ships and give them the American flag, has not been accepted by a single ship. It would be out of place here, to go into the details of our stupid regulations. Suffice to say that all that is necessary is for Congress to allow us to operate ships on exactly the same terms and conditions as our competitors, and the American shipowners will give us a merchant marine in keeping with the importance of our commerce. To-day, American citizens own and successfully operate two and one quarter million gross tons of shipping, over which, by our stupid laws, we are compelled to fly the flags of foreign nations.

Gentlemen, by no process of reasoning is this right! Seeing that we can operate ships as stated, we can operate them under our flag, if conditions were made the same as foreign nations, and it would not cost our country one cent. The shipowners ask no favors, only put us on the same basis as our competitors, nothing more. So I ask you to compel Congress to permit us to deliver our goods in American ships, as we will never take our rightful place in the world's commerce until we carry the greater part of our own commerce in American ships. As long ago as 1840, 90% of the entire trade of China was done with American vessels, now there are only 6 steamers left, and they belong to railroads; and, being the so-called "big business," if Congress could only find some way of doing it, they would put them out of business. So, if the old axiom is true, that "trade follows the flag," give us a merchant marine and allow our trade to follow the flag. Do you know that every owner, captain and officer on a ship are drummers for trade, not our trade, but the trade of the country whose flag the ship flies? Why? This is easily explained: If they can induce trade to or from their own country, it allows them to go to their home port where their families and friends live; but running to and from foreign countries keeps them separated from their loved ones at home. Or, take a shipowner who has a ship in a foreign port without a cargo. In that man you have the best drummer for trade you ever saw. He will do everything possible to enable him to get a freight, even a low one, to get his vessel home. But, seeing that we have no ships, the foreign merchants get the benefit and not the American.

Therefore, I say: Get Congress to allow us to operate our ships under the Stars and Stripes. Nothing will stimulate our trade like having our own ships. The man or country that has the cargo steamers, is the Boss of the job.

GOVERNMENT AID: Another view of this matter that I have, and that you may not agree on, is: That the primary and principal effort to get foreign trade must come from our merchants themselves, and what the Government would do would only be a help. "The Lord helps those who help themselves." So we must help ourselves. I think that the Government



could do a good work at home in endeavoring to induce our merchants to investigate by arousing their interests. Outside of our Diplomatic force, I think they can accomplish more by their agents in this way at home than by sending them to foreign countries, as it is the merchant and not the Government official who must visit the foreign fields and decide for himself whether he is sufficiently impressed with the possibilities to warrant him going into it or not. In China, the only companies that have made great strides and whom we can hold up as an example of what can be done and point with pride to them as being our most progressive Americans: I refer to the Standard Oil Co., the United States Steel Products Co., and the British-American Tobacco Co. Those companies have done more for American prestige in the Far East than all the other American companies put together, and, strange to say, our Government is doing its best to put them all out of business. What encouragement, I ask, can any of us have, who are giving the best that is in us to develop our foreign trade, when our Government is doing its utmost to put those companies out of business, instead of helping the good work along? So I think we will make a mistake if we expect any real genuine assistance from them unless the department can be educated, as we have been, by hard knocks of practical experience. But this is a big undertaking and all assistance should be well chosen; and, as stated, we must all work together to accomplish the desired results. By "WE" I mean the manufacturer, the merchant, transportation company and our Government. "United we stand, divided we fall."

USELESS METHODS: Futile efforts are being made in writing letters in English, sending them to places where they cannot be read; sending millions of catalogues printed in English to the interior of China, where no one can read them. I saw tons of them in our consulates. They should be printed in the language of the people to whom they are sent. What would you think of Chinese firms flooding the United States with catalogues printed in Chinese? The result would be the same here as English catalogues in China, namely: a waste of money.

POPULATION: Turning to the needs of the Pacific Coast.

first of all, we want people. The States of California, Arizona, Oregon, Washington and Idaho cover 521,967 square miles, and our population is only 4,722,252, being 9.0 to the square mile; and if we except the products of the field, forest, and waters, which are our only exports at present, as we have no large manufacturing plants. We have minerals, oil and water-power in abundance, and cheap coking coal can be gotten. So, to develop our exports to their full extent, we must have manufacturing.

**EMIGRANTS:** The Panama Canal should enable us to get a fair share of the emigrants that now land in New York. This will make manufacturing on a large scale possible, and after supplying the needs of our increased population, the surplus will enable us to go into the foreign trade with our manufactured products. Our seaports are second to none in the world, and if Congress will condescend to permit us to operate American vessels, on the same conditions as our foreign competitors are doing, we will be able to deliver our goods in American vessels at prices that will enable us to compete with the world.

**PACIFIC COAST:** Coming down to speak more particularly of the Pacific Coast, I feel confident that long before this century is ended that the commerce on the Pacific ocean will exceed that of the Atlantic. This may appear to be a flight of the imagination, but if any one had prophesied, when the center of the world's commerce was in the Mediterranean, that it would be transferred to the Atlantic, he would be classed as a lunatic. To show the rapid progress that has been made: A little over 30 years ago, the Pacific Mail was the only steamship people engaged in trans-Pacific trade. The combined dead-weight capacity of their fleet in this service was about 12,000 tons, and at that time their vessels did not have full cargoes. Engaged in the trans-Pacific trade at the present time, there are over 70 steamers having a dead-weight capacity of over 700,000 tons and averaging over 2 million tons of cargo a year.

**INCREASE OF SHIPPING:** So, if the increase would continue in the same ratio we will have outstripped the Atlantic by a good margin, as the increase in the Atlantic trade will be

steady, but not the rapid development that the Pacific will have. In the development of China we will see a tremendous increase of trade. One quarter of the human race lives there, and when they get fully into our ways of doing things, no man, no matter how optimistic he may be, can estimate what the result will be.

CHINESE DEVELOPMENT: And it is to this field that I would urge our merchants to turn their attention. Great Britain, Germany and Japan are doing their utmost to get control of what will be the world's greatest commerce. They fully appreciate and understand the importance of it, and we do not. Excepting the three companies named, the Americans have done little towards getting even their fair share of that trade; and, seeing that there is only the ocean between us, surely we should have the advantage over European nations.

RECIPROCITY: But we must not content ourselves by selling our products to them. We must also develop the purchasing of what they have to sell, especially in minerals. The purchasing power of the Chinese must be increased, or they cannot buy largely from us, and the way to do it is to buy what they have to sell and this can be increased indefinitely, as this has been increasing of recent years, by leaps and bounds. We must have reciprocity of trade and exchange of commodities, so as to give cargo steamers loads each way. If our merchandise is carried from our country and there is no return cargo provided, then the one-way freight is excessive. But cargoes both ways make cheap freight and a far more satisfactory trade. No commerce is so good for all parties as the exchange of commodities, leaving little or no balance of trade to be settled in cash. Therefore, attention should be given not only to selling our commodities, but in buying what we can use.

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THE PRESIDENT: Mr. Dollar's paper is to be discussed by Mr. Phillip W. Henry, Consulting Engineer, of New York.

MR. HENRY: Captain Dollar's paper on "Suggestions How to Obtain Foreign Trade," is excellent, his ideas

are practical, evidently born of experience, and well worthy of careful study on the part of those about to make a campaign for foreign business. His severe criticism of our "stupid regulations" in regard to the operation of American ships is well founded. Several years ago a company of which I was an officer purchased an American-built yacht for the use of its manager who made frequent trips between La Guayra, Barbados, Trinidad and the San Juan River in Venezuela. In order to operate this vessel economically it was necessary to put her under the British flag—surely a sad commentary upon the policy of our government, which brings about such a condition and which has practically driven our flag from the seas. All we need is a fair field and no favor in order to regain the high place which we held before the Civil War as one of the great ocean carriers of the world. That our Congress cannot or will not see the point seems incredible. No subsidy or additional legislation is required—only the abolition of certain of the existing laws, so that our shipowners may compete on the same basis as those of other nations.

In these days when our large corporations are compelled to compete among themselves for the foreign market, all to the advantage of the foreigner, as so well pointed out by Mr. Ryan in his forceful paper on "The Sherman Law and its Effect on Export Trade"; when free competition among foreign and American manufacturers was made the basis of the Underwood tariff bill; when drastic laws are proposed to enforce competition, it seems strange indeed that our lawmakers refuse to permit free competition among the shipowners of the world, which would restore the American flag to the high place which it once held in the traffic of the seas.

The foreign trade discussed by Captain Dollar and by most of the other speakers at this meeting has been chiefly the trade of the merchant, and has left untouched the field of the "concessionaire" who plays an important part in the development of the natural resources of the weaker nations of the world. These nations, in order to induce foreign capital—having none of their own for such a purpose—to construct their ports, railways, etc., offer special favors or concessions in some form or other, such as a monopoly for a certain number of years;

a cash subsidy for a part of the construction cost; the issuance of government bonds covering the whole or part of the cost; a guarantee by the government of the bonds issued by the concessionaire, or some other form of government assistance which will make the proposition attractive.

Although very little American money is actually invested in such enterprises, owing to the unwillingness of the American investor to place his money so far from home, as well as his many opportunities for profitable investment in his own country—ours being a borrowing rather than a lending nation—it so happens that considerable money has been spent by American companies in the construction of public works in Latin American countries. These companies may, and generally do, have American management, but the money mostly comes from Europe, and the reason for American incorporation and American management is the privilege to call upon the American government for help in case of trouble. In this way the Monroe Doctrine, so interpreted, is of distinct benefit, for it allows a profit to American bankers on the bonds sold abroad, and gives employment to American engineers and contractors. It also affords a market for American rails, tools, machinery, etc., inasmuch as an American manager will naturally give his country the preference in placing orders.

That it is necessary for weaker nations to give such concessions as will insure the development of their country by foreign capital is undoubted, but sometimes through inexperience or incompetence on the part of the government, or through greed or bad judgment on the part of the concessionaire, the concession becomes a burden to the country, involving the concessionaire and the government in litigation, with its final appeal to Washington and in some cases to the Hague or other form of arbitration. Many of these difficulties could have been avoided had proper care been taken in the first instance by the government and by the concessionaire to determine whether or not a given project would be profitable. Such careful investigation would have avoided the building of a railway, as has happened, which is not only a burden to the government that guaranteed its bonds, but

also to its stockholders, as the road does not pay operating expenses. There is little eventual profit to the concessionaire in the construction of public works which will be a burden to the country, and if Americans desire to do a profitable business in the form of concessions for public works they should promote only those concessions which will be profitable to the government as well as to themselves, due allowance being made for those public works, the construction of which may be a political necessity rather than a profitable business. The concessionaire should not assume that traffic will always follow the building of a railway as it generally does in the United States and in many parts of Argentina, Brazil and Chile.

In most of the Latin American countries traffic must be created by the investment of large sums of money in the cultivation of sugar, bananas and other agricultural products or by the development of the mining resources. The former has been done on a large scale in Cuba, Costa Rica and other countries bordering on the Caribbean, the latter in Mexico, Peru and Chile. By careful investigation of what has been done in other countries where conditions are similar, the American concessionaire may be a distinct benefit to a given country by encouraging certain forms of development and discouraging others, for in most cases the government is sincerely desirous to develop the country, but does not always know the proper direction.

In the location and construction of railways the American engineer is in his element, for, on account of his wide experience in the United States, with its great variety of physical conditions, he is better fitted than the engineer of any other country to carry out such work in foreign countries. The American contractor too, through his experience with different kinds of labor, varying from the negroes in the South to the Chinese, Mexicans and Indians in the West, is well adapted to handle intelligently the native labor of Latin American countries, supplemented as may be necessary at times with Chinese or other outside labor. The Americans too are more accustomed to give wide latitude and authority to their representative on the ground than is the European. Generally speaking, the directors of an American company, having head-

quarters in the United States, will use the utmost care in selecting the proper man for manager in charge of its operations in a foreign country, and then will give him full authority to carry on the work in a manner best suited to local conditions, restricted only by financial limitations and broad questions of policy fixed by the directors. The European company, on the other hand, is apt to hedge its foreign representative with many rules and regulations, compelling him to refer to its directors for their approval many questions relating to the details of management. Such a policy causes delay and unnecessary expense, and with a proper manager on the spot the American method is more successful. It is safe to say that the judgment of a man of ordinary ability on the ground, thoroughly familiar with conditions and men that have to be dealt with, is far more likely to be correct than the judgment of the most talented man at headquarters in New York, who, through lack of knowledge of conditions and men as they actually exist, may be utterly unable to formulate a proper policy in local matters. The principal use for the talented man in New York is to select the proper men in his organization, and then let them have full rein.

Those who have had experience in the construction of public works in foreign countries will heartily agree with Captain Dollar that only the very highest type of men should be selected, whether as manager, engineers, accountants, stenographers or clerks. These should be as few as the needs of the work demand, and as the Americans leave for one cause or another, their places should be filled as far as possible with local men who have been trained for this purpose, so that in work extending over a period of years the number of Americans is gradually lessened and the number of local men increased. This is illustrated in the organization for laying the first asphalt pavements twenty years ago in Buenos Aires, which consisted of a superintendent, office force, foremen and expert laborers, all Americans. In the course of a few years only the American superintendent and auditor remained and all the other positions were filled by Argentinians. In railway work preference should be given to local contractors—not often available however—or to those

contractors who have done work in foreign countries. Our government has at times been criticised for the kind of men it has selected as ministers and consuls to foreign countries, but it must be admitted that our business men too have often sent men in responsible positions little fitted for their work.

Americans sometimes add to their difficulties by calling too frequently upon our State Department to help them out of troubles largely of their own creation. It is quite right and proper that the American company should in the first instance let the State Department know that it is trying to get a certain contract in a foreign country, giving evidence of its reliability and technical skill so that in case of inquiry by the foreign government a satisfactory report may be given. After the contract is obtained, however, and the work of construction begun, the company should rely upon its own efforts to get its work accepted. To make this easier it may be advisable for the company to deal with the foreign government through a local attorney or business man, who is more familiar with the details of procedure than is a stranger. It is frequently advantageous for the same reason to have local men interested in the contract. It is characteristic of the Latin American official—as it is of our own—not to accept a piece of work when first presented, even if it may have been done in strict accordance with the specifications. Many of the objections which are raised are often made in order to demonstrate the authority of the official who is responsible for acceptance. If this official is dealt with in a proper and tactful manner many of his objections can be overcome, and although considerable time may be lost and some expense incurred in making changes more or less technical, yet in the long run it will pay the company to deal with the foreign government in this way rather than to appeal to Washington. If the matter is taken up with the State Department considerable irritation ensues, and although the point may be gained in having the work accepted through the good offices of our State Department, not only is the position of the company jeopardized in future work, but an unfriendly feeling is engendered toward all Americans. There are times, of course, when the assistance of the State Department is essential, but such instances are rare, and all



local remedies should be exhausted before taking the case to Washington. The Americans doing the most successful work in Latin America are those who bother the State Department the least with their troubles. From an engineering and contracting experience in Latin America extending over twenty years in eight different countries, I have found their officials as fair and honorable as those of the sixty different American cities, where I have had a similar experience. (Applause.)

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THE PRESIDENT: Gentlemen, I wish to emphasize the importance of the papers which will be discussed at this afternoon's session. I therefore request that as many of you as possible will be present.

Before we adjourn for the recess, I will announce the Committee on Resolutions as follows:

Mr. Charles A. Schieren, Jr., Chairman.

Mr. Charles M. Muchnic,

Mr. E. A. S. Clarke,

Mr. Edward N. Hurley,

Mr. P. A. S. Franklin,

Mr. Eugene P. Thomas,

Mr. John J. Arnold, of the Chicago Association of Commerce,

Mr. James A. Arnold, of Texas, and

Captain Robert Dollar.

(Applause.)

I wish to say that the session this afternoon will be very short, as we have to vacate the room early in order to make provision for the banquet this evening. The meeting is now adjourned.

(Adjourned, 1. P. M.)

## **AFTERNOON SESSION**

**Wednesday May 27th.**

President Johnson in the Chair.

**THE PRESIDENT:** The first paper to be presented at this afternoon's session is that entitled, "The Railroads and Export Trade," by Mr. Fairfax Harrison, President of the Southern Railway Company, Washington, D. C. I understand that Mr. Green, the Vice-President of the Southern Railway Company will present this paper. Is Mr. Green present?

**MR. J. C. WILLIAMS:** Mr. Green was unable to come to the meeting this afternoon, being detained by an important conference. Mr. Charles Lyon Chandler, the South American Agent of the Southern Railway Company, will take Mr. Green's place in presenting the paper.

(Mr. Chandler summarized Mr. Harrison's paper, which follows.)

### **THE RAILROADS AND EXPORT TRADE.**

**BY**

**FAIRFAX HARRISON**

**President, Southern Railway Company**

The railroad system of this country, indispensable to the development of foreign commerce because so large a proportion of export and import traffic must move to or from the interior, affords ample facilities for all of the export traffic which we now have and for a very large addition thereto. Hence, the first consideration with respect to transportation

facilities looking to the expansion of export traffic is that of direct and regular steamship service.

Successful steamship operation requires the concentration at ports of departure, prior to or promptly after the arrival of vessels, of merchandise sufficient to insure full cargoes. This concentration of cargoes was in former times accomplished almost exclusively by merchants or agents resident at the port of departure. Either for themselves or for the account of foreign correspondents, they bought goods which were often stored at the port and held for some time until steamship facilities were available. With the larger expanded production in the interior, accompanied by expanded railway and port facilities, with quick transportation facilities to the port and the specialization by the railroad of the handling of export traffic, the time when, as a general rule, cargoes were secured locally at the ports has passed.

Now a large proportion, both of export and import commerce, is made up of cargoes shipped through the ports on through bills of lading. Railroads compete actively for this business. They have adapted their bills of lading to suit the foreign trade, have improved shipping conditions and have sought to secure the adoption of methods of packing best suited for shipments to particular markets. Delays at the ports have been in a large measure obviated by direct transfer of goods from car to ship.

As a means of developing foreign trade and securing regular participation in it by their lines, the railroads have in some instances owned, and some of them now own, steamships, but most of the railways must rely upon ship-owners to afford steamship service from their respective ports. From some of the ports and to some of the foreign countries there is now ample service for the accommodation of trade actual and prospective. In other directions, however, this is not the case.

The growth of manufacturing in the United States and the increase in population leading to the consumption of a larger proportion of our agricultural products at home are bringing about a change in the character of our export busi-

ness. Formerly exports from the United States consisted most largely of food products and of raw materials for foreign manufacturers. Exports of food products are rapidly declining; in fact, consumption in the United States is increasing so much more rapidly than production that, as to some food products which we formerly exported in large quantities, there is now a large and increasing movement into the United States. This is notably true of beef—imports of frozen beef from Argentina in the four months ended January 31, 1914, having amounted to 24,434,977 pounds—and of corn, imports of which, principally from Argentina, in the last three months of 1913 amounted to 4,970,000 bushels. At the same time, shipments of manufactured goods are replacing those of raw materials. The causes which have brought about this change will continue to operate, and the maintenance of the balance of trade in favor of the United States will be dependent upon our ability to work up a larger export business in manufactured commodities.

The various kinds of goods going to make up the cargo of a large ship bound to a foreign port will often be produced at many widely separated interior points: they must be concentrated at the shipping ports by rail and the railroads must be relied upon for the distribution of the foreign products brought in on return voyages. Even if a large part of an export cargo should be manufactured at the port, the raw material would have to be brought in by rail. The railroads leading to the port can, therefore, be materially helpful by arranging their service with reference to the foreign trade of the port, and, when necessary and practicable, by expediting traffic so as to have it arrive in time for a sailing date.

Except where a steamship line may carry a single commodity, or a few commodities, drawn from assured sources of supply, full cargoes for each sailing can be secured only by efficient traffic solicitation. To a certain extent this solicitation can be carried on directly by the steamship line, but it is manifestly impracticable for any except some of the larger steamship companies to maintain a wide-spread soliciting organization. However, the railroads serving any given port,

through their own traffic organizations and those of connecting lines, can cover all of the territory from which goods may advantageously be shipped through that port and the most effective solicitation of export traffic can be done by the railroads.

Through the production of the larger part of the world's supply of cotton, as well as through its exports of tobacco, naval stores, lumber and other products, the South has always contributed a large proportion of the total volume of exports from the United States. The prosperity of the great cotton manufacturing centers of England, the Continent of Europe, and of New England have been based on the cotton supply of the South. Since 1880 there has been a rapid development of cotton manufacturing in the cotton-producing States until they now convert quite one-fifth of the cotton produced. Southern-made cotton goods have been making their way steadily in the markets of the world, and I am strongly of the opinion that, with cotton goods as one of the principal articles of export commerce, one of the great opportunities of the future is in the development of a larger export trade through the Southern ports.

On account of the geographical relation of the South to the countries of Central and South America, the West-Indian Islands, and to the Panama Canal, and because those countries consume large quantities of goods that can advantageously be produced in the South, the opportunity is particularly favorable for developing direct trade with the Latin-American countries through the Southern ports in connection with the railroads serving those ports.

With the co-operation of the railroads serving Mobile, direct and regular steamship service has been established between that port and the ports of Argentina and is now a successful operation. Efforts are now being made with the co-operation of the same railroad companies to secure the establishment of direct and regular steamship service by way of the Panama Canal between Southern ports and the ports of the Pacific coast of Central and South America. The railroads are ready to do their part in the building up of this

trade, which would be in a large measure absolutely new business for the United States. Steamship interests are ready to put on a line of vessels and to do their part if they can have reasonable assurance of cargoes in both directions. This brings us to the real difficulty in the development of export trade to the Central and South American countries, either by already established steamship lines or by prospective lines, which is to get the men in the United States who have something to sell to take an effective interest in the Latin-American markets. Our home market is so large that, as to producers of many manufactured articles, it is difficult to interest them in export business, except as an outlet for surplus production during times of depression in the United States. Service to foreign markets cannot be provided merely to meet such contingencies nor can trade relations be established upon such an uncertain footing. The wiser course would seem to be for our manufacturers to seek the development of permanent and regular export trade as supplementary to their business in the United States. Then, if at any time their home demand should decline, they will be better protected in the maintenance of organization and output and will be better prepared to take advantage of trade conditions in other countries which are frequently the reverse of our own.

The Southern Railway Company and the companies associated with it recognize that they have a direct and substantial interest in the building up of export traffic to the Central and South American countries through the Southern ports. They have, therefore, undertaken to do something in the direction of attempting to solve the big problem of interesting merchants and manufacturers in the markets of those countries. There are produced in the territory along our lines in the South and in territory in the Middle West from which shipments may advantageously be made by our lines to Southern ports a long list of commodities that are in demand in the markets of Central and South America. The same territory consumes commodities that are produced in the Latin-American countries and which may advantageously be distributed from Southern ports. The problem is to bring about

a larger development of our trade with those countries and to have it carried on through the ports served by our lines. With the view to bringing this about, we have appointed a South American Agent, attached to the Freight Traffic Departments of the companies. The qualifications needed for this important post were carefully considered. The man selected was for a long time in the United States consular service in Europe, Asia and South America. He knows the South American people and speaks and writes their languages. He knows what the markets of each country want and how they want it packed and shipped. He is familiar with their customs laws and port regulations; with their methods of doing business, and their credit systems. He knows what each of these countries produces that is in demand in the United States. It is his duty, by personal interviews and correspondence, to interest manufacturers and merchants in all of the territory from which shipments can advantageously be made through Southern ports in building up a Latin-American trade. He supplies them with detailed and accurate information as to each market in which they may be interested, and will aid them in putting their letters and advertising matter into Portuguese for Brazil and into Spanish for the other countries. He will have access to all of the foreign trade information collected by the various Government Bureaus in Washington, and will aim to maintain such relations with the diplomatic representatives of the Latin-American countries in the United States and with commercial bodies in those countries as will enable him to obtain prompt information relative to the special wants of their markets, as to prospective governmental or private purchases, and as to the letting of contracts for materials or construction.

This is a new departure in railroad administration, but we believe that it is one that will be profitable to the companies both directly through the increase in traffic to and from the ports served by them and indirectly through advancing the prosperity of the seaport cities and of the producing localities along their lines.

The markets of South American countries for diverse

goods manufactured in the United States are large and the opportunity for trade development with those countries is very great. The field is now occupied by our commercial rivals in Great Britain and on the Continent of Europe. The trade cannot be shared by our people in any substantial way unless they evince such aggressive interest in its development as will lead to the establishment of agencies on the ground, the adaptation of goods to meet the demands of the customer, the adoption of methods of packing such as they require, and the acceptance of conditions of credit now recognized by our competitors.

There is no doubt of the eagerness of the transportation lines to afford service ample to meet all requirements. The question of great importance is to secure the active co-operation of the manufacturers of this country in support of the effort of the carriers to bring about a great increase in foreign commerce with these South American countries.

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THE PRESIDENT: Are there any who wish to discuss Mr. Harrison's paper?

(No response.) We will then pass on to the second paper upon our program, "Ocean Transportation," by Mr. P. A. S. Franklin, Vice-President of the International Mercantile Marine, New York. Mr. Franklin. (Applause.)

MR. FRANKLIN: Mr. President, and Gentlemen: When I wrote this paper, it was my understanding that that was the end of it, and that I had nothing to do here except listen to others.

There are only a few points I should like to bring out, the first one being that, as far as the steamship lines are concerned, I think it is only fair to say that they are more interested in the foreign trade than any one individual here, because they live entirely upon foreign trade, and they want business from you all, and they want to see you all increase your business, and therefore they very much welcome this Convention. They think it is a desirable



thing, and hope it will be forwarded and develop into a permanent Convention, and they would like to assure you all that they will do their utmost to co-operate with the Convention in every way possible to increase the foreign trade of the country, which is very vitally important to the country. They also feel that in selling goods abroad, or sending abroad the products of the mines or manufacturing plants or ground, that you sell something you do not have to buy back again, to redeem. They think it is exceedingly important and would like to do everything possible to encourage and help foreign trade.

Now there are very few points in my document that it seems to me can be enlarged upon here in the few minutes I have been granted. There are only fresh in my mind one or two minor points. And then if there is any discussion I would be very glad.

I was very much interested in what Captain Robert Dollar said, and that was that Government investigations did not increase business, did not help to build up the foreign business; and that is what we are here to-day for.

I would like to read a few extracts from my article, because of the recent investigation at Washington of the shipping interests and what it may lead up to.

It is impossible to expect steamers under the American flag to become an important factor in the carrying of our products to foreign countries unless they are assisted by the Government; therefore, the movement of our traffic to foreign countries is entirely dependent upon foreign flag steamers, and under the circumstances it is most important that these foreign flag steamers should be allowed to trade to and from our ports without restrictions that are not imposed upon the same steamers operating from other countries.

A fallacy which I should like to expose here is the contention that the foreign lines are seeking to throttle American export trade. On the contrary, I am confident the foreign lines are doing everything possible to encourage our trade, which it is of course to their best interests to

do, even to the apparent detriment of the merchants of the foreign country to which the steamers happen to belong, as the shipowner has to be supported by, and make a living out of, his particular trade.

If laws are to be passed making it more difficult and expensive for foreign flag steamers to operate from ports in the United States to foreign countries, naturally higher rates of freight will have to be charged by such steamers than are charged from European countries to the same markets.

The marvelous development in shipping, coupled with the immense increase in the number and size of steamers engaged in the carrying trade of the world, resulted during comparatively recent years in many cases in very unsatisfactory returns upon the investment, and in some cases in very heavy financial losses. This condition of affairs forced the steamship owners almost the whole world-over to endeavor to form agreements or understandings in their particular trades, these agreements being devised for the general conduct of the business, and dealing with sailings, bills of lading, ports of call, and freight rates, and are the result of an evolution based on long experience gained in the practical operation in each particular trade, thus representing the best-known method of conducting the business; and experience has demonstrated this to be the most useful and practical method for the economical operation of the trades in the best interests of shippers and ship-owners alike.

Few of the steamship lines operating from this country, except those engaged in the transatlantic trade, have yet reached an advanced state of development, with vessels of a high class, carrying both freight and passengers, with fixed and regular sailings, and with a convenient and complete system of terminal facilities. The other services are operated for the most part with an efficient type of cargo vessel, of fair speed and large carrying capacity, but yet of moderate size and cost as compared with the highly developed vessels employed in the transatlantic services.

The services in the long-voyage trades are still undeveloped in comparison with the lines serving the same territory from Europe, in which larger, faster, and better types of steamers are used, on account of the large passenger traffic from Europe.

Although the services from this country have been sufficient for the demand up to the present time, they must be improved in the future both in speed and regularity of sailing, which will only be possible if the shipowner be allowed to earn enough to pay for improvements.

In the now thoroughly established transatlantic trade, it is not necessary for the lines acting in co-operation to determine or limit sailings in any way. But in new and undeveloped services it is necessary to agree on sailing dates and ports of discharge, for without regularity and frequency of service, American merchants, manufacturers and shippers would be at a decided disadvantage in competition with European merchants, who enjoy a more frequent and better developed service from European ports to ports overseas.

If you handicap the steamship lines operating from this country, they will not be able to offer you the same facilities for moving traffic as are offered with other countries. The foreign commerce of this country is in competition with the foreign commerce of other countries. The aim of the steamship lines to-day is keeping the rates from the United States to competing countries on exactly the same (under similar circumstances), basis of rates as are effective from the other countries to these countries in which you are selling your goods, and they are very anxious to accomplish that.

Shippers should be able to know with some degree of certainty when their shipments may be made and when they can expect them to be delivered to purchasers in distant countries. Under restricted competition, several ships may sail the same day or the same week for the same port or ports, and, consequently, there may be no other sailing for a considerable period. When lines are working

in co-operation they agree not only as to the date of sailing, but also as to the ports, thus avoiding the waste involved in several ships calling at ports which require only one and giving an excessive tonnage on one date and a corresponding lack of tonnage at other times.

It should be remembered that a large part of the shipments from the United States to foreign countries comes from the interior. With regular sailing dates, goods arriving late and missing one steamer will be delayed only a short time and can go forward on the next boat. The loading and delivery of cargoes also is greatly facilitated by co-operation, preventing the accumulation of goods, unnecessary port charges and loss of time.

The result of an agreement as to sailings is to enable shippers to fill their contracts promptly, to build up new business, and to compete successfully with merchants in Europe.

The reason I bring that out is to show you the advantage to the shippers of the steamship lines working under certain arrangements by which they can guarantee weekly departures to these foreign ports, or regular departures, which they might not be able to do if they were all working under active and serious competition.

Then I think the next thing I can do is to read the concluding part of my document, if I have sufficient time.

The nature of the steamship business is so different from that of railways that it would be injurious, not only to shipowners and consignees, if any limitation should be placed upon the absolute freedom of carriers to change their freight rates as the conditions of the freight market reasonably required. Ocean freight rates vary not merely from month to month, but from day to day and from hour to hour, especially with reference to the great staples which are traded in on the Exchanges. The difference of a fraction of a cent in the freight rate may mean the loss of a contract to a merchant or manufacturer at an interior point of the United States who is competing with manufacturers and merchants in other countries.

Besides, the steamship companies are concerned; they want to foster and promote this trade, and want to do everything in their power to help it. (Applause.)

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## OCEAN TRANSPORTATION.

BY

P. A. S. FRANKLIN

Vice-President, International Mercantile Marine, New York

Foreign trade consists in the exchange of commodities with other countries and, from the primitive days of barter to its present development, this exchange has required facilities for transportation in some form or another. It is a long step from the days of barter and the one-man-power dugout to the complicated system of credits and the Olympics of to-day, but the fundamental principles remain the same. In this exchange Argentina sends her wheat to England to pay for British machinery, while China sends us her tea in exchange for our cotton goods; but, in whatever manner this financial adjustment is made, the interchange of commodities requires ocean transportation.

It would be impossible for me within the limits of this paper to deal with the whole complex subject of ocean transportation, and I intend to confine myself largely to some features which are receiving prominent attention at present, and which, I think, affect the interests of the manufacturer and shipper, as much as those of the ship-owner.

The ocean transportation business has recently been the subject of investigation, and legislation regarding it will probably shortly be under active consideration; and I therefore feel that it is important to take this opportunity of endeavoring to get before this body, representing so largely our national foreign trade, some of the features in this connection, and the defence of rate agreements and understandings among shipowners, believing that whatever hinders or hampers the carriage of the oversea mer-

chandise will also hurt the producer and marketer of that merchandise.

This whole matter was so ably treated by a committee appointed by the steamship lines, of which committee I had the honor of being a member, that some of the points in this paper have been inspired by their report.

The great bulk of the foreign trade of the United States is to-day carried by regular lines working under agreements of various kinds covering their particular trades. These agreements or understandings have been without exception the natural outgrowth of intolerable competitive conditions rather than the result of studied effort on the part of any interest or combination of interests to control particular branches of trade; and, if such agreements had not been reached, the co-operation of a number of lines for the development and handling of the trade would have been displaced eventually by an absolute monopoly, resulting in the weaker line being forced to the wall, and leaving the field entirely to the strongest.

It is impossible to expect steamers under the American flag to become an important factor in the carrying of our products to foreign countries unless they are assisted by the Government; therefore, the movement of our traffic to foreign countries is entirely dependent upon foreign flag steamers, and under the circumstances it is most important that these foreign flag steamers should be allowed to trade to and from our ports without restrictions that are not imposed upon the same steamers operating from other countries.

A fallacy which I should like to expose here is the contention that the foreign lines are seeking to throttle American export trade. On the contrary I am confident the foreign lines are doing everything possible to encourage our trade, which it is of course to their best interests to do, even to the apparent detriment of the merchants of the foreign country to which the steamers happen to belong, as the shipowner has to be supported by, and make a living out of, his particular trade.

The navigation laws of the United States have probably proved a deterrent to the building up of an American merchant marine, but the United States offers so many opportunities for a higher return on capital than is afforded by shipowning that it is not surprising that capital has been unwilling to embark in the shipping business, and if American capital were content with a return such as some of the great English lines have earned in the last decade, it might perhaps invest in ships.

If laws are to be passed making it more difficult and expensive for foreign flag steamers to operate from ports in the United States to foreign countries, naturally higher rates of freight will have to be charged by such steamers than are charged from European countries to the same markets.

The marvelous development in shipping, coupled with the immense increase in the number and size of steamers engaged in the carrying trade of the world, resulted during comparatively recent years in many cases in very unsatisfactory returns upon the investment, and in some cases in very heavy financial losses. This condition of affairs forced the steamship owners almost the whole world over to endeavor to form agreements or understandings in their particular trades, these agreements being devised for the general conduct of the business, and dealing with sailings, bills of lading, ports of call, and freight rates, and are the result of an evolution based on long experience gained in the practical operation in each particular trade, thus representing the best-known method of conducting the business; and experience has demonstrated this to be the most useful and practical method for the economical operation of the trades in the best interests of shippers and shipowners alike.

Few of the steamship lines operating from this country, except those engaged in the transatlantic trade, have yet reached an advanced state of development, with vessels of a high class, carrying both freight and passenger, with fixed and regular sailings, and with a convenient and complete system of terminal facilities. The other services are

operated for the most part with an efficient type of cargo vessel, of fair speed and large carrying capacity, but yet of moderate size and cost as compared with the highly developed vessels employed in the transatlantic services. The services in the long-voyage trades are still undeveloped in comparison with the lines serving the same territory from Europe, in which larger, faster, and better types of steamers are used, on account of the large passenger traffic from Europe.

Although the services from this country have been sufficient for the demand up to the present time, they must be improved in the future both in speed and regularity of sailing, which will only be possible if the shipowner be allowed to earn enough to pay for improvements.

In the now thoroughly established transatlantic trade, it is not necessary for the lines acting in co-operation to determine or limit sailings in any way. But in new and undeveloped services it is necessary to agree on sailing dates and ports of discharge, for without regularity and frequency of service, American merchants, manufacturers and shippers would be at a decided disadvantage in competition with European merchants, who enjoy a more frequent and better developed service from European ports to ports overseas.

Shippers should be able to know with some degree of certainty when their shipments may be made and when they can expect them to be delivered to purchasers in distant countries. Under unrestricted competition, several ships may sail the same day or the same week for the same port or ports, and consequently, there may be no other sailing for a considerable period. When lines are working in co-operation they agree not only as to the date of sailing, but also as to the ports, thus avoiding the waste involved in several ships calling at ports which require only one and giving an excessive tonnage on one date and a corresponding lack of tonnage at other times.

It should be remembered that a large part of the shipments from the United States to foreign countries come from the interior. With regular sailing dates, goods ar-



iving late and missing one steamer will be delayed only a short time and can go forward on the next boat. The loading and delivery of cargoes also is greatly facilitated by co-operation, preventing the accumulation of goods, unnecessary port charges and loss of time.

The result of an agreement as to sailings is to enable shippers to fill their contracts promptly, to build up new business, and to compete successfully with merchants in Europe.

The general opinion of merchants, steamship owners, and agents, seems to be that agreements as to rates are desirable and of advantage to both interests, provided the rates are reasonable and available to all shippers under similar conditions and circumstances.

Shipowners operating regular services are entirely dependent on the business of shippers, and therefore it is their aim to establish only reasonable rates, based on the condition of the general world's freight markets and the value of tonnage, and their desire being to maintain rates on a remunerative basis and yet permit their shippers to successfully compete with shippers from other countries of similar commodities.

The fundamental principle of shipping is "supply and demand," and owners appreciate that the ocean freight rate is frequently an important factor in the transaction, and endeavor to keep rates on a basis to encourage trade. Generally speaking, rates, particularly in the long-voyage trades, are fixed in competition with the rates of lines trading to the same points from foreign countries and are on a parity with those rates as nearly as conditions will permit.

Nearly all the important foreign trades in which the merchants of the United States are interested are subject to competition, by other regular lines and tramp ships. The fear of such opposition and the certainty that exaggerated rates would lead to further competition tends to keep the rates of the lines on a reasonable basis. No steamship line is ever immune from attack, and the history of every co-operative service is that it has grown from

a single line or from a small number of lines to its present size and position by the constant aggression and admission of other competing services.

Ocean freight rates on merchandise to or from the United States, whether in conference trades or not, are dependent upon the service required and generally rise or fall with the rates to and from other countries.

The trade and shipping conditions of the whole world govern the ocean rates to and from the United States as well as to and from other countries.

Shippers and merchants desirous of doing business with foreign countries cannot conduct their trade successfully with such countries unless they have stable rates on which they can depend, enabling them to work ahead, as well as to be sure that their competitors cannot obtain any lower rates. This situation can only be brought about by co-operation between the steamship lines on practically the same basis as exists among the railroads, thus maintaining and assuring equal and reasonable rates to all merchants and shippers.

Neither the large nor the small shipper is ever at the mercy of the steamship lines if rates advance to a point which may be thought to be unreasonable. If the rates exceed or even approximate the rates at which tramp steamers can be chartered, large shippers of special commodities immediately protect themselves by the employment of tramps for the transportation of their shipments, and small individual shippers, who cannot accumulate merchandise in quantities sufficient to justify the chartering of tramp steamers, are at such times served by chartering brokers, who are always ready, when rates by the regular lines advance to such a point that a profit can be made by chartering, to lay chartered steamers on the berth, themselves accumulating the shipments of numbers of small merchants, who by this means can always protect themselves against oppression.

The protection of the small shipper lies in the liner's dependence upon him, just as the liner's protection is the recognition by the small shipper of his dependence

upon the liner. The present large shippers and importers were formerly men of small operations. It is the constant experience of liners that the small shipper of to-day becomes the large and powerful shipper of to-morrow; and the line which would neglect or oppress him when weak can hardly expect his support when he becomes strong.

Looking at the case of the small exporter we also find a natural condition of trade operating to keep rates reasonable. With exports as with imports, the consumer pays the freight. This freight cannot be more than the consumer is willing to pay. The steamer's freight rate must, therefore, be such as will enable the American exporter to sell his products in competition with the products of other countries. The liner, which depends largely on the higher class freight for its profits, being regulated as to bulk cargo by the rate for tramp tonnage, would find it destructive of its interests to restrict or ruin the trade in those commodities upon which its greatest profit depends.

It is not to the advantage of the steamship owner to make the large shipper still larger, as the more shippers the better; but the larger shipper of a single commodity is frequently in a position to charter steamers, in which case the liner would lose some business which might be essential to the maintenance of the regular service. Therefore, the liner must make a rate necessary to secure the traffic, and would then give the same rate to a smaller shipper of the same commodity under similar conditions. The class of merchandise of these large shippers is not, however, commonly handled by the small exporter. The large shippers ship their own product, and, being in entire control of it, they often decline to sell their product to small exporters who might desire to trade in it abroad.

The class of merchandise shipped by the small exporters is ordinarily of an entirely different nature. It consists of articles of greater value, which can readily pay an increased rate of freight for a regular service. In asking a higher rate for such products, the attitude of the steamship lines is similar to that of railroads, which are permitted to charge a higher rate for less than carload

lots than they do for full carload shipments, and to have classifications based upon the nature and value of the goods shipped, under which they charge higher rates on goods of higher value. If the large shipments referred to should not be secured, the smaller shippers would have to pay an enhanced rate of freight and would also suffer inconvenience from the necessary curtailment of sailings which would result from decreased shipments.

If rates should be unduly advanced, the foreign buyer, who pays the freight, would decline to purchase our products. The safety valve against the charging of exorbitant freight rates is in reality the lines' own interest to do everything in their power to foster trade, and to do nothing which would have a tendency to restrain it.

In considering the necessity for agreements in conjunction with the operations of steamship lines, the striking differences between the conditions incident to the operation of those trades and the business of railroads must be kept clearly in mind. Railroads obtain their franchises from the State, which permits them to lay their tracks along the lines of existing or potential trade centers, and to acquire rights of way by the exercise of eminent domain. Without these special privileges a railroad could not be built. A road which has been built in the exercise of such franchises becomes in duty bound to maintain a regular and continuous service, as efficient as the needs of the trade along the line require and the rewards of the business will permit, and do not have the risk of competition of tramp steamers.

The conditions under which transportation by sea is conducted are totally different. The ocean is free to all and ships are not fixtures in any trade, and are not constrained by any fixed line or route. They have no public aid, no franchises, and they may come and go by whatever route or in whatever direction they please. Their only incentive to engage in any particular trade is to develop that trade to such a point that it will yield a profit which will justify a regular and continuous service. But if conditions are imposed which embarrass a particular trade,

or render it less profitable, or place an unreasonable burden upon it, it is but natural that the routes of ships would be changed to trades where commerce is unrestrained and yields greater gains.

According to the most recent reports of Lloyd's Register of Shipping, the oversea commerce of the world is conducted by over 25,000 steamers, having a gross tonnage of 43,954,000 tons, which are owned by approximately 4,200 different firms and companies. Of this great body of tonnage, only about 1,555 steamers, owned by approximately 108 different companies are engaged in regular line service in the oversea trades. The remainder constitutes the great mass of free tramp tonnage, operating entirely under the law of supply and demand, and regulating the ocean freight rates for everybody by the charges which they fix for the transportation of the great mass of the world's staple products.

The fear of any general or large combination is thus seen to be without real foundation; while the economic and commercial necessity for working agreements among the regular line services has been demonstrated by experience and I believe is advantageous to shippers and shipowners alike.

The nature of the steamship business is so different from that of railways that it would be injurious, not only to shipowners, but to shippers and consignees if any limitation should be placed upon the absolute freedom of carriers to change their freight rates as the conditions of the freight market reasonably required. Ocean freight rates vary not merely from month to month, but from day to day and from hour to hour, especially with reference to the great staples which are traded in on the Exchanges. The difference of a fraction of a cent in the freight rate may mean the loss of a contract to a merchant or manufacturer at an interior point of the United States who is competing with manufacturers and merchants in other countries.

In the development of new countries the American manufacturer of steel rails, locomotives, car materials, bridge work, etc., is competing with English and German manu-

facturers. The American corn merchant is competing not only with merchants in this country, but with merchants in Canada, Russia, Australia and Argentina. Unless the carriers are free to quote to such merchants freight rates which enable them to compete successfully with the merchants of other countries, the ocean transportation business and the manufacturers will alike suffer serious detriment.

If we are to maintain our commanding position as an export country and to develop our trade still further in new and distant countries, methods substantially similar to those now in existence, are essential.

Should the lawmakers of the United States decide that ocean transportation must come under the jurisdiction of some authority, or authorities, in Washington, I most strongly urge that this important question should be considered very carefully, before any laws are passed, as, barring a certain amount of supervision and possible publicity to assure reasonableness I am confident that any regulation on the part of the Government which would make the immediate alteration of rates impossible in a situation where we are competing with the world's markets, would result in a loss of trade and commerce that would be more harmful to the merchants than to the steamship-owners who can always send their steamers into other trades.

That which is produced by the soil or manufacturing interests and sold abroad is consumed there and does not have to be redeemed by us as do stocks or bonds, therefore our export trade is of vital importance to the development and prosperity of this great country of ours. This trade is only in its infancy, therefore it is our duty to foster and promote it.

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THE PRESIDENT: This paper of Mr. Franklin's, which is one of the most important before the Convention, is to be discussed by four who have given notice: The Honorable J. W. Alexander, member of the House of Representatives. Is Mr. Alexander here?

(No response.)

Mr. A. Zucca, representative of the New York Fruit Exchange. Is Mr. Zucca here?

MR. VICTOR L. ZORN: Mr. Chairman and gentlemen of the Convention: I have the paper, but I fear, Mr. Chairman, that we are under some misapprehension. When the President of the New York Fruit Exchange appointed me a delegate to this Convention, he asked me to deliver a brief address. Naturally we selected a subject which was uppermost in his mind and mine at the time. We did not then know that Mr. Franklin would deliver an address upon the subject of Ocean Transportation. Thus you will see that the selection by me of this topic was a mere accident or coincidence. I am not here really to answer Mr. Franklin. But the delegates of the New York Fruit Exchange are here to speak about Ocean Transportation, because we believe that transportation facilities are essential to the development of trade and to the very life of commerce. We know that their efficiency or their inefficiency spells the success or the failure of many enterprises and of whole communities.

The railroads have been aptly termed the arteries of interstate commerce. It would not stretch the figure too much to say that steamship lines are the arteries of international commerce.

The successful conduct of foreign trade is contingent upon proper and adequate ocean transportation facilities. Of these facilities, the four most important elements are frequent and fairly regular sailings, speed of vessels, reasonable freight rates and provision for the safe carriage of the commodities transported.

In the membership of the New York Fruit Exchange, which I have the honor to represent, there are no manufacturers in the strict acceptance of the term, and few exporters, whose operations would appear large, if measured by the standards of the exports of the most important of our manufacturing enterprises. Although some of them export large quantities of apples and some oranges and other fruits, the members of the New York Fruit Exchange

are more directly interested in imports than in exports. Yet, their interest in this convention is none the less keen on this account.

All commercial business is an exchange. Between the business of exporting and the business of importing commodities, there exists no natural antagonism. On the contrary, the interests of the importer and the interests of the exporter are practically identical and their relations are, or should be, reciprocal. A profitable export business can be carried on only with prosperous foreign peoples, and no nation can be prosperous, unless profitable sale be found for the products of its soil and of the industries of its people.

The automobile manufacturer, for example, who would sell his machines to a nation that produces fruits in great abundance, is vitally interested in securing to that nation a profitable outlet for its fruits.

Our trade with the Mediterranean countries, especially with Italy and Spain, is seriously menaced by an utter lack of the kind of transportation facilities required for the safe carriage of their products and by excessive rates of freight on some commodities.

Specific mention is made of these countries because the foreign business of the members of the New York Fruit Exchange is mainly with them.

Against the ocean steamship companies the men engaged in this traffic have a real and substantial grievance.

In the case of some of them, the grievance takes the form of excessive freight rates. In the case of others, it is in the nature of a want of proper provision for the safe carriage of the perishable commodities which they import.

In the matter of certain articles such as macaroni, olive oil, cheese, wine and the like, the freight rates have been raised within a year, as much as 100%, in some instances. Whatever advantages a reduction in the tariff duty on some of the commodities may have secured to the importers



and to the foreign shippers, have been very much more than offset by the rapacity of the steamship companies.

In the way of providing means for the safe carriage of perishable commodities, the steamship companies have done nothing. They have, through their indifference, wantonly destroyed large quantities of such commodities as lemons, grapes and onions. Their methods are archaic. In fifty years they have not been changed, except for the worse. Faster vessels have been provided; but the gain in time thus secured has been more than counter-balanced by losses resulting from the improper handling of cargoes. Consignments of lemons consisting of 25,000 to 30,000 boxes and like consignments of onions, are loaded in the hold of a vessel often with a miscellaneous cargo of heat-producing articles. The hatches are closed and no provision is made for ventilation. As a result of this treatment, the consignments arrive in various stages of decay and their value is thereby reduced 25% to 50%, and frequently to even a greater extent. It would be a conservative estimate to fix the loss on some recent cargoes at \$15,000 to \$20,000 each. This loss falls entirely upon the importer, when he is a direct purchaser of the fruit, and upon the shipper, when the consignment is sent forward to be sold for his account. In the last analysis, of course, the weight of the burden is borne by the consuming public.

No claims for damage are allowed by the steamship companies which are engaged in the traffic. Even, when by reason of rough and careless handling, they smash the packages and lose the contents of some of them, they pay nothing to the owners. So long as they are able to deliver the head of a box on which a brand appears that makes identification possible, they assume that they have made a good delivery and decline to entertain claims. Appeals to them are unavailing. They are indifferent, autocratic and dictatorial. There being no competition among them, the importers and the shippers alike are at their mercy.

It has been held by our Courts that railroad companies are bound to provide proper facilities for the safe carriage of such commodities as they may accept for transportation

and to exercise every reasonable care to protect them from injury and damage. Accordingly companies engaged in carrying fruits and other perishable commodities which are easily susceptible to the effects of heat and cold, provide refrigerator cars, which are cooled with ice in warm weather, and heated cars are furnished in cold climates during the winter months.

The ocean steamship companies have provided nothing but the ships. To segregate lemons, grapes and onions, for example, from raisins, currants, hides and like heat-producing articles, would not be difficult. Yet, even this simple and elemental measure of protection is not adopted. Nor has any apparent effort been made to ventilate the compartments in which the fruit is stowed. To install ventilating plants in ships engaged in such traffic, would be inexpensive; but none have been installed, and to the best of the knowledge and belief of the importers, no thought has been given to the matter.

The losses suffered on single cargoes because of the lack of such equipment, would pay for the installation of plants on several ships and perhaps on many.

The importations of lemons from Sicily aggregate more than 2,000,000 boxes annually, of a value of not less than \$6,000,000. From Spain 500,000 to 800,000 barrels of grapes are imported each year. The approximate value of them is about \$2,000,000 to \$3,000,000. From Spain too, we import about 800,000 crates of onions each year, of a value of some \$800,000.

These are but three items. They are cited as an example of the volume and the importance of the traffic. And this traffic means much more to the business men of our country than is represented by the mere value of the commodities named; for if the people who ship these lemons and grapes and onions make a profit on them, they will buy the finished product of our manufacturers and thus stimulate and expand our export business.

What is the remedy?

That is the question which we wish to submit to you.

If there were active competition between the steamship lines engaged in the traffic, the question would probably settle

itself. Modern facilities would very likely be provided and there would be no need for us to raise our voice in protest. But such competition does not exist and there is no likelihood that it will be created.

It is elsewhere that the remedy must be sought.

We have thought that perhaps by bringing the matter to your attention, it might be made the subject of investigation by the proper department of our National Government. An ideal solution of it would be the creation of an International Commerce Commission, having functions and powers analogous to those with which our Interstate Commerce Commission is invested. Our Government acting independently, could hardly create an effective commission of this sort; but through negotiations with the foreign governments in interest, it may be that arrangements providing for such a commission, can be made.

In any event, the subject is one of enough importance to command your thoughtful and earnest consideration. This we hope you will give to it.

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THE PRESIDENT: It is most useful that such matters as this speaker has presented should be brought to the attention of the Convention, and this subject will receive the earnest consideration of the committee in charge.

The next one to discuss the paper on "Ocean Transportation" is Mr. P. H. W. Ross, President of the National Marine League. Mr. Ross. (Applause.)

(Mr. Ross summarized his paper, the full text of which follows.)

### MERCHANT MARINE.

BY

P. H. W. Ross.

Mr. Chairman and gentlemen: Increased exports means decreased taxation; impossible of proper attainment unless the interior gives America a foreign-going merchant marine under the Stars and Stripes.

The country will benefit greatly by the publication of Mr. Alba B. Johnson's extremely valuable paper on "South and Central America." It is most re-assuring to the friends

of American shipping that he should point out, in his summing up of the difficulties we labor under, that we are opposed by competitors "who have such advantages as accrue from ownership of the lines of steam transportation."

Indeed that is true and when he speaks of the absolutely necessary existence of American banks in foreign countries and of those banks not being able to live on collections alone, may I add that the shipping business itself, as much as anything else, supports those banks. Few American bankers realize how great is the profit and range of marine banking. It is as yet almost an unknown science to us. Mr. Johnson shows that foreign banks support the export trade. It is also true that ships very largely support those same foreign banks. He adds that the American flag has been banished from the seas by unwise regulation of American ships. Very true. Unwise regulation cannot be changed to wise regulation except by changes in national legislation; this is impossible without the votes of congressmen and senators from the interior, which will never be obtained unless the voters of the interior insist upon their congressional representatives so voting—this again is impossible unless the people themselves are convinced that *their* daily welfare is dependent upon the existence of an American merchant marine.

Mr. E. C. Simmons well said that "Public opinion is more and more the controlling influence in this country, and Congress can be depended upon to listen to the voice of its masters."

The organization I have the honor to represent, following somewhat the same methods as have proved eminently successful in other civilized countries, seeks to create an enduring public opinion that shall result in an insistent demand by the people of the United States that this country shall be equipped with its own maritime facilities, *in order that things that are made in America may be disposed of as quickly as they can be made*, and that the vast body of American laborers may be steadily employed. We lay special stress upon the economic value of selling goods to non-Americans, because by so doing, with each transaction, some portion of our indebtedness to non-Americans is thereby offset.

Our domestic trade, or "home market" business, invaluable though it is and always will be, has this one great economic defect, namely, that it does not liquidate our indebtedness to the foreign holders of our stocks and bonds.

It is estimated that 55% of our bonded indebtedness and 25% of the dividends on American corporations is paid to non-Americans. The greater part of this money is raised by taxation, which levied in the first instance upon the landlord is passed on by him to tenant and by tenant to customer, in other words to the general public, the final bearer of the burden. The monies paid by us to non-Americans exceeded by one billion dollars a year the balance of trade in our favor.

Increase of exports means decrease of taxation. The history of civilization has proved that no country, endowed by Providence with maritime "talents" has ever risen to prime importance unless it used those "talents." History has proved that no nation can possibly succeed commercially unless it controls in its own hands the bulk of the ocean transportation facilities of its exports from producers to customer, and the banking, exchange and insurance transactions that accompany that commerce.

We seek the combining of all classes in a united effort to uphold our own labor, our own industries, in the titanic struggle that the constant war of international commerce forces upon us.

This war is inescapable. It is the result of huge masses of population in various parts of the planet. We invite people to come here; having arrived, we must afford them the means of sustenance; of supremest importance is the opportunity of steady employment.

Steady employment of labor is impossible unless there be continuous "run" of manufacturing plants. Continuity of "run" is impossible unless there be continuity of disposal of the things made. The absorptive powers of our domestic trade being far in arrear of our productive capacity, the matter of vastly increased exports is not one of choice. It is a matter of industrial life or death. And the continued almost exclusive use of the oceanic transportation facilities of competitive commercial nations, themselves striving to sell the same kind of

goods to the same line of customers whom we are trying to reach, is absurd.

Hence it is that in the very near future the exigencies of economic conditions in the United States will demand as complete a recodification of our shipping, navigation and maritime laws, as was effected in the domain of currency and banking by the passage of the Currency Bill. You will note that Congress, desirous of complying with the insistent demand of public opinion, in eight months completely recodified the pre-existing legislation of fifty years!

So there is not a question but that similar legislation on maritime affairs will follow an equally decided public demand.

But it never will if this demand comes only from what is termed the "shipping interests" or even from the people living in the maritime states. It is the people of the centre and middle West who hold the destinies of the nation in their hands.

And relief must come from them, not as a matter of charity to the petty remnant of our at present existing American foreign shipping, not as a favor extended from the inland to the maritime states, but as the very vital concern of the inland states themselves, as a matter concerning their own permanent prosperity, as recognition of the economic fact that only by selling goods to non-Americans can we liquidate our indebtedness to foreigners and decrease the awful "over-head (and under-foot) charges" that we must meet before even buying a pound of beef or an ounce of bread.

Everything, in every town and city in the Union is bonded, except the air we breathe.

The water we drink, the sewers we use, the streets we walk upon, the schools we send our children to, the street and railroad cars we ride upon,—all, all save the air we breathe, is bonded. Interest must be paid. To whom? As I said before, mostly to foreigners. Every time a citizen drinks a glass of water that comes to him through any form of conduit or system of pipes or waterworks he toasts the financial success of a foreigner, the increased indebtedness of his fellow countrymen.

No wonder the cost of living is high! The only possible way of decreasing our foreign debit balance is by increasing our foreign credit balance.

Gold shipments only touch the fringes and fag-ends of commercial transactions. If we owned and could ship away all the gold in the planet it would not liquidate our foreign indebtedness. It is the re-absorptive power of the foreign investment markets that takes up most of our continual streams of issues of fresh securities. In other words, so long as we persist in creating debit balances for ourselves in America, just so long, somewhere else, do we create credit balances for others and against us.

How used we to offset these credit balances in past years? By the export of foodstuffs. But in 1912 we actually imported more foodstuffs than we exported.

How have we paid our debts to foreigners in the past ten years? By the issuance of more bonds, that is by getting still deeper into debt.

Getting further into debt, of course, means higher taxation everywhere to pay the increased interest of that increase of indebtedness.

What is our only possible form of relief from abject and utter financial servitude? The selling of things we make (since we ourselves now consume the things we grow) to foreigners.

What depth of folly it is for us to borrow money from outside sources wherewith to establish and develop industry and then to sell only one-twentieth of the fruits of those industries to outsiders!

It is as though a large department store were to borrow \$1,000,000 for its building, put in a stock of \$2,000,000 of goods and then expect financial success by doing 95% of its business with people who worked in that store! This is exactly what we are doing in America. It is the goods a store sells to outsiders, to persons not in any way connected with that store that keeps the establishment going. And we only export 5% of what we make.

Mr. Straight has rightly said: "We pride ourselves upon being a practical people tempered by idealism. If this estimate

is just we should have the intelligence to recognize, and the imagination constructively to deal with, *facts*."

And these are the facts: that our income from balance of trade and interest on American investments abroad is about \$1,000,000,000 a year while our outgo in interests, dividends and monies sent and spent abroad by Americans is over \$2,000,000,000 a year; also that since our balance of trade is predicated upon a 5% export basis it will take a 15% export basis, at least, or three times the amount of stuff sold to foreigners, before our income will approximately equal our outgo and our "ship of State" can sail on an even keel.

Here is our trouble: The composite mind of those here present is of the Hamiltonian type. It has its grandeur and its limitations. The fall of the Federalists was due to the fact that *they failed to get enough votes*. The rise of Jefferson was due to the fact that what he had to say he managed *to get over to the people*. His supreme wisdom was that he approached the solution of political problems from the point of view of the people, knowing that it was *their* opinion and *their votes* that could *accomplish* things, and that *without* the aid of the people's votes, the wisest of statesmen might beat the air in vain. Furthermore we must, like Jefferson, show the people that government assistance to American shipping and the American export trade is not only a business but a patriotic policy, pertaining to national defence as well as to our industrial welfare.

Therefore, our task in the maritime regeneration of America is not only to enunciate perfectly sound principles of national economy, but to get them over to the people and thereby create a public opinion that shall result in correct voting. In no other way is it possible to attain the consummation so devoutly desired by all here to-day.

The whole aim and purpose of the National Marine League is to nationalize public thought on the acute necessity of our maritime development. By so doing there will be adequate appropriations made ungrudgingly by Congress for the Department of Commerce and for the purposes of re-establishing an American merchant marine because it will then be recog-



nized as an affair of the people, by the people and for the business welfare of the people.

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MR. C. E. JENNINGS: Mr. Chairman and gentlemen: As President of the American Manufacturers Export Association, and as Chairman of the Reception Committee, I wish it were possible to meet personally every delegate and to give to each one a personal welcome to our First National Foreign Trade Convention.

Whether from the North or the South or the East or the West, I am sure we have all gathered together with one common purpose—the developing of our Export Trade.

Most assuredly the speech just delivered by Mr. Ross on the Merchant Marine must have found a response in every heart. Gentlemen, *we want an American Merchant Marine!* And if we *want* a thing, there is only one way to get it—*ask for it*.

What have we been doing for the past twenty-five years toward getting a Merchant Marine? Nothing! We have been sitting inertly by, not raising a finger to aid in establishing a Merchant Marine. The trouble is with ourselves. Don't you suppose we would have a Merchant Marine if the merchants and manufacturers of this country should unite and ask for it?

I want to place my recommendation clearly before the Convention—it is not for *us* to tell Congress *how* to build a Merchant Marine. It is enough to know that the business interests of the country need an American fleet to carry our products to all countries of the world. Leave to Congress the ways and means of building a Merchant Marine. Let our Congressmen struggle with the solution of this problem. We have enough troubles of our own in manufacturing goods for the foreign market. But I would suggest that when you return to your homes that you use your influence with every commercial body, business organization and chamber of commerce to discuss this question of a Merchant Marine, and deluge your Representatives and Senators at Washington with facts showing how vital it is to have a Merchant Marine, and

you will get one. There is no other way. Gentlemen, I believe I voice the sentiments of all our Associations and our National Foreign Trade Convention when I say—*We want an American Merchant Marine!* (Applause.)

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THE PRESIDENT: In what Mr. Jennings says, there is no question whatever that he represents the views of every American citizen.

One of the best papers, of the most important papers, the most thoughtful papers, that we have before us, was that by Mr. James J. Hill, Chairman of the Board of the Great Northern Railway, which came up for discussion this morning and as to which there was no one to respond. I am informed that there are two who would like to respond to it this afternoon. Mr. Clarke. (Applause.)

MR. E. A. S. CLARKE: I want to urge that every member of this Convention who has not already done so, if there be any, read Mr. Hill's paper with the greatest care and attention, for I believe that a careful study of it will not only be valuable but is essential to a proper solution of the problems we are here to cope with. I think the Convention may congratulate itself that Mr. Hill has been willing to give the time and thought necessary to prepare this paper. When Mr. Hill does prepare a paper or deliver an address, I think it is generally conceded that the subject matter is almost always one of general interest, and that Mr. Hill speaks with very great authority.

In Mr. Hill's paper, he does not attempt to discuss the details of how our foreign trade shall be expanded and increased, but, as usual, in his thoughtful way he sets forth the fundamental, underlying principles that must be observed in working out the problem successfully, and, as I read his paper, there seemed to me to be two points especially worthy of our attention.

The first is where Mr. Hill speaks of the general levelling process that is going on due to improvements in methods of

communication, whereby foreign trade, as all other, is going to come down to equality of opportunity and a level fight, and in which he points out that the country which is going to have permanent success is that one which bases its export trade upon its natural advantages and facilities of raw material, of efficiency and ingenuity. I think that that thought, borne in mind in the study and solution of our problem, will be of very great value.

The second is where Mr. Hill calls attention to the loss or partial loss in supremacy of general world trade which has come to Great Britain, and points out various reasons which seem to him to account for that situation. And he particularly calls the attention of this country to those reasons, in the hope and with the thought that we may well take advantage of the mistakes which the older country has made, and avoid them if possible. He speaks particularly of certain restrictions that have come through various phases of legislation, particularly in respect to conditions of labor and the various acts tending to support labor in a condition of prosperity without sufficient effort on the part of labor itself. To these, and other legislative restrictions, Mr. Hill seems to attribute a large part of the loss of Great Britain's supremacy; and he expresses the hope that we in this country may take warning and so try to shape and mould public opinion, and thereby legislation, that we may not fall into the same error.

It seems to me that these two particular points are well worthy of the attention of all of us in any efforts that we may make to solve this problem of increasing our export trade. There is no question of the desirability or necessity of such increase. But there are fundamental principles underlying it which must be borne in mind, and I think that Mr. Hill has very ably called attention to them, and I am glad to have this opportunity of expressing that view to the Convention. (Applause.)

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THE PRESIDENT: Next is Mr. Leonard S. Smith, of Cincinnati, Secretary and Treasurer of the American Laundry Machinery Company. (Applause.)

MR. L. S. SMITH: Mr. President, gentlemen of the Convention: There is one part in Mr. Hill's paper that I think should have the attention of the men of business, and it is found on page 10:

"It would seem that, with such events passing before our eyes, and the veil of the future almost lifted for our benefit, we should not be beyond the reach of helpful suggestion or find national conduct difficult. But the burdens placed by unwise restrictive legislation and unnecessary taxation upon business in the United States are producing their natural effects here also. Industry slackens less because capital is dissatisfied with the present than because it is uncertain of the future. Just such mistakes as Great Britain has made and is making may confront the American workingman with a lost job, an empty cupboard and no younger and more promising land to which he can emigrate as his needy fellows have done for centuries when caught in the vise of economic errors or commercial revolutions. The future of our industry must be worked out here by ourselves. Losing gradually the advantages that our position and resources have given us up to a recent date, nothing but a deeper wisdom and a keener sense of justice toward all the factors that must unite to create national prosperity can keep us at the front in the race with other nations, or even insure us against disappointment, disorder and economic distress at home."

I am sure it did not occur to any of the few men who met in the Metropolitan Tower in New York only a few years ago and decided to form the American Manufacturers Export Association, that the movement it fostered could by any possibility assume the importance it has in so short a time. But the fact that it has so succeeded shows conclusively the need that exists for just such associations, devoted to the upbuilding of American commerce and to counteract the tearing down process that has been going on in our industrial life for so long.

I have read many of the papers which have been prepared by the able gentlemen, on the subjects assigned to them, and I believe the one thought that is most prominently brought out is the dissatisfaction that exists in the business world over the

sins of omission and commission by our Government in regard to business. Omission in withholding the help that the business men of this country have a right to expect of their Government in view of that help which is being so freely and gladly given by other nations in the upbuilding of their commerce; of commission in the legislation which is being constantly urged by members of Congress for the further regulation of business. Bills are constantly being introduced by members of Congress who, like the chorus girls, are anxious to get into the rays of the limelight, that show evidences of utter unfamiliarity with the laws of business. Such agitation is neither sane nor fair to the business interests of the country. It serves only to create suspicion in the minds of those who are really most affected by good or bad business conditions—the working classes—against their employers, and to place in the hands of our competitors in other markets the impression that our business houses are dishonest as a general rule, when you men who have done business with the world know that the average of commercial honesty is higher in this country than in any other nation under the sun.

Some years ago I heard a New York gentleman who has been a great success as a business man make the statement at a dinner given by the Commercial Club of Cincinnati, that prior to the Civil War all classes of men took an active interest and part in national politics, for there were great questions to be solved, on which hung the fate of this nation; that following that great struggle came the thought that the great questions pertaining to our life as a nation had been solved once for all, and business men devoting their entire time and interest to the upbuilding of our commerce had created a business structure that was the marvel of the world.

But the great questions affecting our very life as a nation have not been solved. To-day we are confronted with a situation brought about by this very wonderful growth that has made us the wonder of the nations of the old world, and the abuses which grew up around it by men unpatriotic and unscrupulous, that are as deep and dangerous as others of the pitfalls we have encountered in our national life. I refer to the impression that has grown up in the minds of so large

a portion of our people that business as a whole is conducted on lines neither honest nor fair, and the possible attendant consequences of that feeling. I believe that the abuses have been almost entirely corrected; that we have laws on the statute-books that will prevent a recurrence; and that this constant agitation for more and more laws to suppress business is only a means employed by near-statesmen to show their constituents they are on the job; neither wise nor patriotic, for by this constant agitation and pointing out the exceptions and giving the impression that illegal practices in business are the rule, it conveys an impression antagonistic to business as a whole and creates suspicion among the people of the country, and if not stopped will lead to Socialism, possibly to revolution, with a resultant demagogue as our head. Then we will not need laws controlling business, for there will be none.

Relief from this cannot be expected from men who are sent to Congress, there to frame laws for the regulation of business, and who never had a day's business experience in their lives. Relief can only come when patriotic business men throughout this country are willing to lend their aid in the constructive work of remodeling our laws, so as to effectually punish those who are dishonest, or who would pursue unfair means in competition, and at the same time will see that laws are enacted that will permit legitimate business concerns to flourish. This can only be done by bringing to the attention of the business men of this country the fact that they have no more important business before them than doing the constructive work that is necessary to be done to place our commerce on a stable foundation, by the enactment of laws that will put a premium on honest endeavor and not on sloth and indolence, that will insure property rights against confiscation and waste, and that will insure equal rights to capital and labor. Then will men of experience in the handling of great business enterprises be easily induced to take their places in the Halls of Congress, in the executive branches of the Government, and give to the whole people of this beloved land of ours the benefit of those talents which have created the great-

est commercial success the world has ever seen. Then shall we become indeed a world power. (Applause.)

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THE PRESIDENT: The next paper upon our programme is "The Relation of the Merchant to Import and Export Trade," by Mr. George L. Duval, senior partner of Messrs. Wessel, Duval & Co., of New York and Valparaiso.

I wish to say that Mr. Duval is sailing for Europe tomorrow and it has been impossible for him to come to Washington to-day to present the paper in person. He asked me if I would be good enough to do it for him.

(Mr. Johnson summarized Mr. Duval's paper, the full text of which follows.)

## THE RELATION OF THE MERCHANT TO IMPORT AND EXPORT TRADE.

BY

GEORGE L. DUVAL

Messrs. Wessel, Duval & Company, New York

Whether merchants are or are not logical factors in the economy of business is, in effect, the theme to which one of their number is invited to address himself. The query has specific relation to merchants engaged in foreign trade, but if a negative answer is sustained in the limited field, it will manifestly apply with greater force in the broader sphere because of the larger functions devolving upon a merchant engaged in foreign trade. If, however, it is limited to the business of the United States, it admits of little discussion should the process of elimination—the keynote of "big business" in this country—be justified and carried to an ultimate. In that event the Swan Song of the merchant is at hand.

The American practice of developing business in foreign markets departs radically from the practice established and successfully maintained by other countries. While imita-

tion and progress are not inseparable companions, still a precedent that has stood the test of time is worthy of respect without prejudice to the initiative in many details.

That finance controls trade is a proposition no less true now than when England, the pioneer in foreign commerce, opened markets for her commerce in the four quarters of the globe and offered a reciprocal market for return products. English commerce, and especially her foreign commerce, has had a prior lien on English capital. The manufacturer standing behind the merchant, and the banker behind both, have combined to present an invincible solidarity of interests by virtue of which the British merchant gained ascendancy in the marts of the world and is now endeavoring to resist the encroachments of his Teutonic cousin, whose rapid strides forward are due to an elaboration of the same methods notwithstanding the advantage against him in point of resources.

Not only has British capital, ever enterprising, aided commerce directly through manufacturer and merchant, but in a manner no less effective—often more controlling—it has furnished means to develop the resources of the countries with which trade is sought, and has aided the respective Governments with the funds required for public improvements. Hence, London became the domicile of a large part of the railroad and industrial enterprises, as well as of much the larger part of the Government obligations of the countries where the English merchant has sought an expansion of his business. Her supremacy as the financial centre of the world, the clearing-house of all business, is universally acknowledged, and is scarcely threatened by the diversion to other channels of a large proportion of the business formerly under British control. The Pound Sterling is the stable measure of value in all markets, and practically all international business pays a tribute to London bankers through Bills of Exchange drawn under commercial credits furnished by them. This is not because of the lack of competing banking facilities where the transactions occur, but, as we shall see, for the same reason that water seeks its level. Even German



and other foreign banks located abroad transact the large volume of their business through agencies established in London.

Let us say that Argentina, Chile or Brazil resolves upon a foreign loan. It is taken, often in its entirety, nearly always in its major part, in London. The obligation of the borrower to the lender is seldom confined to his debt alone. Where facilities, especially financial facilities, are furnished, business moves along the line of least resistance. The proceeds of such loans are not required in money, but are employed largely for public works, involving foreign supplies and technical assistance. Thus, the capital so acquired becomes grist to the British contractor and the British manufacturer. It is available in the drafts of Government as required, and in the meantime represents a credit balance which is perennial in character. The drafts of Government against such credit balances are always an appreciable and, frequently, a controlling factor in the Exchange market, and are augmented by drafts against the balance of trade which as a rule largely favors the newer countries and gravitates to London. Not even the ever-increasing market for foreign products which Germany furnishes, in connection with the phenomenal increase in her export movement, has affected the Pound Sterling as a measure of value.

In the commercial combination of manufacturer, banker and merchant each factor has its appointed function, all assisting the common cause. For the present we are interested in the function of the merchant, who is really an agent for the other two. It devolves upon him to cultivate and maintain a market for the products of his country, using the facilities placed at his command to do so. His habit to provide for the careful training of youths seeking a commercial career and to acquaint them with the industries of their own country and the products which require a foreign outlet, is a preparation for sending them either to establish or join a foreign branch of the business, become acquainted with the needs of the place in which they locate and acquire a knowledge of the people which

enables them to wisely extend such credit accommodation as the capital at their command permits, the measure of business obtainable depending on such accommodation. Since barter is the basis of trade, the British merchant has been alive to the importance of developing the resources of the country in which he is interested, and for this purpose, as we have seen, he has been equipped with abundant facilities.

The case of the American merchant in relation to the foregoing conditions presents a vivid contrast. The elements working in favor of his competitors have worked against him plus a general resistance on the part of manufacturers to depart from an adopted practice in order to meet the requirements of foreign buyers, and a spasmodic interest only on the part of many of them in foreign business at all. When depression comes upon their protected market and threatens congestion they show an impatient eagerness to sell not what is called for but what they have to offer, taking no heed of the difficulty in disturbing an established current and demand. Failing an immediate response to their urgency they rebuke the "inactivity" of the merchant by sending out commercial travelers to book orders on the merest acquaintance with buyers and often upon representations that cannot be fulfilled. The inevitable outcome—rejected shipments and unpaid accounts—is repeated at recurring intervals. At other times they facilitate small commission agents to compete with the merchant in order to avoid the charge which they assume is made alike on all business to cover the expenses of his organization. Expense cannot, of course, be apportioned by a horizontal charge. Merchandise constantly carried in stock to be available for sudden or uncertain demand incurs a much heavier charge than the stable merchandise of constant movement. This tolerates only a meagre margin which cannot be avoided however it is sold, whether direct by the manufacturer, he assuming the risk of credit, or through commission agents, or through the merchant,—the latter, in proportion to his knowledge of the country and the people, and the standing he has

acquired, being the most secure and, it is submitted, the logical vehicle of trade. He owes no apology to his constituents for a lack of enterprise; indeed, in view of the development of American foreign commerce, under the circumstances set forth, with the burden so largely upon his shoulders, he may fairly claim the credit due to energy that has disregarded difficulties. Foremost among the latter is the difficulty of attracting trade from countries in the process of development to one in the same category where a protective tariff has hindered a market for return products, upon which their purchasing power depends, especially when no compensating inducement can be offered, financial aid in the larger aspect being out of the question.

The complete lack of a national esprit de corps among the elements in the United States which benefit from a development of foreign commerce—elements which stand so compactly together elsewhere—is, in brief, the merchant's grievance. With no support from financial interests, since the needs of foreign commerce are unknown to American bankers, he is, without this invaluable aid to his own resources and efforts, the better entitled to expect the hearty co-operation and loyalty of the manufacturers. In justice to the latter, it should be said that until within a comparatively recent date the demands of a broadening market at home have in normal times taxed facilities, and that it is natural to cater first to the market which pays the higher price. Nevertheless, they owe it to the merchant that so much of a foreign market has been kept open to them as they were able or willing to supply. Yet, as soon as their increased production makes a continuous and steady outlet imperative, his services and status are ignored and they cater for the business direct. Of the increased export movement to which "big business" points in justification of its new methods, it is impossible to estimate the proportions attaching respectively to the change of policy and the change of procedure. The latter certainly has not increased consumption, and had the former been sooner adopted it is probable that practically the same results would have ensued, because the increase in business that has been

displaced which formerly passed through customary channels.

In the American lexicon of big business "industrial progress" signifies an appropriation of all the functions and benefits "from the cradle to the grave" theretofore in any way connected with its product, save only the essential element of credit facilities. Accustomed in their foreign trade hitherto to avoid that risk, the manufacturers see no reason to assume it in their greater development. Nor does the consideration that attends the credit service carry any preference to the American merchant; on the contrary, it is apt to go against him and leave him competing at a disadvantage with firms whose natural interests have resisted his earlier efforts to establish a market for the same article. His ploughshare thus made a hostile weapon against him, he is as one who has carried fagots to his own funeral pyre. The mere denial of a preference he is qualified and entitled to expect does not signify, however, that the actual discrimination was intentional. Foreign merchants will shrewdly offer some consideration for such a preferential position, and "big business" cannot stop to heed equities on the road to its goal. Verily American industrial enterprise is not without honor save in the experience of its own countrymen.

The extent of a foreign market depends, as has been stated, upon its purchasing power, conditioned on the development of its own resources, so the activities of the merchant have not been confined to the sale of goods. He realizes that whatever assistance he can give to his clients to develop local resources serves to increase his business with them. The disadvantage of the American merchant as compared with his British colleague in this respect has already been alluded to. The utmost that the American could hope to offer was a home market for foreign products as far as breaches in a tariff wall permitted. He has nevertheless, times without number, brought to the attention of the capitalists of his country attractive industrial projects only to see them subsequently taken and successfully exploited, yielding large profits to European

capital. Another motive prompting him to foster a home market for foreign products is the necessity of providing homeward employment for tonnage. The independent transportation facilities that have always served the commerce of Europe, growing with its needs, were not always available to the American merchant, so he was obliged to supply this element for his own business and to provide homeward cargoes for the vessels.

Two fallacious theories, which find expression at intervals, concerning the needs of our foreign commerce merit a few words to correct the impression they convey to the disparagement of the real situation. "Trade follows the flag" is a pretty but entirely euphonious sentiment. Trade follows the lines of least resistance, according to the facilities afforded. Neither the foreign buyers of our goods nor our buyers of foreign products are in the least concerned in the carrying flag. The American merchant would rejoice to see his flag floating over his merchandise, not because it would help him to sell another package, but for the same reason that all good citizens wish for a national merchant marine as an adjunct to the national defense. This achievement will be accomplished by taxation or an amendment in our navigation laws to enable our tonnage to compete for foreign trade, but in any case, unless other conditions are equalized, our products will continue to be taxed with higher rates of freight than Europe pays—not because tonnage is owned there but because it assembles there in greater volume by reason of the greater movement of foreign commerce.

The other pet notion of the theorist, who would build up foreign commerce by proclamation, is the necessity of American banking facilities in the countries where we trade. The project most favored is an American Bank with large capital to establish branches in the principal centres of the South American Republics. It is not suggested that the capital should accompany the branches and be allocated to their use, and in point of fact that is not the intention. If it were it would assist American commerce only with an impracticable limitation on its employment, because without restriction it is more likely at present to serve the commerce

of other countries; whereas, if the capital is available at all it can better accomplish the avowed purpose without going afield, and with much less risk and expense in assisting the merchant to assist the manufacturer, or vice versa. Saving notable exceptions, the history of foreign banks in those countries does not show that they have been an aid to commerce. As a rule they have encroached upon local banking and profited by operations in Exchange. This is undoubtedly the animating impulse behind the project of the American Bank. We may be assured that in the important countries to the south of us, where the branches of such of a bank would be located, there is no dearth of local financial facilities available to American firms which are worthy and could obtain such facilities at home. That in addition to the development of American commerce, other American interests located in South America will eventually require distinctive banking facilities, we all devoutly hope and many of us believe. The recent establishment there of several large American industrial enterprises is an encouraging sign. Capital attracts capital, and every American enterprise fosters a demand for American products. If it does come to pass that American banking capital, having complied with its first obligation to foreign commerce, through the merchant and manufacturer at home, is taken into foreign countries, let us hope it will be when American commerce can exercise a preferential claim upon it. To hold it, in its limited supply, equally available to all commerce would be hostile to our own commerce, just as it would be hostile if the activities of the American merchant made no distinction between the products of his own country and the same goods procurable elsewhere, or, in the case of the American manufacturer, should he make no distinction between American and anti-American channels of distribution. In either case the inestimable advantage of united action—team work—to which achievement in general owes so much, is lost to us and remains with our adversaries.

Coming back to our text, the annals of foreign trade justify, not only as logical but as essential, "the relations of the merchant to the export trade" by reason of the

facilities he offers for conducting business, in its broad sense, to the best advantage. Apart from the element of credit, which is furnished by the merchant and is a *sine qua non* in developing business to any extent, he caters to the convenience of his clients by carrying such an assortment of merchandise as his knowledge of the market informs him it will require—an experience which is often a costly asset. The facility which a well-assorted stock offers to the development of business is manifestly greater in foreign markets than in those nearer to a source of supply, and each article that the merchant carries assists the sale of all the other articles because his client prefers one account to many and because he becomes a sort of mentor to his clients in the expansion of their trade. A merchant engaged in foreign trade is therefore the representative and selling agent not for one, two or three manufacturers, but for all of those whose products are suitable to his specific market and who are seeking a foreign outlet for them. It is accordingly evident that each article that is withdrawn from his activities, by manufacturers who are eager to appropriate the function of distribution, impairs to a greater or lesser extent the facility with which the other articles depending on his efforts are sold. It is incidentally apparent that any facility accorded to foreign merchants, i. e., to merchants engaged in commerce with competing countries, to sell American products is a handicap upon the sale of such other American products as that merchant can procure in his own market, because on even terms he will always show a preference against the American product. The merchant who confines his business to American products is clearly the logical agent for American manufacturers and is entitled to protection and preference from them, not for any sentimental reason nor through esprit de corps, but because if he does no business for them he does no business at all.

A preference on even terms is the utmost advantage to be expected in trade, and this, when the condition arises, will certainly go against the country whose interests are confided to a potential competitor. The European manu-

facturer is shrewd enough to appreciate this situation and always entrusts his interests to his own nationals. The American manufacturer of the larger category makes no distinction except between cash and credit, and the result is measurably a prejudice to American commerce. On very different lines has our vast domestic commerce developed. With the support it has had from financial sources it was much less in need of the active co-operation of the manufacturers than foreign commerce, whereas it has had immeasurably more.

"The logical relation of the merchant to the import trade," is also established by the annals of foreign commerce because of the success of his efforts to cultivate and expand a home market for the products of the countries wherewith he trades. This, of course, in the case of the American merchant, has been limited by the restrictions of a protective tariff. Had he been favored in measurable degree by the support that his British colleague, or even his German colleague, has had, the record of his stewardship in this department of business would show at least equal achievement with theirs.

On the other hand, the crown of genius in organizing is certified to the American manufacturer by the annals of domestic commerce. Whether or not he has offended good economics in bringing about a concentration of control in various industries to the degree of domination—virtually monopoly—is a question upon which public opinion and "big business" are not in complete accord. Yet, public opinion is the only foundation upon which "big business" can build an enduring structure. It may be likened to the elements, which, when challenged recently by one of the latest and greatest of modern steamships, made necessary a radical diminution of top weight to insure stability. If it is wise in any given case or cases to carry "organizing" to the extent of eliminating the merchant, other manufacturing interests are injured. Those interests which are powerful enough to do so will follow the example, thus establishing a multiplicity of independent agencies and increasing the cost of distribution, while the large majority



of manufacturers who cannot carry stocks in every consuming market or offer the necessary credit facilities will suffer the loss of trade which now depends on the activities of the merchant, because, at least in an important degree, his occupation will be gone.

Responsibilities attend the power that "big business" wields. From an economic standpoint, the commerce of a country thrives or languishes taken as an entirety, not as it relates to any of its component parts. The conditions under which it has prospered in the most enlightened and successful commercial nations are the conditions under which it is most likely to prosper with us. Improved transportation facilities have long since assured commerce against any curtailment that might result from undue profit to the merchant. The scarcity of American merchants in foreign countries is directly due to the conditions above set forth: the lack of support and encouragement whence they should logically come. Those who are already established abroad would welcome others on terms of equality, because each newcomer assists in developing an atmosphere in favor of American products, and an accretion of business naturally comes to the older houses in proportion to the confidence they have inspired. When, however, American goods are put into the hands of foreign merchants and serve as a means to enable them to develop anti-American trade, which is not a theory but an oft-repeated condition, then if the merchant shares the prevailing sentiment of the officers in our Army and Navy as Huerta gets supplies, who is to criticise him?

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THE PRESIDENT: The next paper for our discussion is "Foreign Trade as Affected by the Sherman Law: first, Large Corporations best fitted effectively to handle foreign trade; second, Desirability of specifically permitting combinations of American manufacturers for foreign, as distinct from domestic trade," by Mr. J. D. Ryan, President of the Amalgamated Copper Company of New York. (Applause.)

(Mr. Ryan summarized his paper, the full text of which follows.)

## THE SHERMAN LAW AND ITS EFFECT ON EXPORT TRADE.

BY

JOHN D. RYAN

President, Amalgamated Copper Company, New York

The act of July 2, 1890, known as the Sherman Law, was introduced and enacted with the intention of preventing abuse of monopoly and of encouraging competition in the production, manufacture and sale of commodities for consumption by the people of the United States.

This statute was obviously intended to protect the American consumer. I am informed that the voluminous debates in Congress, which preceded its passage, while covering every possible phase of the subject, failed to suggest or hint in the remotest way that the consumers of other countries were to be protected by the statute. Our country, as does every country, restricts the scope of its legislation to the needs and welfare of its own people and naturally assumes that other countries will take care of their own citizens and interests, and from this assumption—based equally upon common sense and experience—has arisen the familiar and cardinal rule of construction that no statute is presumed to have an extra-territorial application.

Can one, by any stretch of imagination, see the framers of that statute attempting to restrict or prevent monopoly of foreign markets by American producers, manufacturers or merchants? Yet, as many a law has been construed to extend beyond the scope intended at the time of its enactment, so it has been contended by some that this work of able and thoughtful men covers things never considered by its framers to come under its provisions. By what method of reasoning can it be proven that, for the good of the people of the United States, the producers or manufacturers of this country must compete one with another in finding markets for our minerals, farm prod-

ucts and manufactured articles in foreign countries? And yet if by law of the country such competition is forced, there must be a reason for it, and that reason must be that it is for the greatest good of the people of this country.

The United States is a country of great natural resources; its farms are producing every year cotton, wheat, corn and foodstuffs in enormous quantities to clothe and feed the people of many nations besides our own; its mines are the richest and most productive of the world, and supply raw materials to every important manufacturing nation of the world; its forests furnish every continent of the earth with building materials. Are these products of the soil and of the mines and forests always to be sold abroad in enforced competition? Is every producer of this country to be compelled by our Government to undersell his neighbor in order to market his product in foreign countries? It seems absurd—it is more so than it seems—and yet there is more to be considered than the competition of our own producers when we are striving for foreign markets. We have to meet not only the enforced competition of our own people, but also the combined buyers of other countries, where combinations are legal. England permits combinations which our Sherman Law prohibits, France encourages them, and Germany not only encourages but, at times, compels its citizens to enter into them. You have read, doubtless, all of you, within a month, of the great rejoicing in Germany because, through the efforts of the Emperor, the great German shipping companies were brought together after a break of a few months, into an agreement to fix and maintain the rates on freight and passenger traffic, to the profit of Germany—and the United States of America will foot the bills. We furnish the tonnage and the travel, so why should Germans compete for our money when they can so much better take “all the traffic will bear” and divide it in proportion between themselves?

We meet the combined buyers of Europe in selling our great treasures of the soil, the mines and the forests, and we meet them each of us fighting not only for him-

self but against his own countrymen, and the combined buying strength makes its terms against the divided sellers' necessity. When we load our products on the pier for export we meet the shipping combine—German-English-French. We pay the rates they fix in their pools and combinations. We sell our products to the combined buyers of foreign nations and they fix the price at which they will trade. If our producers must sell, they will take the price offered by the foreign combination, or, by waiting until one of them is forced by necessity to sell at a sacrifice, the price for all is reduced.

In ten years ending 1913, a number of large copper-producing companies of the United States sold through their several selling agents:

5,560,000,000 lbs. of copper, of which

2,580,000,000 " was sold to domestic consumers, and

2,980,000,000 " to foreign consumers,

bringing a total of \$821,000,000 in money. The foreign buyers paid an average price of 14 38/100c. per lb. delivered at foreign ports; the domestic buyers paid an average price of 15 21/100c. per lb. delivered at home, or 83/100 of a cent per lb. more than the foreigners paid. This represented about one-half of the copper produced in this country, and was consumed almost one-half at home and one-half abroad. If we take it for granted that other producers sold at about the same average price, the foreign manufacturers who put labor and profit into our copper for the markets they were supplying had a handicap of fifty million dollars in that period as against the American manufacturers, in spite of the fact that producers of raw copper have had no tariff protection or any Governmental help to keep domestic prices higher. The handicap is simply the result of the advantage combined foreign buying has had as against competitive selling, and the domestic manufacturer could not take the same advantage because the law of his country was holding him and the foreigner's law was pushing him.

Much has been said in recent years about the conservation of our natural resources, but how can this benef-

icent policy be more ruthlessly defeated than by the sale of our mineral and forest products to foreign consumers at prices which are less than those which might and should prevail if American producers could with respect to such foreign markets have the same privilege of protecting prices as the citizens of other countries?

It must be remembered in this connection that minerals do not, like agricultural products, perpetually renew themselves by the bounty of nature. They are exhaustible products. The losses which in the past have been suffered by American producers of mineral wealth through their inability to secure reasonable prices in foreign markets, are irreparable. It only remains to protect this country from such needless waste in the future.

Assuming that with greater freedom as to foreign markets the American producers could have secured in such foreign markets at least as much as they obtained in domestic markets, it follows that in the last ten years there has been a waste of our natural resources and a loss to American wealth from the sacrifice of copper values alone of fifty millions of dollars.

This country exported last year \$588,000,000 worth of raw cotton, \$490,000,000 worth of foodstuffs, agricultural food products and animals, \$107,000,000 worth of forest products, and \$248,000,000 worth of metals and minerals. Is it not for the greatest good of our people that the cotton planters of the South, the farmers of the country, the lumber interests of the South and the Pacific Coast, and the miners of our Western States should sell their products to the best advantage and get the best price obtainable by combination, agreement or any other trade arrangement that can be made by and between them? Does not the money come back to be spent and invested here? Should not our labor have the benefit of the high wages that would come to it as the result of the employers' greater profit, and should not we lay up a store against the exhaustion of our mines and forests and the impoverishment of our soil?

Compare the policy of our Government in the matter of exports of natural resources with that of Germany,

our great competitor in the strife for foreign markets. About four years ago a number of manufacturers of fertilizers in this country contracted for their supplies of potash for a term of ten years with miners of that product in Germany who were independent of the potash syndicate, or monopoly. The German Government ordered the companies which had entered into contracts to furnish the potash, to cancel the agreements and join the syndicate, producing for export only what was allotted by the syndicate as their proportion, and taking their proportion of the sales and the proceeds; with the alternative of paying a surtax equal to the selling price of potash, on any exports made from their mines. Under the contracts made, the surtax would have had to be paid by the Americans, which would have made the cost of potash prohibitive. Of course, the contracts were canceled. This is recent and available history. I quote from a translation as printed in the German press, of a statement made in the German Parliament by the Prussian Minister of Commerce, Delbrueck:

“There is no doubt that in the event of a Potash Selling Association not being brought about, there will be a drop in prices, especially in those of foreign countries, to such an extent that the profit of foreign countries and the loss to the domestic production would be very considerable. It might be estimated from twenty to thirty millions.\* In such a case, I have to consider whether the flowing off of profit towards foreign countries, during the time when there is no Syndicate, could not be prevented. I have asked myself what is going to happen, if the Potash Syndicate will not be brought about, and, being a man of caution, I have already drawn up a prospective law, which, naturally, I have not yet placed before the Bundesrat. *Now, everybody knows how he stands and he can arrange his business accordingly!* Whether the Potash Syndicate will be brought about or not is all one and the same.

\* Marks.

The question rather is whether it will be possible to counteract the consequences detrimental to the general welfare."

Our Departments of State and Justice were asked by the American companies which had entered into the contracts to take up the matter, and both Departments endeavored to compel performance under them. The German Government simply took the position that the potash deposits of Germany were a great natural resource and that the production for export from the deposits was properly regulated to bring from the rest of the world, where the potash was needed, the greatest possible return, and that in doing so the German Government was only conserving the resources for its own people and was clearly within its rights. Does anyone question the sound reasoning in that attitude? Germany can get its cotton, wheat, corn, oil, metals and lumber from us in the way it best can buy them. We have no means of conserving our resources or getting what they are worth when exported, because our Sherman Law forces us to compete in marketing them. Is that sensible or reasonable, or is it short-sighted policy?

The only argument I have ever heard advanced against permitting agreements or understandings relating solely to export trade, is that they might result in advancing the cost to domestic consumers of articles covered by the agreements. I say that that would not at all be the effect, for if no agreement restricting production is permitted—and none of us advocates that it shall be—and if the agreements as to foreign markets resulted in advancing prices there, and as a result of advanced prices consumption abroad fell off, the excess production would have to be marketed at home for what it would bring, and the benefit of price reduction would be gained by our own people.

It has been said, too, that producers and manufacturers having agreements as to foreign markets would be brought into such close relations one with another through those agreements, that *sub rosa* they would agree as to domestic

trade. That is a repetition of the charge that our business men are dishonest. Most of them are not, and the dishonest ones will need nothing to bring them together to evade the laws, for they will do it whenever they see a chance. The men and the corporations who will always observe the law of the land are entitled to be given the liberty of action in their business which the best interests of the country and its citizens demand, and laws must not be enacted, or left upon the statute books if already there, that hold and hamper the honest man only to give advantage to one who will evade them secretly.

To compel competition one with another by Americans engaged in trading in foreign markets to sell our products to the combined buyers of other countries can be compared fairly with the sending of an army equipped with bows and arrows to fight the armies of the world, carrying modern guns and using modern ammunition. The result is just as certain, and so far as manufacturers are concerned, I will attempt to show how utterly we have failed in winning our place in the world's markets.

We exported in the year 1913, \$2,448,000,000 worth of raw products and manufactures. The Department of Commerce in its statistics reports many articles as "manufactures" that are really only "fit for manufacture"; for instance, copper in plates, bars and ingots is listed as "manufactured," when it really is only "fit for manufacture," and, in the terms of the trade, is "raw copper." Many other instances of like classification occur. I have taken the 1913 statistics, and as nearly as can be determined by conferring with exporters in various lines, and by classing all food products as raw, I make the figures for the year 1913:

	VALUE.
Raw and partly manufactured products exported .....	\$1,676,000,000
Manufactured products exported.....	772,000,000

or about 68% raw and 32% manufactured.

Of the manufactured products, \$430,000,000, or nearly 60%, are included in the three classifications: "Agricultural



Implements," "Mineral Oil" and "Iron and Steel"—the three lines of export trade which have been built up largely by the so-called "trusts." The export business of these large concerns has been won by a fight in the foreign markets, backed by capital sufficient to get our share of the world's business in these particular lines, in campaigns lasting over a long period of years and entailing enormous expenditures to get a footing. Other manufacturers in the same lines will all testify that the "trusts" have done pioneer work in creating markets that have helped their smaller competitors sell their goods.

The size and strength of these particular exporters has given them many of the advantages that smaller manufacturers would enjoy if the restrictions against combination and agreement in export trade were done away with. The smaller concerns could join in common selling agencies, have joint representatives, and obtain reasonable carrying charges, from the shipping combines, or by combining their own shipments and chartering vessels—in many ways could they be of help to one another.

No small manufacturer can develop a market abroad for any product he makes, unless it is a patented article on which foreigners cannot compete, for he has not the capital or the organization to seek the markets and fight for them single-handed.

When we take out the manufactures in the three lines above mentioned, we have left \$320,000,000 worth of goods sold abroad in manufactured form during the year, or about three dollars per capita. What a showing for our great nation when compared with the export business of the leading European manufacturing nations! The conviction is forced upon us that the present policy of breaking large concerns into units and forbidding combinations in export trade will drive us still farther out of foreign markets and leave us more and more to live upon ourselves, and with reduced tariffs the foreigner has opportunity to enter our own domestic trade not heretofore enjoyed by him.

By recent tariff legislation the walls for protection of home markets from foreign manufactures—products of

cheap labor—have been lowered and the way made easier for them to enter our trade. Will the hands that have torn down the walls strike the shackles from the limbs of our own soldiers of commerce who go out to fight for the markets of the world?

If we give small protection to our own in the home markets, and no equipment to those who compete in foreign trade, we shall soon see our country forced to cheap labor and lost in the struggle for place in the world's markets and industry. No people as strong and ambitious as our own will submit to such a result, and it is well worth the consideration of our law-makers who may be disposed to put aside the representations of manufacturers and exporters with the feeling that the business of this great country needs no help, that with all our coast line, with our great supply of raw materials to carry, with our ports, equal in importance to any in the world, filled with great ships—there is not one modern ship, not to say any line of them, flying the United States flag in the transatlantic trade. Let this be borne in mind by those who would let our business do without help from its own Government and fight the foreigners too. We have pursued that policy in shipping, and we now see the result.

Whether any amendment to the Sherman Law is necessary to enable American producers to combine in foreign markets to sell American products advantageously, may be, from a legal standpoint, not free from doubt. I understand that many eminent lawyers have expressed the opinion that the law does not forbid such a combination and that to give such an extraterritorial application to the Sherman Law would be an unwarrantable extension of its terms. On the other hand, legal authorities have not been wanting to apply the very general term "foreign commerce" in the Sherman Law to the operations of such combinations in foreign markets, and this notwithstanding the fact that the supplementary anti-trust legislation in the tariff act is expressly limited to *importations*, thus indicating a purpose to exclude from the operations of our anti-trust laws, *exportations*. Nevertheless, so long

as the legal question is even doubtful, it will probably be impracticable to secure such arrangements between American producers as will enable them to market their products in foreign countries to the best possible advantage, for no matter how useful and beneficial such an arrangement might be to the business interests of this country, American business men will be slow to take any steps which may subject them to the ignominy of a criminal indictment and bring them within the possibility of a conviction upon a strained and unreasonable construction of the law.

If, therefore, the business interests of this country are to enter upon a policy which would mean so much for the wealth of this country and the welfare of its producers, then the law should be made free of any possible doubt in the matter. Why should there be any doubt, if the policy be wise, when doubt keeps our people from doing what is best for their country?

It is only necessary either that Congress shall by an appropriate amendment disclaim any purpose of legislating with reference to sales in the markets of foreign countries, or that the executive branch of the Government, upon which the duty primarily rests of construing this statute, should reassure the business interests of the country by affirmatively holding that the operations of the Sherman Law are limited to sales made in this country and to American consumers, or such as would necessarily effect an injury to the American people. Should the Department of Justice disclaim a construction of the law which involves a waste of our natural resources, and which cannot possibly benefit the business interests of this country or the ultimate consumer, the people of the United States would give no ungrudging assent.

The solution of the problem is simple; the way is very clear. We ask that, in either of the two ways above suggested, the law of the land shall be so interpreted that no restraint shall be placed upon American producers, manufacturers or merchants to prevent them from entering into agreements or combinations affecting only the sale

of their products in the markets of other nations. Given this release from an implied and unreasonable restraint, it will surely follow—as the day follows night—that the exportations of American merchandise will be notably stimulated and that better prices will be obtained in foreign markets for the products of American mines, fields and manufactories, and the business interests of this country, thus placed upon a footing of equality in foreign markets with the producers of those countries, will assume that due place in the field of commerce to which they are by nature entitled.

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THE PRESIDENT: Mr. H. C. Lewis, Secretary-Treasurer of the National Paper and Type Company, will discuss Mr. Ryan's paper. (Applause.)

MR. LEWIS: I have reduced to writing what I have to say. It won't take more than five minutes.

I wish to endorse cordially the statements made in Mr. Ryan's paper. I particularly wish to bear witness, from personal knowledge, to the fine work done for the United States by the so-called trusts in their export departments. They have brought a large amount of foreign gold into this country, and have helped extend our commerce abroad by reason of their own activity and good business methods. Their representatives as a rule are fine men, who are a credit to our country. The good work they have done, not only for themselves, but for this country, has not been fully appreciated.

We must assume that foreign business is desirable not only as an outlet for our products, but to produce a profit for our citizens. Every unnecessary reduction in selling prices due to *forced competition* reduces the amount of foreign gold brought into this country, and the profit accruing to our people. Every dollar of unnecessary expense in doing a foreign business likewise reduces the profit of our citizens. Export business may be profitable without a profit if it reduces costs in our own country, but this is not the fundamental principle

on which we must work, if we are to become a really great exporting nation for all time.

The large selling unit can and does do its work more economically, more faithfully, and more permanently than the individual possibly can. As has been stated by Mr. Ryan, it is utterly impossible for the small manufacturer to do an export business except at a loss. The expense of traveling and of advertising is substantial; the credit risk, except in the case of a large organization having ample facilities for credit investigation, and for collecting, is great. To develop a permanent business abroad it is essential that the best of service should be given, and that the seller should maintain personal contact at frequent intervals with his customers. The personnel of a foreign selling organization is of the utmost importance. To obtain men of high character and ability liberal compensation must be offered, and this can be done only where a substantial volume of business at fair prices can be obtained. It is difficult for an ordinary manufacturing company doing most of its business in this country to give the service required for export business, or to handle such business as intelligently as the domestic business is handled.

A foreign business to be profitable and satisfactory should be operated by a distinct department, or by an individual company. The latter is far preferable, but it can only be really successful if it can handle a number of different articles, except in the case of a few very large concerns. In such an event the merchandise selected should, as far as possible, be on the same general lines, so that the salesman may have technical knowledge of whatever they offer. The day of the general merchant handling everything, from a bottle of Florida water to a locomotive, is passing. The direct shipment business with the customer is still substantial; but, as indicated before, it is more or less risky, and does not afford assurance of permanency. The ideal way for the American manufacturer who can do only a moderate volume of export business, is to combine with other manufacturers having similar lines, and if necessary competing lines, in the establishment of strong selling organizations under American management, which can and will give adequate representation, and offer

the needed capital for extending credit, and for sales work. Much has been said of the need of American investments abroad. Such investments are of the greatest importance for the satisfactory development of an export trade. An investment in a mercantile establishment abroad is just as important relatively as is an investment in a railroad or a bank, or any great constructive enterprise. As a matter of fact, it is in many ways of more benefit because it does or should send abroad a large number of creditable, enterprising Americans, who are living, walking advertisements of the principles and ideals of American life, and ensures permanent employment of more labor at home. Nothing in my judgment is more important for the proper development of American trade abroad than the establishment of mercantile houses, and these can as a rule be conducted profitably only by the combination of various manufacturers. A large selling unit is unquestionably economical and beneficial in every way to the manufacturer having a moderate volume of foreign business. It must be distinctly understood that this does not necessarily apply to the large concern whose volume is great enough to establish its own offices or branches abroad. I know from experience that competing manufacturers in this country have profited largely by putting their export output into the hands of one large selling unit, which divided sales either on a percentage basis, or on basis of good faith. The large selling unit has in this manner been enabled to develop business which no single concern could have done except at a loss, and it has further been enabled to maintain and increase such business at a profit, to the very substantial benefit of the manufacturer.

Our exporting houses are confronted with generally lower producing costs of European goods, and with long established and strong local selling houses, which have for years been handling European-made goods. Pretty nearly everything is against us from initial cost to greater and longer experience in handling this kind of business. I will venture the assertion that aside from the business of the great so-called trusts, and of a very few others, that the total export business of manufactured goods from the United States has thus far produced little net revenue. This result is due quite largely to the un-

wise expenditures of many concerns in endeavoring to create an export business. Huge sums have been wasted in sales work, and in other ways, which could and should have been saved if we could have co-operative work. As our European competitors have advantages of the market, long experience, ample capital, better and, as a rule, cheaper shipping facilities, it would seem most important that the American exporter should be not only privileged but encouraged to take such measures by combination or otherwise as will insure to him a prospect of an increasing export business, and at a profit. Any handicap in such work, or any enforced competition among ourselves means a direct loss to the United States of America, and in combination with our desire for personal profit, should come our desire to help our country. (Applause.)

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THE PRESIDENT: The next paper is "Foreign Trade and Foreign Loans," by Mr. Willard Straight. (Applause.)

MR. STRAIGHT: Mr. President and gentlemen: In the paper which I have been privileged to prepare for this Convention, I have attempted to deal more or less with the philosophy of the subject, and to avoid specific illustrations which I hope will be brought out by the discussion.

There has been a good deal of misunderstanding about foreign loans. The fact that bankers doing business abroad with countries which need foreign loans for their development must depend upon their diplomatic officials for support has, to the popular mind, involved politics and diplomacy with the subject of finance to such an extent that the public mind has been very much confused.

As you all know, a merchant or a manufacturer who is sending his goods abroad must be financed. He obtains his accommodation from his bank. He may get ninety days' credit, or six months', or, in some cases, if he is lucky, a year's, and the merchant in turn may be able to give credit to his customer. But in great development schemes, such as railways, where vast quantities of material are required; in

the construction of arsenals and electric lighting plants, street railways, etc., the community or the country which is being developed, in all probability, has not the funds with which to meet the expense involved and must, therefore, borrow. It cannot borrow from the bank, because the bank must make a turnover of its capital, and the result is, that instead of discounting a 90-day bill, or getting six months' credit on a call loan, that community or that country issues bonds for ten, or fifteen, or twenty-five, or thirty years, and borrows from the public, not from the banks. That is the problem of foreign loans. Its solution depends, not upon the Government, nor upon banks, but upon the public who have to buy the bonds. No banking house will underwrite a foreign bond issue unless pretty sure it can dispose of the bonds to the purchasing public, and it is because of the necessity of obtaining this public support for foreign loans that the Government has been brought into the situation. Our people are not accustomed to foreign securities. They do not know very much about China, or Chile, or Argentina, or Brazil, and what they do know is not very good. They have heard mostly of revolutions. They say, these countries are a long distance from Broadway, and ask whether our Government will back us up in case of default. The Government hesitates to give blanket assurance that it will. The Government cannot send battleships to collect interest for any banking group, and I don't think the bankers expect it to do so. But if the American public is to be educated to the point of financing the sale of our materials abroad—and that is the question of foreign trade and foreign loans—the American Government must make some statement which will reassure the public and give them the thought and the belief that in case of default, or in case of difficulty—not that the Government is going to act as a policeman and is going to collect their debts,—but that the Government will act as the advocate of the public and in the international courts of diplomacy see that the American investor gets what is his due. That is all we can expect, and I believe it is what we will receive. So far as I know, the Government has always been ready to stand behind the American investor. If there has been any case where it has not been so, I think the fault is



perhaps quite as much with those who originally obtained the concession—with the terms of the concessions or loans themselves—as with the administration.

I think we will see a time when the Government will stand behind foreign loans; when it will be recognized that the Government is the great co-ordinating power which will bring the banks and the manufacturers and the public together; will announce that it will support such and such a loan, so long as it realizes that the proceeds thereof are to be utilized for the benefit of American industry. I am not speaking for the administration. I say "I believe" and "I hope." Don't think this is inspired. It is not. I believe it. It is right, and, therefore, it will come. It must come. We are young in this foreign business, and it is quite natural that our machinery has not been as fully developed as that of some of our rivals. A Convention such as this, behind a movement to interest the American public in the purchase of foreign securities, the sale of which will be directly beneficial to American industry, should accomplish its purpose. I certainly hope so. (Applause.)

(The full text of Mr. Straight's paper follows.)

## FOREIGN TRADE AND FOREIGN LOANS.

BY

WILLARD STRAIGHT

President, American Asiatic Association.

The United States is rapidly becoming an industrial as well as an agricultural country. For the first time since the Civil War destroyed our merchant marine and the construction of the great transcontinental railroads demanded our concentrated energy, we are actively interesting ourselves in the extension of our export trade, in the hope that we may penetrate, or create, new and more capacious markets.

For the successful accomplishment of this purpose we need a credit machinery which will adequately finance the manufacture and distribution of our products and which

will "carry" these goods until they are paid for by the purchasers.

This financing of the transition from the producer to the consumer is, in the case of ordinary commercial transactions, handled automatically as a matter of banking routine. The purchaser may settle at once or arrange for sixty or ninety days,—or perhaps six months,—credit from the merchant, and the merchant, in turn, is either "carried" by his bankers or by the manufacturer who would, in the latter case, also be obliged to rely upon the bank for the necessary accommodation. When the purchaser, however, desires credit for a period of from five to sixty years, it is no longer an ordinary banking transaction; and it becomes necessary for him to obtain funds by the sale, on the market, of stocks or bonds rather than by discounting commercial paper.

In other words, the purchaser, instead of obtaining credit from the merchant, the manufacturer or the banker, through the banker as his agent, borrows from the investing public.

Most of the countries which are now rapidly developing their resources and which cannot themselves finance such development, must secure money in this way. If we expect to realize the full possibilities of our export trade, we must, by our readiness to purchase foreign bond issues, be able to extend to foreign purchasers the accommodation which they now obtain in the markets of our competitors.

This, roughly, is the problem of the foreign loan and foreign trade. Its satisfactory solution, which is of vital interest to our merchants and manufacturers, depends primarily upon the attitude of the American investors who, while they may not directly benefit by the increased sale of particular American commodities will, in addition to the return on their investment, share in the ensuing general prosperity.

This paper is especially concerned with the direct bearing of foreign loans on our export trade. It is impossible adequately to treat this subject, however, without analyzing the general aspects of international finance.

We must distinguish between foreign securities purchased solely as an investment and foreign loans which, in addition to their investment value, bring to the lender certain collateral advantages. Under the first classification should be included, for example, railway bonds or stocks, issued in the United States, but purchased in Europe for investment or for speculative purposes. In the same category would fall bonds issued by the Russian, Spanish or other Governments, which, though politically and financially independent, require for their development larger amounts than they themselves are able to supply.

Foreign holders of such bonds or stocks do not attempt to share in the management of the American railway corporation and are powerless to control the action of the Russian, Spanish or other Government, whose needs they have financed. Such loans, therefore, are judged according to their investment value.

Under the second classification would fall, loans issued on behalf of a foreign government or corporation in the markets of the bankers who negotiate the loan. These may be roughly classified as follows:

(1) Loans secured upon revenues which are collected under the supervision of the lenders, as in the case of certain loans to Greece, Turkey, Egypt, China, Nicaragua and Santo Domingo.

(2) Loans, the proceeds of which are expended under the supervision of the lenders, as in the case of certain loans to Turkey, China and Egypt; or

(3) Loans, the proceeds of which are utilized to purchase goods manufactured by the lender, as in the case of certain loans to Russia and Spain, to various of the South American Republics, to Turkey and to China.

Loans of the foregoing character, besides the return to the actual subscriber thereto, assure certain advantages to the Government or industry of the lending nation, which are shared directly or indirectly by the investing public.

France, Great Britain, Germany, the United States, Belgium, Switzerland and Holland, are the chief lending nations. Switzerland and Holland are concerned primarily

with investing their surplus capital. The British, German, and Belgian—even the Russian and Japanese—and particularly the French, Governments, however, have recognized the value of their investing power as a political instrument in the great diplomatic struggle in which all are engaged to secure markets for their foreign trade.

The great European nations are so well prepared for war that none dare to fight, except under the most extreme provocation, as was proved by their success in not becoming embroiled in the Balkan war. They have therefore evolved a system of co-operative international finance, under which they maintain stable conditions, favorable to trade development, and secure an equality of commercial opportunity for their nationals, in the countries whose political independence has been impaired by financial debauchery. Thus in Egypt and Turkey the foreign debt is administered by commissions, representing the English, German, French, Russian, Austrian and Italian bankers, acting under the direction of their respective governments. Thanks to a similar arrangement which is still in force, Greek credit was re-established in 1908, and although there is no foreign debt commission, practically the same relation now exists between China and the lending powers.

A highly efficient mechanism of economic production has only a potential value. The aggressive strength of a nation depends on its political and financial stability, and its international position upon its investing power and the disposition of its government effectively to represent its citizens or subjects and to assist in the extension of their trade.

The great lending nations recognize both these facts. They utilize their investing power as a national asset. By building up the weaker nation through financial reorganization and the development of its resources, they create for themselves a financial and political influence which they convert to their commercial advantage. In this task Government, bankers, merchants and manufacturers, supported by the investing public, which the Government represents,

and of which the bankers, merchants and manufacturers are an integral part, co-operate for the common good.

The political and commercial importance of foreign loans, if not most clearly appreciated, is at least most effectively utilized by the French Government, which counts upon the absorbing power of the French investor as a factor more potent even than the French Army or Navy, in the maintenance of the diplomatic prestige of France and in the extension of French foreign trade. No foreign loan can be quoted on the Paris Bourse without the approval of the Minister of Foreign Affairs as well as the Minister of Finance.

In Germany, although the Government does not formally sanction a foreign loan before a quotation is granted, the great bankers work in close co-operation with the Foreign Office; and no loan of which the Government does not approve is apt to be listed on the Berlin, Hamburg or Frankfort Stock Exchange.

In England, while the Foreign Office encourages and supports foreign loans, there have been frequent instances in which foreign issues have been listed on the Stock Exchange despite governmental opposition.

The United States became a world power on the conclusion of the war with Spain. We have only recently developed an investment capacity, the potentialities of which we do not appreciate, although we have already, without evolving any general policy, attempted to utilize it both for the maintenance of order and for the extension of our trade.

The first instance, as far as the author is aware, in which the American Government took official cognizance of the political importance of foreign loans, was under the Platt Amendment, which provides that the Cuban Government shall not increase its indebtedness until it has first satisfied the American Government that such increase will not, by creating an excessive charge upon the Cuban revenues, prejudice the financial stability of that Republic. In making the stipulation, the American Government desired to preclude foreign financial domination and to safeguard

the credit of the Cuban Republic, in order that the people of the United States, as well as the Cubans, might benefit by the development of the resources of the Island.

In the case of Santo Domingo, our Government assumed much the same position as that taken by the European Powers with respect to Turkey and Egypt, and latterly with respect to China. The finances of the Dominican Republic were reorganized and its foreign debt consolidated by means of an American loan, and the collection of the revenues hypothecated as security therefor was placed under American supervision. While similar arrangements were proposed, but not consummated, with Honduras, they were successfully effected with Nicaragua.

Corrupt Governments of the countries bordering the Caribbean Sea have, in times past, sold their national birth-right to foreign concessionaires. They themselves were not able, or apparently willing, honestly to administer their finances and, unable to borrow for their development on ordinary "financial" terms, they were obliged to give additional inducements, which have threatened to impair their sovereign rights. When they defaulted on their interest payments, their European creditors have in comparatively few instances attempted to collect their debts by force. Yet these debtor nations have not escaped the penalty of improvidence, for their credit cannot be restored until they meet their obligations. This situation has become increasingly embarrassing to the United States.

Dr. Henry Jones Ford, in a paper entitled "Disorderly States," in the *Atlantic Monthly* for May, points out that President Wilson, in his speech before the Southern Commercial Congress at Mobile, has supplemented the "Monroe" by the "Wilson," Doctrine. The former was aimed at military or territorial aggression. The latter serves notice on those who would attempt to dominate American States by financial means. President Wilson anticipated the day when, through the beneficent influence of the United States, the weaker South and Central American States would be enabled to borrow on their national credit and no longer be obliged to grant concessions. These nations derive practi-

cally their entire income from their customs dues. Possession of the custom-houses, therefore, is the aim of each recurrent revolution. President Wilson's object can only be attained by placing these collectorates under foreign supervision, as has already been done in Santo Domingo and Nicaragua. Such action would assure a regular revenue amply sufficient to meet the service of the loans which these republics now need. Without such security, except in the case of railways which the lenders could control, neither European nor American bankers will loan money to these countries on ordinary financial terms. The profit on investment must be proportionate to the risk involved.

These nations, however, must not be permitted to utilize the Monroe Doctrine to protect themselves from the consequences of financial profligacy. We cannot refuse to permit foreign Governments to collect the debts due their subjects, unless we ourselves are willing to insure their payment. If we insist that the European countries shall not intervene, the United States must assume a corresponding responsibility. If we object to the enforcement of the mortgage, we must act as receivers ourselves, and must either by Congressional enactment guarantee the foreign debt of these countries, or by diplomatic arrangements and by utilizing the services of American bankers, bring about financial reorganization by the establishment of reliable customs collectorates.

If the first of these alternatives were adopted, the United States Government, in case of default, would be obliged either itself to pay the debts of the recalcitrant republics, or by intervention to force them to meet their obligations. If the second, the chance of default would be minimized if not entirely avoided by assuring in advance a sufficient and safe revenue.

If we desire, therefore, to avoid complications with the European powers and develop our own export and import trade in the Caribbean Sea, we must, by means of foreign loans, establish ourselves as the guardians of the financial stability as well as the territorial integrity of some of our southern neighbors.

In China, the Administration of President Taft attempted a task of a somewhat more ambitious character. The balance of power in the Far East, to which China owed and still owes her continued existence as a nation, has for some years, and is now, largely maintained by the nice adjustment of the financial and commercial, and therefore political, interests of the great powers. It is to the advantage of all that none should exercise a dominating influence. It is to their mutual interest to maintain the "open door" and share in the general Chinese trade, rather than by the seizure of territory to endeavor to monopolize the commerce of any particular region. President Taft desired to assist in the maintenance of the "open door," by securing for the United States a voice in this council of nations, the weight of whose influence depends primarily upon the extent of their material interest. He wished also to gain for American manufacturers a share in the profits of China's industrial development. He, therefore, induced a group of American bankers to establish an organization in China with a view to securing for this country a participation in Chinese loans. It was hoped that, owing to the approval of the Government and the reputation of the bankers concerned, an American investment in China might be created, and American influence be established upon a sound economic basis, as well as upon the friendship and goodwill which had been gained by the work of American missionaries and educators. The time for this undertaking, however, was not yet ripe. The Taft Administration was accused of supporting an American banking monopoly and of co-operating with European financiers in the exploitation of China. With the apparent hearty approval of the American public, President Wilson denounced the policy which had been adopted by his predecessor.

Foreign bonds have never been a popular investment in this country. It was hoped that a market for this class of security might gradually have been created. The action of the Administration, with respect to the Chinese Reorganization Loan made this task more difficult, and develop-



ments in the Mexican situation have not encouraged the investor to take an interest in foreign loans. Because of the circumstances above set forth, as well as because of the generally unsatisfactory market conditions, American bankers have recently been obliged to refuse to undertake a number of South American and Chinese loans, the issue of which, in this country, would have strengthened the influence of our Government in the borrowing countries, and the proceeds of some of which would have been directly expended in the purchase of American materials. This then is the situation by which we are confronted.

Our Government is stable; our credit is good; we can finance our domestic needs, and are able to obtain from the European markets much of the fluid capital which we require. We are in a position analogous to that of the prosperous merchant who, while borrowing from his banker to extend his plant and to finance his business, employs his surplus in advertising and in developing new markets. Germany, whose situation is similar to our own, while obtaining commercial accommodation in London or Paris, has utilized its investing power to increase German political influence and German trade throughout the world.

We ourselves have reached a point where we must be less introspective and seriously consider the possibilities of developing our trade in a similar manner. This, doubtless, will be admitted. It remains to devise means by which this purpose can be accomplished. Merchants and manufacturers blame the bankers for lack of enterprise. The bankers are inclined to blame the Government, and the Government, in turn, looks to the banker, the merchant and the manufacturer to take the initiative.

Under present conditions, if the market is good, American bankers will doubtless from time to time be ready, by attempting to sell foreign securities, to aid our merchants and manufacturers.

The Department of Commerce is specifically charged by Congress to encourage foreign commerce, and our Diplomatic and Consular officials show commendable zeal in their efforts to aid the development of our export trade.

Such undertakings, therefore, would doubtless receive official approval and assistance. In the present state of public opinion, however, any administration may be attacked if it utilizes the power of the Government for the profit of private interests, no matter what indirect advantage might accrue to the country as a whole.

There are those who would even urge the separation of business and politics. The one is the vitals, the other the brain of the nation. Attempted segregation will result in disaster. In this country we have, perhaps, in times past, suffered from indigestion. There are those who claim that we are now afflicted by brainstorm. Neither condition is salutary. We pride ourselves on being a practical people, tempered by idealism. If this estimate is just we should have the intelligence to recognize, and the imagination constructively to deal with, facts.

Governments to-day, although some are still autocratic, are no longer purely personal. International relations are concerned, not with the conflicting ambitions of sovereigns, but with the economic development of nations. Contemporary struggles are for markets in which to sell—rather than for territory to exploit—between bankers, merchants and manufacturers, and not between the armed forces which are now maintained as a guarantee against war, rather than as instruments of aggression. International trade and finance, therefore, are the focal points of international politics, just as our own business life, upon which we all depend for our well-being, furnishes us with our most important domestic problems.

We recognize that the prosperity of the nation depends upon the business success of the individuals who form its component parts: the capitalist seeking investment, the merchant seeking trade and the laboring man who will benefit by the increased demand for the fruits of his labor. Our Government concerns itself with adjusting the domestic affairs of its citizens, and it should actively exert itself in conserving and extending their interests abroad.

There should be effective co-operation between the Government, the bankers, the merchants, the manufacturers

and the public. Such concerted action is particularly essential in matters affecting our international position. We should aim to develop public opinion to approve the use of our national investing power for the extension of our trade. This would enable the Government to adopt a definite policy and to declare that proper diplomatic support would be given to promoters and investors in foreign loans, the terms of which had been submitted to and approved by the Departments of State and Commerce.

It might be objected that in enunciating such a policy the Government would pledge itself to use the Army and Navy to extract interest payments due individual American investors.

Such a contention, however, is scarcely justified. Just as debtors prisons have been abolished in civilized countries, so international opinion deprecates the collection of debts by military pressure. Private contracts are enforced by the courts, and international differences, thanks to the increasing recognition of the economic waste of war, are now generally adjusted by diplomacy and arbitration. The creditor nations employ their lending power to develop the resources and strengthen the credit of their clients. It is no longer considered sound finance to debauch a weaker Government by encouraging it to borrow; to create a mortgage which will ultimately be foreclosed by the seizure of territory. The British, German and French Governments insist that their bankers demand certain loan conditions, not because they desire to extend their political control, but because through assuring financial stability they hope to avoid the necessity of intervention. Debtor nations, therefore, increasingly realize that they must maintain their credit if they desire to expend borrowed funds free from the supervision of the lender. They are aware also that repudiation of their debts, or failure to meet obligations when due, will prevent them from obtaining funds on "financial" terms, not in one only, but in all the money markets of the world. The world's lending capacity depends upon the investing power of the creditor nations, not upon the accumulations of a few individuals. Money

is highly sensitive: active in times of peace, timorous in the face of any form of military activity. It is becoming increasingly evident, therefore, that because of its international character and its democratic foundation, world-finance must be regarded as a guarantee of world-peace and commercial development, rather than the means by which the stronger are enabled to exploit the weaker nations.

The Government of the United States is each year being drawn farther into the vortex of world politics. As a nation we are seemingly not yet conscious that the very development which has resulted from our irresistible energy and restless ambition imposes upon us greatly increased responsibilities to ourselves and to the nations with whom we are obliged by mutual interest to deal.

We have hitherto stood somewhat aloof, but this is no longer possible. Our enterprise has carried our interests beyond the seas. The present tariff, as President Wilson has stated, will stimulate our commercial and industrial genius by forcing us to meet the keen test of world competition. The Government, therefore, should co-ordinate the foreign trade activities of the nation. American diplomacy should stand sponsor for those whose resources and character guarantee the honorable performance of their obligations. Our export trade has been constantly increasing because the American merchant and manufacturer give "a dollar's worth of service with a dollar's worth of goods." This should assure to them the assistance of our Government in extending their activities. Such assistance should now be forthcoming in connection with the development of our foreign trade by means of foreign loans.

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THE PRESIDENT: Mr. Gardin, of the National City Bank, will discuss Mr. Straight's paper.

MR. GARDIN: Gentlemen of the Convention and Mr. Straight: I am very much pleased that Mr. Straight took the

stand that he was dealing with the philosophy of foreign investments only and did not intend that it should be coupled as a *sine qua non* with the extension of foreign trade. We ourselves are too young a nation at the present time to adopt such a policy. Our balance of trade is an adverse one and not until the contrary condition obtains, can we ever expect to interest the American public in foreign securities. I may seem to go out of my way in stating that our trade balance is an adverse one. The only statistics that we have to go by are those furnished by the Government in connection with the import and export of commodities. The figures are accurate, and show the true condition of our economic life. However, it is a great fallacy and too much stress is laid upon the fact in argument that our balance of trade is \$700,000,000 or \$800,000,000 every year in our favor, and as a rule it is proclaimed that we are a creditor nation.

Mr. Ross pointed out to you in his remarks a while ago that this is not the case. Instead of being a creditor nation, we are a debtor nation, but to what extent it is absolutely impossible to determine inasmuch as there are so many factors to be taken into consideration, which factors, however, are not made a matter of official record. I think, though, that Mr. Ross underestimated rather than overestimated the case. This has been a favorite study of mine for the last ten or twelve years, and in pursuing the subject, I have consulted with authorities in Europe—men of prominence in the economy of their particular nation—and they fully concur with me that the balance of trade against us is much in excess of \$2,000,000,000. This is an important amount it must be admitted, and presents a different picture from what is generally presented in official statements.

As a counterpart to this country, England furnishes a very prominent example. The statistics as published show that the balance of trade there is an adverse one, but the contrary is the fact and that is exactly the reverse of our condition. If this were not the case, England would not to-day be supplying the world's markets.

Germany also has a fair prospect of reaching a similar condition and the German race, we most fear, will

be our most ardent competitors in the race for the world's markets. They are making progress to an extent that cannot be appreciated, but this is due to the pressure of circumstance, and is a matter of life and death with them. Germany has developed for the past two or three decades as no other nation, and in our competition for the world's markets we really are up against a giant whose strength we now fail to appreciate, but will have to reckon upon it in due course. This condition of affairs is due to the wise statesmanship and progressive administration of the present ruler. The main question that now seems to be in the minds of American exporters, and one which they think will prove to be the panacea for all the difficulties that confront them in the capture of the world's markets, is the absence of American banks in foreign countries. This is a matter that will have to be given attention sooner or later, but at the present time, the new law has not been sufficiently worked out to permit American capitalists to see clearly how to establish American banks abroad. It is feared that it will be a losing factor and I think that this fear seems to have a foundation in fact, but nevertheless there is no doubt in my mind that in the course of time a great many American banks under the authority granted them by the Federal Reserve Law will open branches, not with an immediate prospect of profit, but more with the idea of favoring the export business of the country.

One of the principal obstacles for the successful exploitation of an American bank, as it appears at the present time, is the absolute absence of quotations for American exchange. In South and Central American countries, where it is claimed American banking representation is needed, the merchants are so accustomed to the quotations for European exchange that practically all settlements of foreign transactions are made either in Sterling, Francs or Marks, whether the deal originates in these countries or elsewhere, and it is this one complaint that American merchants have to make that their quotations have to be based on Sterling principally. Some day this will also be remedied and will be brought about by the organization of American branch banks in these countries who will readily absorb what Amer-

ican exchange is being offered and thus create a market therefor.

At the present moment, American exchange as against European exchange is at such a great disparity that it does not pay for a merchant to seek liquidation of a transaction in dollars. The foreign banks in these countries are all affiliated with the principal European banks. In fact, they are their offspring and have as their mission not alone the banking business, but also the fostering of trade relations with the parent country, and this is carried on to such an extent that it is reported that these banks, when obtaining possession of documents, invoices, etc., make copies of all the specifications contained in same and forward same to their home institutions so that the manufacturing establishments in which the home banks are more or less interested, can successfully compete as to prices and quality of the merchandise. Whether this is true or not, I cannot definitely state, but, at any rate, it is an indication of the aggressiveness of these foreign institutions.

American banks are absolutely divorced from private undertakings of this character and perform their functions as banks only, the same as is done by the English banks; hence, their profits would not be as great as the others and it is quite proper that it should be so. Under such conditions, the formation of economic alliances would not be advisable, but we are in the age of a development, and with the aid of our new banking facilities and with the earnest endeavor of our manufacturers to capture the world's markets, there is no telling what the future may bring forth in this respect.

England is to-day a great nation of bankers. They have exploited the world in such a way that the Pound Sterling is known wherever a commercial transaction is entered into. How this was brought about, it is easy to determine by the study of the maritime history of England, and I was forcibly reminded of the methods used to bring about such a condition by careful study of the pictures with which the walls of this hotel are decorated, illustrating the exploits of that famous Englishman, Sir Walter Raleigh.

With a merchant marine, which is absolutely essential to this business, and with the earnest endeavor of the manufacturers to go out into the world to sell their wares, with the co-operation of the banks, no doubt some day we will also reach the desired goal. (Applause.)

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THE PRESIDENT: There are many here who can affirm from personal knowledge the truth of every word the speaker has expressed.

This closes the discussion of the afternoon, but Captain Dollar wishes to ask a question of Mr. Straight.

CAPTAIN DOLLAR: Mr. President, Mr. Straight represented the Americans in what was called the Six-Power loan, from which we expected to derive a benefit in the way of furnishing them material. I have no complaint to make. I have sold a good deal of the timber for those railroads, because they could not get it better than from the United States, but I did not sell it to the Government. I sold a part of it to Japanese firms and part to British firms, and I would like to ask Mr. Straight why our own Government did not stay in the Six-Power loan so that we could have got our fair share of that business? (Laughter and applause.)

MR. STRAIGHT: Gentlemen, that is a bit of history. It is a dead issue; but I am very glad to answer Captain Dollar's question. In the first place, I think that Captain Dollar is under what is a pretty general misunderstanding regarding the so-called Six-Power loan. The Six-Power loan was not an industrial loan. The proceeds of that loan were not to be utilized for the purchase of material; they were to be utilized for clearing off some of the floating debt of the Chinese Government, which had accumulated during the revolution, and for certain other administrative purposes. I am not able to state what was in the mind of the President, or of the Secretary of State as regards this particular loan, but I think that they felt—I certainly know that it was represented to them—that the



combination of six powers was holding a financial club over the head of the weak young Republic, and endeavoring to extract from China certain benefits and certain privileges to which they were not entitled; and for that reason, as I understand it, President Wilson and Mr. Bryan refused to support the American continuance in that loan. As a matter of fact, shortly after this present administration came to Washington, we came to see Secretary Bryan, had a long talk with him, told him, as we were bound to do, that this loan negotiation was about to be concluded and that before signing the loan agreement we desired to know the attitude of the administration.

That brings us back to the point I brought out before. The bankers went to the Government, not because they wanted American battleships, but because they wanted the approval of the American Government in order to sell those bonds to the American public, and before assuming an obligation they wanted to know that that transaction was satisfactory to our Government. President Wilson thought it was not. He took the view, I believe, that certain powers who formed a part of the Six-Power combination were endeavoring to play the European political situation—the jealousy between England and France and Russia and Germany and Japan. There were certain phases of the political situation which influenced the course of these negotiations, and of which our Government did not approve, and we withdrew from the Six-Power loan.

As I say, it was not a question of a sale of materials with regard to that particular loan, but there was no distinction made as regards this political loan—this one particular loan, and loans in general, the proceeds of which would be utilized for the benefit of American industry. We are still in China, as regards one railway loan and we are having difficulty in getting an equal opportunity for our manufactures. It is a very expensive amusement to try to compete with the British and the Germans, particularly on this Hukuang Railway, but we are doing our best. We have a quarter share in that line and we hope to be able to sell American materials under the present agreements, and I believe the administration will, without question, support us in continuing in that loan because it

is going to be of benefit to American industry. I have had several very satisfactory talks with Mr. Bryan on that very subject and no one could have been more ready to support and to telegraph to Peking, and urge measures on the part of the Chinese Government. Our retiring from the Six-Power group has resulted in a general agreement amongst the powers to dissolve this international arrangement as regards industrial loans. As to industrial loans—loans for railways, arsenals and electric lighting plants—the groups of each nation are entirely free to act by themselves.

That is why I say that the withdrawal of the American group from the Six-Power loan is a bit of ancient history and a dead issue. The American group went into China for the purpose of assisting American industry, and the political end of it developed as a natural result. The American group is still in China as regards the Hukuang Railway loan. If the public and the Government will understand what this means and will support the bankers, we should still be able to take our share of industrial loans, which are the ones which interest you and, therefore, interest the banks. I would like to go back to what Mr. Gardin said. You know that a merchant is continually borrowing from his bank to carry on his business. Each year he lays aside a certain amount of his own savings which he invests as he sees fit—sometimes in his business, but many times in something else. The United States and Germany are in very much the same position. The German manufacturers are continually getting accommodation in London, but their savings they often invest in loans handled by German banks, which are beneficial to German industry. I don't see why we cannot do the same thing. We are still a borrowing nation, but our credit is good. We can get money in Europe for our railway development and for the development of this country and our industry. Of course, utilize our own money for this purpose, but there is always a certain surplus which could go back into the development of our own industry by financing these foreign loans. It seems to me that is a point worthy of careful consideration. (Applause.)

THE PRESIDENT: The discussion of this paper will be continued by Mr. C. A. Tomes, of Shanghai.

MR. TOMES: Mr. Chairman and gentlemen: Because of my long residence in the Far East I have been asked to prepare a few words in discussion of Mr. Straight's paper, and I have ventured to draw up a few remarks concerning one phase of the question.

Without entering into a discussion of the expediency of the present administration's resolve to discourage participation in foreign loans to China, it is well worth while to draw attention to the great influence effected in the increase of trade by the negotiation and consummation of loans by the stronger financial countries to their lesser developed neighbors. Such potent instigators of commerce have such loans now become that even countries not actually equipped to pose as lenders of money resort to this method to reinforce their industrial development. It is in the Far East especially that we see an exemplification of this method of attracting business, and there can be traced throughout the financial history of China and Japan the working of the rule of trade following the loans.

So far, the financiers of the United States, for no doubt very cogent reasons, have done little or nothing in the way of offering funds to the countries of the Orient, and it cannot be gainsaid that on this very account our trade relations have failed of that expansion they would otherwise have attained. The lesser continental powers frequently go out of their way in the encouragement of comparatively small industrial loans, which they work through mercantile houses instead of leading banking institutions. This they do when they recognize their inability to compete in the larger operations of great national financing, which can be handled only by institutions of acknowledged power and long experience, and which receive the acknowledged and open support of their foreign offices. These smaller loans generally carry, of course, more favorable terms to the lenders, but in turn, are less desirable, as being more liable to controversy over terms and rights, and to create diplomatic annoyances out of proportion to the magnitude of the transactions. If the terms of these loans do not expressly

provide for the purchase of material and equipment for any undertaking to be promoted by the loan (and this is the usual course), the fact that the lenders have full cognizance of what is in view, and have their attention closely drawn to possibilities of useful business, gives them an early advantage, and material assistance in holding everything to themselves and their own nationals.

The importance of the loan method of securing economic and diplomatic influence is in no place better displayed than in the Yangtze Valley of China—a sphere that Great Britain once considered peculiarly her own, but now likely to be dominated by the Japanese. Through the advancement of funds to some of the industrial undertakings, which the Chinese by themselves seem incapable of developing successfully, the greatest iron-works of China, and the coal and iron mines of Hupeh, and the cement works of the same province, are all more or less now bonded by Japanese loans; and it will be an interesting study to watch the issue and see who, in the end, will hold the chief commercial control on China's great river highway.

If other nations are unwilling to undertake the trouble and risks that the Japanese are prepared to shoulder, they can hardly complain if the bulk of the trade passes from their hands.

The chief Chinese shipping company may perhaps afford another instance of the value of the judicious lending of a little money when most needed, for there are signs that this corporation needs, or has needed, foreign assistance; and the result in the way of ultimate control, should the company be unable to maintain its entity, may provide an illuminating and useful story.

We in the United States are not very much in touch with affairs Chinese in the manner here described, and it is to be regretted that, as far as our tradal connections are concerned, our Government adopts the policy of aloofness from the foreign circle of bankers at Peking, for you may rest assured it is to those countries and their manufacturers who mainly proffer the funds in national loans that the great bulk of the foreign trade of the country of China is bound to go. As we

stand out from loans, to the same degree almost must we see our commerce suffer. (Applause.)

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THE PRESIDENT: I will call upon Mr. Frederick Lavis, consulting engineer, of New York, further to discuss Mr. Straight's paper.

MR. LAVIS: Mr. Chairman and gentlemen: I have a brief discussion which I will read, but I just want to say a few words in regard to some conditions in South America, principally in regard to the railroad situation there, and why we as Americans should be interested in a field which we have hitherto neglected.

May I first say that I am speaking from first-hand knowledge of the country and of actual conditions?

A few years ago, Mr. Percival Farquhar, a New Yorker whom at least some of you know, or know of, acquired control of a group of disjointed and more or less poorly managed lines in southern Brazil, connected them up and amalgamated them under the management of a corporation having an American charter. This company, known as the Brazil Railway Company, controls some 5,000 miles of railway. Mr. Farquhar who has had associated with him Dr. Pearson, General Hubbard, Sir William Van Horne, Minor C. Keith, and others, firmly believes in American railroading methods for the development of new countries and such vast areas as are waiting for development in southern South America. He was obliged, however, to finance his project in Europe and, although he has had American managers and superintendents, and while he himself is intensely American, he has found himself obliged to buy the largest part of his supplies of all kinds in Europe, even though based on American specifications.

You realize, of course, that practically all commercial enterprise in the countries to the south of us is almost entirely dependent on foreign capital for its exploitation. There is, of course, a certain amount of native capital available, but it is only a drop in the bucket and, in any event, the public of those

countries do not seem to lend themselves readily to the promotion and exploitation of commercial enterprise on a large scale. None of these countries has natural resources in the shape of fuel and iron which permits the establishment of manufacturing on any scale commensurate with the demand and they will always be dependent on foreign countries for these things, that is, they will be importers of manufactured products.

Up to the present the United States has only been an exporter of manufactured products occasionally, there has been no general continuous sustained effort or interest in foreign markets. We are now, however, at the beginning of a change whereby we are to be importers of food products and we must find compensation in increased markets for our manufacturers. In this matter our attention has been drawn during the past few years particularly to southern South America where the greatest development of the immediate future in agricultural and pastoral products is bound to take place.

A little over two years ago, when things were greatly prospering, Mr. Farquhar foreseeing the development which inevitably must come (and that in the not far distant future) to the vast area of western Brazil, the northern part of the Argentine, Paraguay and eastern Bolivia, retained me to make a study of the general railway situation of the Argentine and of the lines along which it should be developed. This necessitated a critical study of the existing railways and the general trend of the commerce of the country. During the fifteen months I remained there, I travelled over the greater part of the railway mileage, first as an ordinary passenger and later on official inspection trains. I, therefore, speak from first-hand and from a most carefully acquired, and I believe, quite thorough knowledge of the situation.

There are approximately 20,000 miles of railway in the Argentine, of which nearly three-quarters are under British control and have been developed by British capital, the rest is part French and part under government ownership. The British railroads are not only financed from London, but also, of course, all the officials are British and, with some few ex-

ceptions, inclined to be intensely prejudiced against American products of any kind, they don't even want to *hear* about them.

Now, gentlemen, I am not saying this because I am prejudiced one way or the other. I am an Englishman by birth and, although to-day I am probably as good an American as any, I am not prejudiced against England or Englishmen *per se*, but I feel that you should all realize that so long as the development of the enterprises of the South American countries is left to European capital and European brains, the North Americans will get only what trade is left because the Europeans don't want it, or for any reason can't handle it.

Our European friends don't worry about interlocking directorates, they encourage them. The governments help in every way, the bankers furnish the capital, and they see that their manufacturing clients get more than a good show at the orders. I don't believe there is graft or undue favoritism at the expense of the stockholders, but all things being equal or approximatively so, the friends of the people who put up the money get the order. I wish to impress on you all that this is not hearsay, but based on first-hand knowledge.

We hear a good deal said from time to time about the loss of foreign trade by the United States on account of improper packing, disinclination to meet the views of foreign merchants, incompetent salesmen, and so on, and, of course, anyone who knows South America can cite some specific instances to support this; but that isn't the main trouble, these are details which *can* be, and nearly always are, easily overcome. The fact is that the directors of many of the large commercial enterprises are Europeans who are placed in their positions by European capitalists and they very naturally favor their own countries.

The railway systems of both the Argentine and Chile were started back in the fifties by an American, the illustrious William Wheelwright, a native of Newburyport, Massachusetts, but we have had very little to say about them since.

The English introduced the wide (5' 6") gauge, that had its natural re-action and many miles of narrow gauge were built; there is some standard gauge, but they are all mixed up, and one great problem for the not very distant future is that

of the unification of the gauges, and the exposition of the fallacy of the utility of the narrow gauge as an efficient transportation machine.

The railway lines, so far, have been largely in the nature of comparatively short lines leading from the sea or river ports into the interior. There are some long lines in the Argentine, but, generally speaking, even to-day there is nothing like our own great trunk lines.

The development of agriculture in the regions of easiest access to the coast is, however, driving the cattle industry farther and farther away and the day is soon coming when these railways must be developed into systems resembling our own where low grade freight can be transported long distances at low rates.

The northern part of the Argentine and the eastern part of Bolivia have great possibilities from an agricultural and pastoral standpoint, they may have also oil and other forms of mineral wealth. Paraguay is rich and will develop rapidly if its government remains stable, and there seems every likelihood it will; Brazil has timber, agriculture and coffee in or near the temperate zone.

The value of cattle on the hoof has increased 50% in the Argentine in the last two years, due not to any action of the trusts, but to the scarcity and rapidly growing demand. We ourselves are importing corn as well as beef from the Argentine, not much yet it is true, but it is going to be more, and we must come to a realization of the fact that we must become exporters of manufactured products to pay for the foodstuffs we shall have to import, or that we shall consume ourselves and not export.

The development of this vast territory in South America is inevitable and will probably be rapid, it will follow the railways as that of our own country has, and it is this which Mr. Farquhar foresaw and which he believes should be carried out on American lines by Americans. Of course, the general financial depression of the last year which has been felt even more severely in South America than here has put a temporary check on it, but there is an opportunity in sight which will mean a great deal to those who grasp it. If we



expect to get any share of the trade it will bring, we cannot afford to sit passively and let the Europeans do the developing, and then expect to get a share in the profits of trade. We shall only get our due proportion if we get in now and grasp the opportunity to control this development and push it along lines which we have made so successful in our own country.

In conclusion, I wish to indorse most emphatically the remarks of the author of the paper as to the necessity of the closest co-operation between the Government and the banker and merchants. Either alone can do little and only by working all together can we expect to accomplish anything worth while or to obtain that share of the trade of foreign countries which rightfully belongs to us. (Applause.)

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THE PRESIDENT: Ex-Mayor Fitzgerald, of Boston, wishes to add a few remarks before we close. (Applause.)

MR. FITZGERALD: I am unable to continue through the Convention to-morrow, and I just wanted to say a word here to urge the members of the Convention to see their members of Congress and urge upon them the importance of decent appropriations for the furtherance of foreign commerce. You listened here this morning to the statement of Secretary Redfield when he said there was but sixty thousand dollars available and that there were concerns of his own acquaintanceship in the city of Boston that spent half as much again for the promotion of their business as the United States Government did for the promotion of its foreign commerce throughout the world.

I have just come with a number of New England men from the Secretary, and we asked him the question as to whether Boston would be included when the new bureaus of foreign trade were established in five or six additional cities to those that now enjoy those bureaus, and he said it depended upon the ten thousand dollar appropriation from Congress. And while that seems a small amount, there is a question as to whether we will get it or not. It has been my experience here—I was six years in Congress, and I have been a member

of the Rivers and Harbors Congress which has met here annually in Washington for the past dozen years—that Congress does not pay sufficient attention to the need of appropriations in the matter of the development of the foreign trade, and in liberal appropriations for water transportation. And, inasmuch as ours is not alone the richest country, naturally, upon the face of God's earth, but the most powerful nation, with a larger mass of natural wealth to distribute, with the railroads in their present condition, unable to raise money for proper equipment and development, it is our business, those of us who are business men, to see that the water-ways, both those that are within the country and those that are without the country, are given proper encouragement.

The debt of this country generally is not as big as that of the city of New York. New York owes a hundred to two hundred millions of dollars—more than the entire United States. Our entire debt is less than one billion dollars, so that it is not poverty of resources that will compel the members of Congress to deny us what is justly our due in establishing a bureau of foreign and domestic commerce in Boston, and in Atlanta and Pittsburgh and in other cities that want it. Secretary Redfield said that when the Bureau was established in New York, here, within a year, the first day there were twenty-six inquiries, and all that Bureau cost was the salary that was paid two men who were transferred from the Bureau of Commerce to the city of New York. Now, if we are only spending \$60,000 a year in a country that will raise this year nine billions in natural wealth, and manufacture twenty-five billions of manufactured products, and if our growth is true and in the next ten years we increase a hundred per cent., unless our people are given intelligent instructions, unless they are inspired, and unless they are energized to a proper utilization of the proper distribution of our manufactures, they are going to be a glut upon the market.

When those few thousand dollars can accomplish as much as Mr. Redfield says has been accomplished in New York, and New Orleans and San Francisco, why not have a few thousand dollars more, particularly when we have such a prosper-

ous government? So I hope you gentlemen, those of you who are acquainted with your members of Congress, will see them personally. Those of you who belong to boards of trade and chambers of commerce, I hope will draw up resolutions when you go back and send them to the members of Congress from your State, asking them to be liberal in the appropriation to the Bureau of Foreign Commerce, for the promotion of trade with other countries. (Applause.)

THE PRESIDENT: I wish to say that Captain Franklin H. Mason, former Consul-General of the United States in Paris, comes with credentials from the American Chamber of Commerce in Paris. He has unfortunately, however, strained a tendon in his leg, and is now at the Emergency Hospital.

The American Chamber of Commerce in Paris has also sent Mr. Francis E. Drake, its second Vice-President, as a delegate to this Convention.

Mr. Douglass, our Secretary, has a cablegram which he will read.

MR. DOUGLASS (reading):

"Galata, May 26, 1914.

National Foreign Trade Convention,  
Washington, D. C.

American Chamber of Commerce for the Levant sends  
you hearty felicitations and best wishes.

Ravndal, Bowen, Banning."

The Secretary was directed to express to Messrs. Ravndal, Bowen and Banning, Honorary President, President and Secretary, respectively, of the American Chamber of Commerce for the Levant, the Convention's appreciation of the kind cable message and to state that the good wishes were much appreciated and heartily reciprocated.

THE PRESIDENT: It is hoped that all of the delegates will be present at the banquet to be held in this room at 7:30 o'clock this evening. The Convention is now adjourned to meet here to-morrow morning at ten o'clock.

## CONVENTION BANQUET

PRESIDENT JOHNSON'S INTRODUCTION: With the knowledge that I am repeating what I said this afternoon, I wish again to express my sincere regret that I am standing here to-night in the place of the Chairman of the General Committee, Mr. Lloyd C. Griscom, who, as has been explained to you, has been detained at his home by a slight illness. I congratulate the Committee, of which Mr. Griscom is Chairman, upon the success of the first day's session of this National Foreign Trade Convention. (Applause.)

I congratulate you upon the high quality of papers which have been presented for your consideration. I congratulate you upon the intelligence shown by those who have favored us with their discussions of these papers, and I congratulate you also, gentlemen, upon what I regard as the chief characteristic of this Convention,—the splendid quality of the business intellect of the leaders of business and finance, who have honored it by their attendance. Some one has said that it is impossible to estimate the potential power of this group of business men, standing as they do at the head of vast industrial, commercial and mercantile enterprises. This is the first time that such a group of men has been called together in the Capital of the nation, to consider this question which is growing so vastly important in the development of our nation,—the development of its foreign trade.

This Convention had its inception at a meeting held in New York some time ago, at which the Honorable Secretary of Commerce, Mr. Redfield, was present. The idea of such a conference was presented to him for an expression of his opinion as to whether or not it would be a useful gathering and one advantageous to the business interests of the country. He gave it his most cordial approval, and, therefore, it is fair to say that Secretary Redfield is in a sense the Father of this Convention, and he has very kindly consented to relieve

me, after the arduous duties of the day, and he has been even kinder to you in agreeing to relieve you, by becoming the toastmaster of this banquet. (Applause.) I therefore have very great pleasure in presenting Secretary Redfield as the toastmaster of the evening. (Applause.)

SECRETARY REDFIELD: Mr. Chairman, and gentlemen of the first, but I trust not the last of the National Foreign Trade Conventions of this country (Applause): During this dinner I could not help but think of the ties of memory that go back into many of your shops and factories; of the hours, some delightful and some strenuous, that I have spent in the society of many of you; of the valuable orders that some of you have given me, and the equally valuable orders you did not give me (Laughter); of all those experiences which knit us together in one common fellowship in industry.

And if this Convention is—as I venture to doubt—if it is in any very small degree, as Mr. Johnson has been kind enough to intimate that it is, my baby, then am I very proud of my child, because this is different from most things of the kind. If you compare papers that have been submitted for your thought to-day, and are to be submitted for your thought to-morrow, they rank high, they rank almost unique in their thoughtful and sober dealing with the great and weighty problems with which we are all concerned. And it is an advance, in my judgment, a great advance, when men of your weight will give, in sober thoughtfulness, their quiet judgment, without passion and without prejudice, to the benefit of the common cause of advancing the American flag abroad. And the effort in which you and I are engaged together, in which we have long been engaged together privately, in which I am proud to be engaged together with you publicly—the effort is one worthy of the brains and the character and the strength of America. We have undertaken no child's task.

We have not entered hastily and, as it were, by haphazard, in our attack upon the entrenchments of our commercial competitors in the markets of the world. We know they are strong. We do not minimize our own strength when we concede their power. We are none the less able to do our part

of the work if we recognize that they have great elements of strength. We are none the less worthy if we are willing to learn from them, and in this task I am sure you have the deepest sympathy and earnest support of all who love our country, for you have in your hands a mission, not so much one that will fill your purses and make your dividends greater, —for it should do both,—you have a still greater mission than this, and that is to make this land of ours one of continual, unceasing prosperity. (Applause.)

For we have learned the lesson now, that our factories are so large that their output at full time is greater than America's market can continuously and regularly absorb. We know now that if we will run full time all the time, we must do it by reason of the orders we take from lands beyond the sea. To do less than that means homes in America in which the husbands are without work; to do that means factories that are shut down part of the time. And because the markets of the world are greater and steadier than the markets of any country can be, and because we are strong, we are going out, you and I, into the markets of the world to get our share. (Applause.)

(Turning to Secretary Bryan): Mr. Secretary, my honored colleague, you have before you here the flower of American industry, the men who have carried the flag on the peaceful wings of commerce around the globe. They have not told me this, but I have been and seen it, Sir. I have seen their work the round world over. They are the apostles of a fine creed, the right of Americans to their share, their righteous and just share in the commerce of the nations. I introduce not you to them, for that is not necessary, Mr. Secretary; I introduce them to you as men who are worthy of the great part they have played and are to play in the peaceful conquests under our flag. (Applause.)

THE SECRETARY OF STATE: Gentlemen, a few months ago I visited New York to attend a banquet given by those interested in Oriental trade, and I was very much interested to meet those there assembled and to hear what they had to say. I think you must have here to-night even more, if I am not mistaken, than we had then. It is a larger gathering

than I had expected and I am therefore delighted in proportion. You have several speakers here to-night, some of whom can deal with the subject from the standpoint of a merchant's or trader's experience. I cannot—and yet it is not at all inappropriate that the Department of State should be represented. Secretary Redfield's Department and mine, are the two departments that are most intimately connected with the work that our people do outside of the country, and for the department with which I have the honor to be connected I desire to say a few words. I have given to the newspapers a part of what I am going to say, and I think I had better read it to you, so that I shall be sure to say to you what I told them I would say—and then I can add whatever I wish after that. (Laughter and applause.)

I shall not say anything afterwards to contradict this, but in order that it may be in the paper—I have found that unless you give it in advance you are not sure of getting it into the paper (Laughter)—in order that it may be in the paper I am going to read it as it is written :

“It is the earnest purpose of the Department of State to promote commerce and close industrial relations with other countries. So far as it is possible to do so, it is our desire to obtain for Americans equality of opportunity in the development of the resources of foreign countries and in the markets of the world. It is our intention to employ every agency of the Department of State to extend and safeguard American commerce and legitimate American enterprises in foreign lands so far as it can be done consistently with the sovereign rights of other governments. It should be distinctly understood, however, that this Government in its efforts to advance the interests of its citizens abroad will know no favorites. Honesty of purpose and endeavor, and ability to perform obligations assumed will command at all times its hearty support.

“While this Government wishes to expand its foreign trade and to encourage those who seek in foreign lands a field for American labor and capital, it cannot in any way assume responsibility for or guarantee the financial standing of Amer-

icans, who engage in commercial or industrial enterprises beyond the boundaries of the United States.

"As occasion has arisen during the past year, American diplomatic and consular officers have been instructed to employ all proper methods for the extension of American business interests abroad, but at the same time they have been directed to refrain from advocating the projects of one concern to the exclusion of other Americans who are its competitors in the same field of enterprise.

"If a wrong be done an American citizen in his legitimate business relations with a foreign government, American diplomatic officers will be instructed to use their good offices to secure just treatment for such citizen. This rule applies to financial as well as industrial engagements, but as to the nature and degree of the support which may be given to any particular enterprise, the Department must, in accordance with its uniform practice, exercise its right to decide each case independently as it arises according to its merits, and always with the understanding that the support promised by this Government does not imply any obligation to interfere by force or by the menace of force in the financial or political affairs of other countries.

"This Administration, earnestly desirous of increasing American foreign commerce and of widening the field of American enterprise, seeks to co-operate with the thousands of business men in the United States, who with honesty of purpose and commendable ambition strive after new opportunities where they may employ that ability and energy, which have already made the United States pre-eminent among the nations in the industrial development and commercial progress of the world."

I do not know how sanguine you gentlemen may be—a man's success depends to a large extent upon the fact that he is sanguine; a man without hope undertakes nothing. Yet, however sanguine you gentlemen may be, I believe that none of you surpass me in great expectations, so far as this nation's development is concerned, in the foreign markets and in the foreign commerce of the world. The fact that this new organization is effected—this is its first meeting—is evidence



that we are going forward and not backward. It is to be expected that the ability which our business men have shown in the creation of the productive power of this country will commend them to the countries that need development. Statistics show that our commerce with foreign nations is increasing; that our export of manufactured products is increasing. If we can send the products of our factories across the ocean to compete with the established industries of the old world, there is no doubt that we can compete with them in the newer countries that are awaiting complete development. If we can in this country produce and consume, as we do, three times as much as any similar population in the world, it must of necessity follow that the countries that need enterprise, ability, and genius, will turn to the country where it can be found in the largest quantity, and in the greatest variety. It is, therefore, certain that our people will find increasing markets, and that they will be an increasing factor in the development of the countries that are not yet fully developed.

But what is the Government doing—or, I may more properly say, speaking for the State Department, what is the State Department doing? The State Department is close to the President. His policy is its policy; what the State Department does in foreign affairs is but what the President desires. And what does the President desire? The President desires those policies which will promote our industry abroad as well as at home, and in the short time that this administration has been in existence, it has already done several things that tend directly and necessarily to promote commerce. In the reduction of the tariff, he has increased exchanges. The last speech made by President McKinley before his unfortunate and tragic death expressed an idea that has now become a nation's conviction, and that is that if we are to sell abroad, we must buy from people beyond our own borders. Anything that tends to unite nations together more closely in commercial bonds must necessarily help those interested in foreign trade.

What else has been done in the last year? We have a law now upon the statute books that enables our banking in-

stitutions to establish branches in foreign lands. I am not generally considered a financier, and yet I have some knowledge of finance, and I believe that these few lines written into this currency law will do more to promote trade in foreign lands than any other one thing that has been done in our history. (Applause.) The establishment of financial institutions in other countries through which American business men may find needed accommodation—this I believe is a long step forward in the encouragement of foreign trade.

What this law does at home as well as what it does abroad is an encouragement of foreign trade. This law has set a nation free. For nearly a generation we have seen the increasing power of a group of financiers, and their domination became at last so strong that business men held their position largely according to the favor of those who controlled. It was for the benefit of the business men of the country that this law, backed by an overwhelming sentiment, has set business free and allowed business men to stand upon their own merits and not be dependent upon the mercy of those who controlled the money market.

But more than that, this Administration is making you friends in foreign lands. One sentence from President Wilson's Mobile speech has done a great deal to encourage commerce. When President Wilson said there that this country would never take another foot of land by conquest, he opened the doors of all the weaker countries to an invasion of American capital and American enterprise. (Applause.)

If you go into these lands you will find that there is not one of the weaker countries that does not fear that an army will follow foreign business enterprises. Give to these men assurance that when they invite American capital they do not invite conquest of their land and they will welcome you as they will not welcome the representatives of any nation that stands for a different policy. (Applause.) In travelling around the world I was impressed, as I have no doubt the Secretary of Commerce was, with the fact that everywhere where development is needed there has been the fear that if the treasures of the land became known the envious eyes of other nations would be turned in that direction. Now that

these countries know that they can open their casket of jewels and invite our inspection without having to put a guard around the casket they will welcome American enterprise and American business men.

What else is being done to encourage trade? This Administration is trying to unite the world in the bonds of universal peace, and you gentlemen know that commerce relies for its safety and its progress, not upon war, but upon peace. You represent the industries that grow best when men can turn their energies to industry and are not compelled to give their time to military service. The only people who profit by war directly or largely are the men who furnish ammunition and arms—those who profit by war contracts, and these are comparatively few. The great mass of business men live and thrive and prosper in peace. (Applause.)

And when this nation invites, as it does, every other nation in the world to come and make a treaty with us under which there will never be a war between us and those nations until there has been an investigation of the dispute and time for passion to subside—when this nation does that it does more for our nation's commerce abroad than it can do in any other way. (Applause.) And by doing this it not only gives us assurance of peace between this country and other countries, but it sets an example that tends to promote peace between other countries as well as between us and them.

Now, my friends, I have felt that I was justified in saying what I have. I know that it is not a discussion of the details of trade—I yield to Secretary Redfield on trade, he is an authority on commercial affairs,—but when you come to examine the business in which we are engaged, no matter what that business is, if it is legitimate, you find that underneath that business are great fundamental principles. When we can lift up the level on which our business stands we are doing more for business than if we lift up a few enterprises and make them profit at the expense of other enterprises. I am glad to meet these representatives of foreign trade, and I promise you that the State Department—every agency of it—will be back of every honest business man in pushing legitimate enterprise in all parts of the world. (Applause.)

In Spanish-speaking countries hospitality is expressed by a phrase, "My house is your house." It is a generous offer, but you are not expected to take possession. I can say, not merely in courtesy—but as a fact—my Department is your department; the ambassadors, the ministers and the consuls are all yours. It is their business to look after your interests and to guard your rights. If any of them fail to live up to their responsibilities, we shall be pleased to have you report them. We shall endeavor to open all doors to you. We shall endeavor to make all people friendly to you, and when we have done all that a government can do legitimately to help business, we ask just one thing in return, and that we ask for business as well as for the honor of the nation.

We ask that every business man shall carry with him the ideals of business that are respected in the United States. (Applause.) We ask every honest business man to help the Government to drive out of foreign trade every business man who by dishonesty brings odium and reproach upon his country. (Applause.) We ask you to be interested in larger things than your own pecuniary returns. We ask you to go into these countries and engage in enterprise as those who are sowing seed and not as those who are merely reaping a harvest. Let every business man who enters a foreign nation so conduct himself that those who know him will be glad to have others come. Let him be so representative of the ideals of our nation and the honor of our land that the more business men we have in the country the higher will be our standing, and the more secure our place among those people. That is all we ask in return for what we try to do, and we shall be glad to have any business man bring any trouble that he has to the Department, for it is the business of the State Department to protect not only the nation's flag but every right that an American has wherever he may go. I thank you, gentlemen. (Enthusiastic applause.)

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SECRETARY REDFIELD: We are honored to-night, gentlemen, by having with us representatives of both Houses of Congress,

and I am about to introduce to you a Senator from one of our great manufacturing states. I wonder if we often think how young we are, we who are about to go out and conquer the world with our industry. I like to remind these railroad men whom I know that they are only children, for I can remember, and I am not old yet—at least I don't feel so—I can remember when the railroad from Worcester, Massachusetts, to Albany, New York, was called the Western Railroad. (Laughter.)

And it was my grandfather who once wanted to go to Ohio, and there was but one way to go, and that was to walk. So, walking beside the wagon with his mother in it, he travelled all the way from Middletown, Connecticut, to Rootstown, Ohio. And when, later—now that I have got into family tales—that same man, in 1829, drew from his imagination a map of a railroad which I have here in Washington, which was to go from New York to the Mississippi River, he was put out of the New York Stock Exchange by the unanimous consent of the brokers, who said he was too big a goose to be allowed to stay in it. (Laughter.) This is a fit introduction for the Senator from Ohio, Senator Burton. (Laughter and applause.)

### ADDRESS OF SENATOR THEODORE E. BURTON OF OHIO.

SENATOR BURTON: Mr. Toastmaster, your grandfather's name is still remembered with respect in Rootstown.

Gentlemen of the National Foreign Trade Convention, I congratulate you on your part in the triumphs of American industry. More than \$20,000,000,000 of product, the employment of seven millions of men and women at the highest wages paid in the world, aggregating for all nearly \$4,000,000,000, speak for the colossal magnitude of your work. The fact that the products of your mills and factories are carried to the remotest parts of the globe tells of your enterprise. Your entrance into competition with countries which long before the foundation of our government were well established in

manufactures, is sufficient proof of your ingenuity and energy. Last of all the constantly increasing care for safety and sanitation, the prevention of accident and the preservation of health, the giving of pensions to veterans in the shops, tell of your regard for human welfare.

In considering our export trade, it must be borne in mind that the United States has a balance of about \$500,000,000 every year to pay to foreign countries. This is to meet interest and profits on investments held abroad; payments to foreign shipping, the expenses of American tourists, the amounts sent by immigrants to friends and relatives abroad, and the amounts carried to the old country by those who come here merely for a temporary stay.

I will not enter on the doubtful path of conjecture as to the division among these different balances to foreign countries, but I will say that, beginning in the year 1897, there was a balance of trade in our favor of nearly three hundred millions of dollars. That balance has exceeded six hundred millions in the three years 1901, 1908 and 1913. How shall we maintain it? Thirty-four years ago, in the year 1880, fifty-five per cent. of all our exports was made up of foodstuffs. In the year 1913 that percentage had fallen to below twenty per cent., or from more than half to barely, or even less than, one-fifth. In the same year of 1880, the proportion of our exports made up of manufactures was 14.8 per cent., barely one-seventh. In the year 1913 that amount has risen to 47 per cent., or nearly one-half. There are many who foretell that it will not be long before we will be importers of wheat and of the essential breadstuffs which are needed by our population.

I do not share this rather pessimistic anticipation when I regard the possibilities of increasing agricultural production by intensive farming; but I repeat here the statement, which rather startled some, made at New York City on the 28th of last February, that in the year 1912 our imports of foodstuffs surpassed our exports. Imports were made up largely of sugar, coffee, tea, nuts and fruits—these articles right here before me in these glasses are included in the list—and the aggregate was more than we exported. So that we must

depend in the future more and more upon our exports of manufactured articles.

There is another characteristic of our export trade. It has been in the past years for the most part to the most advanced and civilized nations of the earth. In the year 1912 we exported to the little country of the Netherlands, with its five or six millions of people, ten million dollars more of value than to all of the Continent of Asia with its five or six hundred million inhabitants. We exported more to Belgium than to all of Africa. In the year 1906 our exports to Great Britain were more than all the exports to South America. So that if every flag had been shut out from every South American port, and no article could have been brought into that continent except it came from the United States, the total amount we sent there would be less than we sent to the United Kingdom alone. And, Mr. Chairman, this convinces me that no aspersion can rest upon the manufacturers of the United States or our exporters for lack of enterprise and skill, because we have met the leaders of the earth and we have carried into their countries such an enormous amount of merchandise to compete with them upon their own ground. (Applause.)

I am glad to note that increased attention is now given to the less advanced countries and our exports in less degree consist of raw materials. In recent years our exports of manufactures to South America have increased enormously. They have also increased to Asia and Oceania, to the outlying islands of the earth, wherever people are progressing. I want to impress upon you the necessity of learning foreign languages, of learning the customs of trade, of the peoples of South and Central America.

Thus far the home market has been so large that less than four per cent. of the manufactured products of the United States have been sent abroad. This condition should not continue. In times of depression, in times when the home market is slack, we shall especially need the export market, and we should enter and conquer it. We must conquer it by improved methods, and we must maintain the policy—and I cannot too strongly impress it upon you—of peace and good-will

with all the nations of the earth. We are becoming too much a part of this great family of nations to indulge in any jingo spirit. As I move around among my countrymen, I find that there is no appeal of the demagogue more effective than to raise a cry against some foreign country, to talk idly of conflict and of war. Men who indulge in this talk do not usually go into the contest themselves. In the language of one of our humorists, "They are the men behind the guns, yes, two thousand miles behind the guns, and willing to be even farther." (Laughter.)

Mr. Bryan has very aptly quoted the language of our honored president in saying that we covet no foot of foreign territory. Most cordially do I approve that sentiment. It was a splendid example to the whole world when, with great expense, with the sending of our soldiers to face death by the bullet and by disease, we pacified Cuba and set up a free government there, and then demanded not one acre of that most fertile island on the globe. But I would go one step farther, and I would say that we ought not to interfere in the affairs of any foreign country.

It is not for us to judge of the circumstances under which any administration comes into power in any country of the globe. (Applause.) It is for us to let other nations alone. In the advance of civilization and the growth of free government, triumph has been attained through controversy, through feud, oftentimes through blood and through woe. It is not for us to take part with one faction or the other for fear we may make an injudicious choice. (Great applause and cheers.) It is not for us to go to any other country and say, "You know not how to rule yourselves. You know not how to manage your domestic policy." For when we say that we go back upon the great fundamental principle that all governments exist by the consent of the governed. (Applause.) It is rather our duty to have regard for our citizens who, looking to foreign lands, go there to dwell and promote enterprise, and give to them the protection of our flag and our arms against injustice and wrong.

Mr. Toastmaster and gentlemen of the Association, there is one other matter of which I wish to speak and that is the



regulation of business in this country. (Applause.) Have we not given too much attention to the prevention of bigness, to the restriction of enterprise on a large scale, and too little regard for the common principles of honesty? No man would raise his voice in higher tones than I against clubbing competitors, against oppression, against injustice and wrong to the smaller merchant or manufacturer by those who, by reason of great power, can drive him from competition in business. But is it not best for us to recognize that if we go forth into the markets of the world, we must undertake business on a large scale, and must allow that large scale provided it is characterized by honesty of purpose and the absence of unfair methods? (Applause.)

You are brought into competition with the other countries of the world. I remember a few years ago picking up one of the circulars issued by the Manchester Canal and noticing the preference given to the shipper who was sending his goods to a foreign country, sending his goods to the United States to compete with us. All of you know the degree of preference which in other countries is given by the state-owned railways to those who engage in foreign trade. You know of the cartels of Germany, first beginning with simple arrangements among themselves, such as regulations for the doing up of the packages, then the amount of time given to customers, and then constituting themselves selling agencies for all in the same business, apportioning to each factory its share of the output, and selling as the agent of all. Not co-operation, but dishonesty and oppression, are what should be forbidden by our laws. (Great applause.) I do not insist that this should apply to our home industries, nor do I omit to say that there should be federal regulation of big business, for I want to emphasize to you all that, so far as a state is impartial, so far as it is efficient and helpful, so far as it is free from the blight of political partiality, you should recognize its cooperation, and not oppose its direction in your affairs. (Applause.) It is sure to come.

Not long ago I picked up a book upon America by a German professor in which he compared the book trade in Germany and in the United States. Here any store of large size

can cut the price and it does so, especially if the volume is a good seller, and any demand by the publisher that a uniform price should be charged is visited by the penalties of the law. He stated that in Germany there was a uniform price for every book and that, as a result, in the bookstores of smaller cities and towns there were maintained large assortments to which the buyer might go and have an abundance to select from. He went there why? Because he could buy what he wished just as cheaply as he could at the largest department store, or by sending to the publisher himself. He added that this method gave to the reading public a much larger and more available collection of literature, maintained the rural bookstore, aided the book trade, and rendered assistance in every way. I think it is worthy of consideration whether such a regulation as that is not better for us; whether we have not laid too much stress upon the benefits of competition, which is sometimes remorseless and destructive.

I repeat that so far as stock-watering, frauds on the stockholders by directors and managers, and iniquitous arrangements for beating down competitors are concerned, everyone should welcome, as for the good of all the people, the strictest regulation. (Applause.)

It should be made sure that no concern shall grow so large that it can oppress the rest. The race should not be for the strong alone. Equality of opportunity should have constant care. But if you search for a large export of any commodity you will be apt to find that there are large organizations behind it; for instance, in iron and steel, the largest item in the export of manufactures, and I might go through the whole list, copper, oil and so forth. These products are not sent abroad by those who are organized in scattered and competing units. Those articles are exported by those who have well-established foreign sales departments and can provide the supply upon a very large scale. (Applause.)

I am conscious of having touched this subject very superficially, but I make these suggestions for consideration.

I cannot bring my remarks before this splendid audience to a close without saying a few words in regard to your duty to the country and to the public. Would it not be better if we

gave less attention to increased bank deposits, and to increased manufacturing production; and gave more attention to the general cause of humanity, to the civic virtues, which give to the city, the state and the nation their highest distinction and their glory? (Applause.) No man can be a good citizen of this nation without taking an active interest in public affairs and in the new and better aspirations of to-day. Life should be given not merely to the trip down-town and up-town, from the home to the factory and from the factory to the home in the automobile, but to every activity and every energy which tends to the promotion of the common weal. If I hope to be an apostle for any one cause, it is to raise the standard of civic morality in this country above selfishness, above the rule of the unthinking to the rule of the patriotic and of those who give intelligent study and consideration to the good of the state and nation, that nation which holds its protecting shield over us all, which gives us all our opportunity, and to which we owe our thought and affection morning and evening. (Applause.)

My friends, I wish for you all the highest degree of happiness and prosperity. I urge upon you again an earnest and constant interest in that which gives distinction and excellence to American citizenship. No pent-up Utica restrains your activities. The whole world is your field. And as you send to the remotest bound the products of the factory, as you gain in success and prosperity, remember that your proudest distinction is when you can say, "I am an American citizen"; and your most enduring satisfaction when you can say, "I have labored not alone in the great work of building up American industry, but in the cause of humanity." (Applause and cheers.) I thank you, gentlemen; I thank you.

(A member of the Association, amid still greater applause, proposed three cheers for the Senator from Ohio, which were given, with a tiger.)

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SECRETARY REDFIELD: And now, you and I must take one of those long journeys, only possible in our land, upon one of

our great rivers, and go down the Ohio into the Mississippi, and down the Mississippi to where it does its worst and most disastrous work, and there meet with the gentleman who has at heart the great work of controlling that broad stream and making its floods fruitful instead of disastrous. Gentlemen, the man who was called to the House of Representatives, and then called higher in the service of the great State of Louisiana—Senator Ransdell, of Louisiana. (Applause.)

SENATOR RANDELL: Mr. Toastmaster, gentlemen of the Foreign Trade Convention: I felt highly honored when I was invited to address you this evening, but I had no idea that it was going to be such a truly representative audience of the great business and manufacturing industries of this country.

I scarcely know what to talk to you gentlemen about. You have had some very excellent advice on a number of practical subjects, and it would hardly do for me to discuss the same things or to give you any similar advice. I can say that in the main I endorse what the previous speakers have said.

The Toastmaster, in introducing me, said that I came from the banks of the Mississippi where they have big floods. That is true; and I would like to inflict upon you one of my anti-flood speeches (Laughter) as I sometimes used to do in the House of Representatives, and as I intend to do in the Senate some of these days, if I can get Senator Burton and some others to listen to me; but I hardly think that would be altogether appropriate this evening.

Many of you manufacture cotton, doubtless, or are interested in cotton. The lower Mississippi valley is the finest cotton region on earth, let me say, if we could protect it from the floods. (Laughter.) We recently had testifying before the Senate Commerce Committee, Sir William Wilcox, of Great Britain, who is credited with having constructed the famous dam on the Nile. He told us that lands on the Nile were worth \$750 per acre, and those lands are used for growing cotton. He said that there are about five thousand square miles in the entire length and breadth of the Nile that could be cultivated in cotton—very, very valuable. Now, we have

more than twenty-five thousand square miles on the Mississippi which could be rendered absolutely impregnable to our floods that sweep down from the waters that fall on forty-one of our states if you business men would just get behind Congress and tell them they must give you the best cotton in the world, made on those twenty-five thousand acres of land,—just as good as that cotton made in Egypt. Gentlemen, you are now importing from Egypt between 100 and 150 thousand bales of cotton. I suppose you all know that.

Do you realize, when you talk about the balance of trade last year, that Southern cotton sold abroad for \$546,000,000, the Southern cotton seed for over \$15,000,000, and the oil extracted from that seed in this country for over \$20,000,000, giving us something like \$582,000,000 of foreign trade from that one Southern product alone? That is a pretty good sum, and we could make that much more, pretty nearly in this Mississippi Valley alone, if it was just protected from those floods to which Secretary Redfield alluded. I hope you are going to help whenever you see anything about such a measure in Congress.

I was very much pleased by some of the remarks made about what we should do to promote trade in foreign countries, especially that suggestion of Senator Burton, that we study foreign languages. I think we ought by all means to study Spanish. I studied it a little as part of my course in Union College in New York; but it is not regularly taught. We teach French and German in our colleges and schools. Now, how much goods do we sell in France and Germany, I would like to know? They sell in competition with us. The most fruitful field I know of for American manufactures is the Spanish-speaking countries south of us. (Applause.) If we wish to get next to those people, one of the best ways to do it is to learn their own tongue.

And another mighty good way, as suggested by the Secretary of State, is to have banking relations with them. I had a letter not long ago from a friend of mine, who is in charge of the greatest fleet of inland steamers on earth, on the Amazon, and he told me it was next to impossible for our people ever to do anything in a business way down there, because

we have no banking relations in that country. If you wish to do business there you must do it through a German or an English bank; there are no banks there of the United States. I dare say that is true not only on the Amazon, but throughout practically all of the Central and South American countries. Gentlemen, that is one thing to which I ask you to turn your attention—a most important practical factor.

Now, speaking of the South, I am going to tell you just a little of one or two things we have down there. We think we are pretty big in some respects. I have no doubt that the old newspaper man, Horace Greely, who spoke so vigorously about "going West, young man," if living to-day, would not say "Go West," but would invite all the live boys to go South if they wanted to prosper.

We are hearing a great deal now about the Panama Canal, and it is going to be necessary to have a considerable quantity of coal. Much coal will be needed by the ships of the world to pass through that waterway of which we are so proud. They are going to get that coal from the Alabama coal-fields. We have enough coal there to supply the whole world for fifty years, if there was not a single coal-field anywhere else. These figures are furnished by the Government and so they must be true. (Laughter.) How do we propose to get that coal to the seaboard? Through a waterway which Senator Burton had a hand in improving, because it was undertaken when he was Chairman of the Rivers and Harbors Committee of the House of Representatives. (Applause.) That coal, in wonderful quantities, gentlemen, will be taken to the Gulf of Mexico cheaper than any other coal on earth can be taken to any seaboard. There is enough there to supply the whole world for fifty years, and that is only one of our coal-fields. I won't tell you about the others. (Laughter.) We are doing a little business abroad from the sections where this coal is located. Mr. Farrell told me that his company, or one of them, the Tennessee Coal & Iron Company, was now filling an order of twenty thousand tons of steel for a railroad in China between Pekin and Calda, some 700 miles of road. And they had to compete with the world in order to get that order, and that the Southern company is shipping it. Why? Largely

because of the cheap transportation down that same Black Warrior system of rivers, improved by this Government. And some people have the audacity to say that waterway improvements does no good! Coal is shipped cheaper from the works in Birmingham, because of the advantage of waterway transportation, than from the works in Pittsburgh.

We have in my own state an important enterprise. We do not claim Louisiana to be a manufacturing state, but we do manufacture a good deal of the material that is supposed to be used in a place where I hope none of us will ever go. (Laughter.) Sulphur. (Laughter.) We have the greatest sulphur mine in all the world in the state of Louisiana, and the sulphur is gotten out in such an interesting way that I am going to take one minute to tell you how it is done.

The hunters, in the early days in southwest Louisiana, discovered on the skins of the animals there was a deposit of sulphur. Scientists tried to get at it. A French company sank a caisson 150 feet, but could not go any further and had to quit. Herman Frasch conceived the idea of sinking a pipe 13 inches in diameter down into the limestone rock between 700 and 800 feet below the surface. In the centre of this 13-inch tube he sank a small tube 6 inches in diameter. Attached to the big tube was a battery of eighteen or twenty of the largest boilers he could have constructed, and a separate heating attachment so that he could raise the temperature of water much above the point at which it steams. Then this steam was forced down the 13-inch tube and into the rock where the sulphur exists. The very hot steam melted the sulphur but not the rock, and it pumped the sulphur up and out on the ground through the small pipe. As it poured out a frame of plank was built around it, and after a little while you would find a cube of sulphur practically as big as this room, 99 9/10 per cent. pure—pure sulphur. We manufacture it there. The citizens of Louisiana do not get much benefit from it, however; it belongs to a large corporation which has its headquarters somewhere in the northern section. (Applause and laughter.) We get next to them, though, by imposing a pretty heavy assessment. (Laughter.) And we are actually shipping sulphur to the vicinity of the sulphur mines

of Sicily. New Orleans alone exported about 70,000 tons of sulphur, and we are proud of that little enterprise.

We also do a good deal of sugar business down there, but how long we will remain in the business, I cannot tell. (Laughter and applause.) I shall not take your time to explain the wonderful salt mines, the natural gas wells and the oil fields, all of which are great industries in Louisiana.

Now, there is another southern enterprise that I don't believe you gentlemen know much about—that is corn, the staff of life—simple little thing. It is the greatest agricultural product in the United States. We do not get a great balance of trade in our favor because of corn, as we do not sell it directly. I don't suppose many people in this room know that the finest corn in the country is raised in the South? No doubt many of you think southern corn is not fit to use. When Louisiana wished to export some corn, the German people said, "That stuff is not fit to use. We don't want that stuff." But scientists from the Department of Agriculture found the Louisiana corn had more protein in it, more protein per pound, also that it had more sunshine in its making, than the northern and western corn; that it had less moisture, because of the greater amount of sunshine; that it was less subject to mould, and really better corn than that of the West; and so the Germans took it. You know they will always take a good thing when they get a chance. To verify these facts, I talked to-day with one of the highest officials of the Agricultural Department, and he told me that in the quality of maturity and moisture the southern corn was better. My state increased its corn product over 300% in ten years—a good thing, too, because it might be necessary to put some of its sugar land in something else. (Laughter.) We are not a bit discouraged down there, however, don't you fret about that. If you have got lands in Louisiana, don't you turn them loose. If you want to make a good investment, buy from some of those fellows who are scared.

Now, gentlemen, the Southern Commercial Congress, of which I have the honor to be a member, and of which all of us good Southerners are proud, is doing a very active work in trying to promote the trade of the South with foreign na-



tions. We recently established a foreign trade bureau, of which Mr. William A. Reed, who is on the staff of the Pan-American Union, is export director. We are going after this southern trade in a systematic business manner. I do not know how many southern people there are here, but I tell you the people from the North and Northwest will have to be up and doing, because we are going after that trade. We are going to hustle for it, and I believe we will get it. We have very exceptional advantages down there. The raw material is right at hand, especially in such things as cotton, lumber, coal, iron, resin, sulphur and many things of that sort. Not only have we the cheapest coal on earth, but we have more water-power, we think, in the South than anywhere else, a great deal of which is now being developed and made useful to that country and to this Republic. We invite any of you who have capital to come there and put it into some of those innumerable enterprises which you may find very, very successful.

Now, gentlemen, I might ramble on, but there are other speakers, and I will close by assuring you that I am delighted to have had this opportunity of saying just a very few words to you. I would like, in all seriousness, to have those of you who do not understand the problems of that great part of this country of ours, this nation of which we are so proud, to study them, for we are all one people. There is no portion of this Republic whose people are more loyal and true to the whole Republic than those in the land of Dixie. (Applause.) There are none ready to fight more quickly and loyally to maintain our honor at home or abroad than they are. No portion of this great Republic is more proud of that wonderful exploit, the honor and pride of our nation—the Panama Canal; no portion that is going to receive greater benefit from the Panama Canal, and my own State will, I think, lead in these benefits, for New Orleans, the capital city of the South, lies at the gateway of the Mississippi River, whose 16,000 miles of navigable waters will be at the service of the nation's business. Just as the Black Warrior system takes to the Gulf the cheapest coal on earth, just as the Black Warrior enables the Tennessee Coal & Iron Company now to be shipping such

a great quantity of iron to Pekin and to be contracting for another very large order, so the Mississippi system of waterways, starting in the frozen North, 2,200 miles from it's mouth, is going to carry the commerce of the nation to the South, to New Orleans, to the nations of the world, cheaper than it can be carried through any other port on this Continent. (Applause.)

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SECRETARY REDFIELD: Gentlemen, the Secretary of State is obliged to leave us for the simple, human reason that he is very tired and must get rest. The Secretary of State and I have occasional rather interesting exchanges on your affairs. Not so very long ago—it would hardly do to mention the kind of goods, for that would give the game away—not so very long ago one of you, or one who ought to be one of you, came to inquire why he was excluded from a great country to the south. He made good goods,—the best there were. We had used lots of them ourselves in public works, but he could not get into that country, and upon investigation we discovered one of those things of which, doubtless, you have never heard in the sweet innocence of your industrial lives—namely, a very skilful brand of specification, prepared with much care, by a gentleman in northeastern Europe, in Great Britain or France or Holland (Laughter); and so skillfully arranged, so carefully arranged, that one material which prevailed to an undue extent in the natural source of their supply and which it was difficult for them to eliminate, was made the condition under which the trade was done.

I don't commend the example to you as one of the highest permanent sagacity, because it is bad when it is found out, but as one that it might be well to be warned against in case of difficulty, and in this particular case, as in others of the kind, the warning against it partook of a somewhat official nature and rather ended that particular type of specification.

There is no reason after that why I should introduce the gentleman from Boston to you—none at all. There are no difficult specifications about my friend Mr. Peters of Boston, but I am glad to have an opportunity to ask him to address

you—the Honorable Andrew J. Peters, of the Ways and Means Committee of the House of Representatives. (Applause.)

REPRESENTATIVE PETERS: Mr. Toastmaster, Fellow Delegates: I wish to thank you for the very cordial invitation by which I am your guest to-night, and to tell you how much I prize the opportunity to speak to you, the opportunity to call to your attention some of the facts of our foreign trade which seem to me most interesting and significant.

The really great fact of deep significance in the commerce of the world in the last few years has been the entry of our country as a competitor for the world's trade. Industrial development in this country has resulted in competition in the world's markets, and is bringing industrial and social changes of no little significance to us here at home as well as of great significance to the countries to which we are sending our goods.

The presence of you gentlemen here, your interesting papers which we have heard presented, show the great interest and importance which this subject is taking in your minds.

In the last few years we have seen a phenomenal increase in our foreign trade. It has more than doubled in thirty years. In 1880 we had a foreign trade of 1,597 million dollars. Last year, in 1913, that foreign trade had risen to the tremendous figures of 4,232 million dollars.

In the development of our commerce, its change has been no less significant than the increase in its size. Formerly we fed the world, and it was the products of our fields and of our farms which we sent out from our shores. But the recent development has been an ever-decreasing proportion of food products and an ever-increasing proportion of manufactured products. Our imports have shown a corresponding change, and we find an ever-increasing importation of products and of foodstuffs, and a relative decrease in importations of the products of foreign factories. It is evident that America is becoming essentially a manufacturing nation, and that we are no longer depending on our farms and no longer depending

on our natural resources to sustain opposition in foreign markets.

Twenty years ago, in 1894, our exports of manufactured goods ready for consumption were about 15 per cent. of our total exports of goods. In 1903, scarcely ten years later, our exports of finished products had risen to 23 per cent. of our total, and last year, in 1913, the increase of our manufactured goods went up to the very respectable sum of 31.97 per cent., or we exported in round numbers 776 million dollars of manufactured goods.

From the same official figures we gain the reassuring fact that our exports of manufactured goods increased 440 millions in the last ten years, an increase of 137 per cent. during that period.

It is apparent to-day that America is becoming a big market for foreign foodstuffs and for crude materials. In 1903 we imported 236 million dollars of foodstuffs. In 1913 this had increased to 406 million dollars of foodstuffs, and raw material for manufactures—an increase of 72 per cent., and the imported raw materials increased in this same period from 330 millions to 635 millions, or 92 per cent.

In exports we show exactly the contrary. In 1880 our foodstuffs amounted to 55 per cent. of our total exports. In 1913 they had shrunk to 20 per cent. Manufacturers' crude materials—and by that I mean the raw materials used in foreign manufactures—were in 1880, 28 per cent. of our manufactures, and remain practically at that figure to-day, whereas the manufactures themselves, exclusive of foodstuffs, which were in 1880 14 per cent. of the whole, to-day are about 48 per cent.

That we are able to manufacture in competition with Europe will be shown by the destination to which our manufactured goods are taken. Of the 1,185 millions of manufactured goods last year, 42 per cent. were exported directly to Europe, 33 per cent. to North America, 10 per cent. only to South America, 5 per cent. to Asia, 5 per cent. to Oceania, and only one and a fraction per cent. to Africa.

The total exports of manufactures have increased from 971 million dollars in 1903 to 1,500 million dollars in 1913,

and the percentage of total exports, including foodstuffs, has increased during this period from 56 to 61 per cent.

The figures which I have just read you show the rapid entry into the foreign trade of our manufactures, and are significant not only in showing what we have done in the past ten years, but are doubly significant in holding out the possibilities for the future development and strengthening of our trade along these lines.

Coupled with the remarkable development of the last ten years in our manufactured products, the last six months have given added proof of our capability to hold the foreign markets. Whatever may be said to the contrary, the Treasury figures show that during the last six months we are holding our own in our exports of manufactures, and are holding that own under circumstances which are very adverse to our exports. The figures for the last six months—that is, for the six months ending March 31, 1914, as compared with the six months ending March 31, 1913, show that there was a decrease in the imports of crude materials for use in manufactures from 335 to 317 millions, a decrease of 5 per cent. Foodstuffs in crude condition, and food animals show an increase from 117 millions to 143 millions. Foodstuffs wholly or partly manufactured show a total falling off of 2 per cent., and our manufactures imported during this period show a falling off also of but 2 per cent.

In our exports, on the other hand,—and I am comparing them now for these six months, the last six months for which we have figures available,—our exports show a falling off in agricultural products and in foodstuffs from 115 millions to 55 millions, a decrease of 57 per cent., whereas our exports of foodstuffs wholly or partly manufactured show a falling off only from 180 millions to 162 millions, or of 10 per cent., and our exports of partly manufactured goods show a falling off from 200 to 182 millions, or 9 per cent., whereas our manufactures, or exports of completely manufactured goods, show a falling off only from 381 to 358 millions, a falling off only of 8 per cent., showing that from the falling off of 57 per cent. in our food products, we have only fallen off 8 per cent. in our manufactured products.

The significant fact is shown that manufactures form a steadily and rapidly increasing share in the exports of our domestic products, and the figures of the manufactured products and of crude materials would be even more startling were it not for the exportations of cotton which has constantly kept pace with its increasing demand, and which tends to steady the exports, the amount of the exports of food products from this country.

Now I have shown by these figures that we are holding our own in the last six months in our exports of manufactured goods, and these exports have taken place under singularly adverse conditions, for during these six months there has been an industrial depression over the whole world. Commercial reviews in foreign papers recognize the commercial depression which exists abroad. I quote from *The Statist*, an English publication, for May 9, 1914, in which it says: "Except here at home, trade is falling off everywhere. The improvement is likely to be slow, but the slower and more cautious, the surer it will be, and the longer it will last." And in the same paper, published in London about two weeks ago, it says: "While we have no intention of minimizing the serious effects of the condition of South America, we still think that the rumors one hears, both in London and Paris, are vastly exaggerated. And we hope that measures will be taken to stop them." Speaking of German conditions, *The Statist* of the same issue says: "There are loud and widespread complaints of unemployment in Germany. Moreover, the value of money has greatly fallen off compared with a year ago; and that generally every industry is feeling the pinch, so that prices have fallen considerably, and exports, in consequence, have been stimulated." Speaking of Austria-Hungary, the May 16th issue says: "Unemployment is very general, prices are low, and trade is declining. All this is inducing manufacturers to export on as large a scale as possible and to accept prices which would not be taken at home. This competition may have a prejudicial effect upon trade in other countries, notably our own." In regard to France, the May 16th issue says: "The result of the elections has increased the depression that has prevailed so long. Of course there is

a heavy depreciation in securities and there would be correspondingly heavy losses if there were to be forced liquidation."

Industrial depression exists all over England; we see it in Germany, where there is a highly centralized industry, a high tariff, and trusts; it exists in France, where we have a high tariff and no trusts; we see it existing in Austria, where you have Government supervision of industrial contracts, and where you have a high tariff; existing alike in Brazil, where you have the highest tariff perhaps of all and no manufacturing industries, but farm industries; which shows that this present industrial condition is not one confined to this country, as there are no characteristics of an American industrial depression seen created here, but one which we are sharing in common with the wide world.

That we have been able to keep our foreign trade, despite these conditions, is a great testimony to the power of our manufacturers. Finding a slow market at home, the foreign manufacturer is more stimulated to keep the market—is more encouraged to send out his goods to this country and invade our market, and he is better prepared to make the lowest price in defending his own market against the inroads of competition.

There has also in addition been a constant falling of prices during the last six months. Bradstreet's shows that prices have declined from 1903. From September 30th last to April 30th, from 2,584—declined to 2,584 from 2,714—that was the index number of prices on the last day of last September.

The advantages of a foreign market to the industries of this country are many, and it is important we should bear that in mind, in considering what we may do to extend our export trade. Many of our industries in this country are essentially seasonal in their activities. Part of the year labor does not have full employment. Part of the year machinery is not fully used. That means waste of machinery and disorganization of the forces where they are not fully employed. Can we secure by foreign trade the markets of the world, we will avoid these seasonal hesitations in our industries and we will

therefore make possible by the continued use of machinery, its more economic management and its better handling and control.

I have offered you these figures to-night to show the conspicuous development which has taken place in the exportation of our manufactured goods in the last decade, a development which many of us have not fully appreciated, and which must be recognized in considering the political and economic development of our country in the years to come, but which must be studied from the point of figures to be seen in its full force and significance.

The awakening of our country to the possibilities of this commerce is just taking place. In this awakening the people naturally expect to receive the aid and experience of our Government in pointing out the channels in which our trade may be most successfully extended. The Department of Commerce is doing this, and the increased activities of our Government in this direction are due in no small part to the intelligent understanding, to the interest and to the activities of the gentleman who is here to-night, and whose presence in the Cabinet is doing so much to stimulate and aid the foreign trade of our country—Mr. Redfield. (Applause.)

We have shown that our development in foreign trade has taken place under normal conditions, and the figures I have given you show that we can hold it under conditions very adverse to us. Now let us see that this trade will be extended in the future. I believe that the last ten years are but the commencement of an industrial expansion in this country in foreign trade which will equal or even excel the industrial expansions and trade which have made our activities so conspicuous in the past years.

It is such meetings as this, such organizations as this body, that will tend to aid and help the manufacturers of this country in taking advantage of foreign opportunities. We are going to get the foreign market, with an effort intelligent and keen and guided by high principle, but, nevertheless, with an effort and with the determination to push American products into the markets of the world, so that we may there take the place which our activities and our industries entitle us to. (Applause.)



SECRETARY REDFIELD: I introduce to you as the last speaker of the evening a gentleman who, while belonging to us, yet belongs to others too,—Honorable John Barrett, of South America. (Applause.)

MR. BARRETT: Fellow guests and delegates to the National Foreign Trade Convention: Last night, after having enjoyed with great pleasure the placing upon the map of the River of Doubt by the Colonel (Laughter), I retired to the Cosmos Club, and there I met that dear and lovable soul John Foord, of the American Asiatic Association. (Applause.) In his innocence he asked me to take a glass of grape juice (Laughter) and discuss the banquet to-night. As John is one of the prime movers in this meeting, I asked him who was going to speak. He said, "I will tell you about it. You know Willard Straight, who is down here as a representative of the people, is running this banquet. (Laughter.) And he has arranged that the Secretary of State, the Secretary of Commerce, one or two Senators and Congressmen speak, and, thank God, nobody else." I did not tell him that I had been invited, for fear he would spread the word and nobody would remain to hear me! (Laughter.)

But I have been very much impressed with the addresses delivered here to-night. I listened with peculiar pleasure this morning to Secretary Redfield, and again to-night, remembering that he has important appropriations that he must get through Congress and wants your support on, and he spoke so well that I am sure you are going to give him that support. And then I was gratified to see how Senator Burton made that magnificent appeal which resulted in his renomination to the United States Senate! (Laughter.) Then I was glad to learn from Senator Ransdell that the Panama Canal is really worth while, because it is second to and after the Plack Warrior System! (Laughter.) But I want to say one thing further, as a tribute to Congressman Peters, and the splendid speech that he delivered. You know Ex-Mayor Fitzgerald and my dear old town friend, Adin Wright, told me they are trying to persuade Secretary Redfield to establish a branch of the Bureau of Commerce in Boston. I want to say it is

not necessary. Congressman Peters is the branch himself, as the speech has shown!

Now, gentlemen, you know it is difficult for me to understand why, after listening to the Secretary of State of the United States, to the Secretary of Commerce of the United States, the United States Senator from Ohio, the United States Senator from Louisiana, the Member of Congress from Boston, you should want to hear from a simple *international* officer!

I looked over your program of to-day and to-morrow, and studying the splendid list of men who are addressing you, I have not seen there, however, the name of a single man from the twenty nations to the south of us. In the very few minutes accorded me, I want to speak to you not merely as a North American, but I want to speak to you as a Latin American. I want to say a word to you as an Argentine, as a Chilean, as a Mexican, as a Cuban.

Now many of you know from long experience in the Orient how it took years of residence there to learn the Asiatic point of view, to get into the mysticism of the Chinese and Japanese and Siamese and Philippine minds, to get their point of view towards the United States. For seven years I strove to obtain that as I served you there, but now for nearly fourteen years I have endeavored to do my duty in the relations of the United States with these twenty countries lying south of us, during seven of which I have been your Minister in three of those countries, and seven years the Executive Officer of the Pan-American Union. During that time I have endeavored, with the very limited mental capacity that I have, to study how these countries and peoples look at us, how they consider our efforts to build up trade and commerce with them; because you know as well as I do that no great lasting foreign trade can be built up unless you consider the purchaser as well as the seller, unless you consider providing a market for what the foreigner has to sell to you as well as considering the market that he provides for what you have to sell. And I have tried to find out what is in their minds as they have considered our efforts.

Gentlemen, I speak with the utmost frankness in this matter, because frankness is honesty, and only with honesty can we build up the great foreign trade that the United States desires to build up throughout the world. There are a score of men in this room, to-night, who know Latin America better than I do; there are a hundred men here who know the United States better than I do; but as it has fallen to me to say this word, I say that which I know to be true. Men of the United States, the first great thing we have got to consider is this: We must stop patronizing these countries to the south of us. (Applause.) No matter how big we think we are, how grand, magnificent, powerful, we must not be continually ramming it down their throats. If there is anything that has saddened me in these wonderful days of mediation which mark the beginning of a great new era in the history of the world, it has been the patronizing attitude that so many of our newspapers—yes, and members of our Senate and House of Representatives—have assumed towards Latin America because it has tried to preserve peace upon the Western Continent. (Applause.)

Now, gentlemen, who is the big man that you like and love; who is the great, big, powerful fellow in your midst that you respect? Is he the man who is egotistical, dominating, and driving everyone out of his path, or is it he who, great and powerful, is thinking always of his weaker and lesser neighbors, and is thoughtful of them? If the United States wants to get the trade of Central and South America, it must stop being in any sense a bully among these countries, and do everything it can to win their affection, their confidence and their love. We must remember that every one of those countries has written its Constitution upon the Constitution of the United States; that every one of them has won its independence through the leadership of generals and statesmen who say they were inspired by the example of our own George Washington.

But when we go down there to visit them, we don't want to make them think, and say to them, that we are the only country on the earth, that we dominate the Western hemisphere, and that they must follow us!

Gentlemen, the whole trouble in all this talk about the Monroe Doctrine is the *interpretation* that is placed upon it—not the Monroe Doctrine itself. When a college professor, who knows more about investigating the antiquities of Peru than about international politics, says the Monroe Doctrine is an obsolete shibboleth, he is interpreting the unfortunate acts of Americans who have had nothing to do with the Monroe Doctrine as the responsible attitude of the United States. Gentlemen, thinking men of this country, let me say to you that there is not a South American country or a South American statesman that objects to the Monroe Doctrine when it is regarded as a Pan-American principle, which means that Argentina, Chile and Brazil would fight for the independence and perpetuation of the United States against Europe, as we would fight for their independence against Europe. (Applause.)

I want to pay a tribute to a big man and a party of his, which has just been to South America, Mr. Hurley of the Illinois Manufacturers Association. For the success of their purpose, I labored greatly before they went down there. Watching the editorial comment of the Latin American newspapers, I found that they all said that the charm of that group of men who came down there was that they did not try to patronize every South American they met, but recognized the progress of the South American countries.

Now there is not a representative of a single company in America—you know that, Mr. Farrell—there is not a president of a great concern in this country, like yours, who, if he goes down to those countries and gives them credit for what they are doing and accomplishing, and does not all the time try to make them think that we are the leaders in everything, can fail to get their trade.

Next I want to try and kill off the worst bugaboo that prevails in the United States: that we are hated and disliked in Latin America. As a Latin American, I say that is false! And I can bring no better testimony—and you have heard him say it, Mr. Straight—than Robert Bacon, who has recently returned from a great trip around South America, and

last night Colonel Roosevelt himself told me the same, after he had talked with the biggest men in those countries down there.

Here is the situation. In your wonderful Senate there are a certain number of Senators and Congressmen, able and splendid men, but they do on special occasions attack certain foreign countries with great energy, and the reports of their speeches are published in full in many papers, and that is published abroad as the sentiment of the American people. Now, then, down in South America, in Argentina, Brazil, Chile, in Mexico, and Cuba, there are certain newspapers, there are certain men in public life, who never lose an opportunity to talk about the Yankee, the Yankee danger, the Yankee Colossus, because they think it is the popular thing to do. The great, big, forceful, controlling statesmen of those countries are not against us if we treat them fairly and do not patronize them, and give them credit for what they are.

And right now, with this meeting at Niagara Falls, this country is going through a great crisis, and every statesman and newspaper of Latin America is watching the attitude of this country to see whether it will be one of sympathy and appreciation or one of patronage.

Again, gentlemen, let me destroy another bugaboo: that they are lands of revolution. I might say that we are not lands of revolution, because I am speaking in my humble way for them. History shows it to be an incontrovertible fact that two-thirds of Latin America in area and population has had no serious revolution whatever during the last twenty-four years. When we talk of Central America and see trouble in Nicaragua, we forget that Costa Rica has never had a revolution practically since it was organized; that Guatemala has had a long period of peace; that South America to-day is in truth one of the most peaceful portions of the Western hemisphere; and when you compare the record of Central and South America with Europe, Europe can beat them two to one in the wars that have taken place during the last fifty years. (Applause.)

And a word as to their culture. Because we are purely students of the English language, we do not realize the literature of Latin America, their historians, their novelists, their

poets; and their painters, if I may speak of art. We don't stop to think that Peru had a university one hundred years old, before John Harvard or Eli Yale thought of founding those universities! We forget that in Argentina was a university fifty years old before any was started in Virginia. And when we speak with mighty reverence of George Washington, we forget the wonderful and marvelous struggle of San Martin to secure the independence of Argentina, of O'Higgins in Chile, and Bolivar in Venezuela, who fought against the inclemency of the climate, and still won out in their struggle against Spain. The other day, when I attended the graduation exercises of a great school and heard them lauding the heroes of Greece and Rome, on whom they had no dependence, and with whom they have no relation, and there was not a boy who had heard of San Martin, and Bolivar, I said it was time for an educational revolution in dealing with these countries. (Applause.)

I want to see the National Foreign Trade Convention extending its scope beyond questions of trade alone, and getting the Universities and Colleges and the public schools of the United States to-day to study our sister Republics—a study of their language and history and heroes and their progress, so that your representatives may know them, and they may know that you know them.

My concluding word is this: It so happens that the Pan-American Union has a unique position in this world. This has nothing to do with my personality. I regret that the distinguished Chairman of our Governing Board, the Secretary of State, is not here that he could confirm what I say to you. Down there at the foot of Seventeenth Street, below the State Department, the Corcoran Art Gallery, and the Daughters of the American Revolution, stands a building, men of Washington and America, that is absolutely unique among the buildings of the world! I do not say it because I am the Director-General of the organization that has its home in it; because long after I am gone and forgotten this will be true: There is the *Capitol* of the Western hemisphere in the *capital* of the United States. In that building is the only place in the world where the plenipotentiaries of a great group of nations

regularly and officially meet by international agreement upon a special day each month, around a common table, to consider ways and means of promoting commerce and friendship among them. (Applause.)

I wish the Secretary of State were here that he could confirm to you what I tell you now, and that is that only a day or two after the whole world was thrilled with the announcement that Argentina and Brazil and Chile had proposed mediation between the United States and Mexico, there met in the Pan-American building, in the Governing Board room, around that table that I want all of you to come and see before you leave Washington, the plenipotentiaries of every nation upon the Western hemisphere, with the exception of Mexico (and he was absent in Canada), and then and there, following the sincere and wonderful speech, Mr. Redfield, made by your distinguished colleague, the Secretary of State, that group of ambassadors and ministers unanimously passed a resolution representing every country of the Western hemisphere excepting Mexico, applauding the idea of mediation as a great step for the preservation of peace upon the American Continent!

That, I say, was the climax of achievement in the Capitol of the Western hemisphere in the capital of the United States; and here to-night, as you gentlemen go out from this room, I beg of you to go not merely as citizens of your respective states and cities, not merely as citizens of the United States, but as citizens of Pan-America, with a vision that includes the business men of Rio de Janeiro, Buenos Ayres and Santiago and Bogota and San Jose and Havana and Mexico, as well as Washington and Chicago and New York and San Francisco, and other cities; and let us all join together to make this flag which so beautifully decorates this room honored in the valley of the Amazon and Parana and upon the summits of the Andes as it is in the valley of the Potomac and Mississippi and upon the summits of the Rockies and the Alleghenies. I thank you. (Applause.)

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SECRETARY REDFIELD: This ends the programme of the evening.

## MORNING SESSION

Thursday, May 28th.

President Johnson in the Chair.

THE PRESIDENT: Will the meeting please come to order?

Gentlemen, I wish to congratulate you upon having survived the first day of the session. I confess that if Foreign Trade Conventions were to become a permanent part of our civilization, I should feel inclined to submit to the Committee on Resolutions a recommendation that they should be brought under the eight-hour law. Fortunately we have a cooler day to-day, and I assure that every effort will be made to press the exercises through as promptly as possible.

In thinking over the events of yesterday, I have been impressed by the fact that the three societies which have stood sponsor for this Convention, and which have thereby done so great a service to American manufacturers and to American trade, have really not had due recognition from the Convention.

The American Manufacturers Export Association, as you know, is an organization in New York City, having a membership not only in New York, but extending throughout the country, the purposes of which are directly in line with the purposes of this Convention. Therefore, those who have at heart the things which this Convention stands for ought to signify it by uniting themselves with the American Manufacturers Export Association.

The Pan-American Society of the United States is less specifically a trade organization than it is an organization of a general character, designed to create good-will amongst the peoples of Latin America and the United States, and having for its purpose the extension of a warm welcome to any of those coming to us from Latin America. It is a fact that we North Americans do not know the peoples of Latin America



in quite the same way that we know the peoples of England and France and Germany and the other countries of Europe. Their visits to us are brief. They do not come into contact with the great number of our citizens, and, therefore, our opportunities of meeting them and extending to them the glad hand of welcome are limited, and the purpose of this society is to supply that need. Therefore, all of the members of this Convention, having relations with the countries of Latin America, or those desiring to have relations with those countries, ought to give their most cordial support to this organization.

And what I have said in regard to the Pan-American Society is also true of the American Asiatic Association, in its relations to China, Japan and the countries of the Orient. The purposes of this society are even a little broader than those of the Pan-American Society, for, while it is not primarily a trade organization, its purpose is to create a better understanding throughout the United States of those questions affecting our relations with the Far East, questions which frequently are so little understood by our citizens. It is not outside the purpose of this society to attempt to effect a friendly influence upon laws, but also upon diplomatic relations with those countries. I therefore feel that it is but fair and just to that society that it should have the most cordial support from all of those who are connected with this Convention in its efforts to bring about a better understanding and a stronger good-will with the countries of the Orient.

I wish to give notice that those having resolutions to present for the action of the Committee on Resolutions should hand them in during this morning's session, as it will be impossible for the Committee to consider any resolutions which are handed in later. The Committee desires to make its report to the Convention this afternoon.

The first paper for our consideration this morning is entitled: "The Federal Reserve Law and Foreign Trade," by the Honorable Charles A. Conant. I have asked Mr. Conant to present the synopsis of his paper. (Applause.)

(Mr. Conant presented a synopsis of his paper, the full text of which follows.)

## THE FEDERAL RESERVE LAW AND FOREIGN TRADE.

BY

The Hon. CHARLES A. CONANT

United States Delegate to the Conference on International Bills of Exchange.

There is no magic in new laws to create capital or to make people transfer their accounts from an old bank to a new one. Whatever law may attempt to do must be supplemented by the honesty, intelligence, enterprise, and skill of individual merchants and bankers. Governments which go so far as that of Germany in aiding their large business enterprises—especially by leaving them unhampered in making combinations to seek trade in foreign markets—may, by encouragement at home and diplomacy abroad, accomplish something to remove the obstacles to the extension of their international commerce; but even such a resolute and constructive policy would be vain but for the enterprise, ingenuity, adaptability and hard work of individual Germans.

If extravagant hopes have been held out in some quarters regarding the benefits of the new federal reserve law in promoting foreign trade, they are likely to be seriously tempered by examination of the chief factors in the problem. Probably the most that can be said in regard to the advantages conferred on American exporters by the provisions of the federal reserve law is its influence in carrying out the declared purpose of President Wilson, that trade should be set free. While we have come a long ways from the old doctrine of *laissez-faire*, it is still true that one of the most important functions which can be performed by the State for commerce and finance is to remove the obstacles to their free movement; but we may yet have to learn that freedom in banking is of little avail in extending commerce unless the freedom conferred is availed by painstaking industry, wide knowledge of markets and of consumers, and the keen application of our intellectual powers in grasping opportunities and correctly measuring them. Unfortunately, in this country we have developed few men

with the grasp of details of foreign exchange and foreign trade methods which is so essential to success in that keenly contested field.

A striking example of the difference between American education in this respect and the education acquired by foreign bankers is afforded by the recent appointment of the New York member of the Federal Reserve Board. He is a practical banker of the highest type, having acquired his education in foreign banking in the practical schools of London, Paris, and Hamburg, as well as in New York. He is in the best sense "a citizen of the world," but he is not a product of American banking education and has been only a few years a citizen of the United States. Yet his appointment from the banking standpoint is probably better than would have been that of almost any native-born American. If the federal reserve system affords opportunities which result in the development of American bankers like Mr. Paul M. Warburg, it will accomplish some of the ends claimed by its enthusiastic advocates; but the machinery cannot be operated without the men, any more than the Bulgarians and Servians in the recent war with Turkey could have operated their machine-guns with such terrible precision if they had not been thoroughly drilled in their use by experts from western Europe before the war began.

There are several provisions of the federal reserve act which bear more or less directly upon the extension of our foreign trade; but carefully analyzed, they are in the nature of setting free commerce and finance from the fetters imposed by previous laws rather than definite constructive measures. The interpretation given for so many years to the national banking act, that it prohibited the creation of branches by national banks, is corrected in the new law by the definite provision in Section 25, that any national banking association with capital and surplus of \$1,000,000 or more may apply to the Federal Reserve Board for authority to establish branches in foreign countries or in dependencies of the United States "for the furtherance of the foreign commerce of the United States."

The privilege to establish foreign agencies is granted also to the federal reserve banks which are created by the new law.

Whether this will be done or not will naturally depend upon the views of the Federal Reserve Board and of the directorates of the local federal reserve banks. It is not impossible that such branches might be established first at London and afterwards in one or two other financial centers, for the purpose of handling foreign bills or accepting bills drawn by the federal reserve banks in the United States.

In order to throw down another existing barrier to the extension of American banking abroad, provision is made in Section 13 of the new law for the acceptance by member banks of drafts or bills of exchange "growing out of transactions involving the importation or exportation of goods, having not more than six months' sight to run." To the federal reserve banks is granted power to discount acceptances of a similar character which have a maturity at time of discount of not more than three months and are indorsed by at least one member bank. The reserve banks have the further power of going into the open market to purchase or sell at home or abroad, either from or to domestic or foreign banks, firms, corporations, or individuals, cable transfers and bankers' acceptances and bills of exchange of the kinds and maturities which are made eligible for rediscount. In this field they are not restricted to requiring the indorsement of a member bank, but may use their best judgment in purchasing such bills as they find in the market.

Obviously, the field is thrown open here for the conduct of foreign exchange operations upon a broader basis than has heretofore been permitted. There is a restriction, however, which is already deterring several institutions from seriously considering entrance into the federal reserve system. This is the provision of Section 13, referring to acceptance, which declares that "No bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half its paid-up capital stock and surplus." Since the testimony given before the Organization Committee in New York showed that a single institution here, with a capital and surplus of \$30,000,000, does an aggregate foreign exchange business running up into the hundreds of millions, it is obvious that neither this institution nor one or two others of a similar character can

afford to submit to such narrow fetters upon its current business. The provision may be a wise one, so far as it relates to less important institutions, venturing for the first time upon a broad scale into the foreign field; but it is not unlikely that Congress would be willing to modify it, if it were the controlling obstacle to the entry of several large trust companies into the new system, by providing that the restriction should not apply to institutions with a capital and surplus of \$10,000,000 or upwards.

Constructive work in the extension of American banking abroad must originate with the national and State banks and trust companies rather than with the federal Government. Such action, even in Germany, where the Government exerts itself so aggressively on behalf of national economic interests, has been taken by co-operation among the joint-stock banks and only indirectly through the aid of the Imperial Bank. What the Government has done has been to throw down the barriers to united action among the joint-stock banks, while it has been left to the banks to combine among themselves for creating banking facilities in foreign markets. When the Deutsche-Asiatische Bank was founded in 1889, it was by the co-operation of the Deutsche Bank, the Disconto-Gesellschaft, the Dresdner Bank, the Darmstadter Bank, and three other German banking houses. This institution was supported by the Government through the grant of special rights in 1906 to issue notes redeemable in Mexican silver and in Chinese taels, through its offices located at Kiau-Chau and in China. The Banco Commerciale Italiana was founded in 1894 by the same group which had formed the Deutsche-Asiatische Bank, with one exception. Similar institutions have been created to encourage German trade in Tunis, Brazil, and Turkey; and in 1904 and 1905, banks of modest capital were formed by substantially the same partners to issue notes and regulate the money market in German East Africa and German West Africa. But even these strenuous and unremitting efforts had only raised the number of German, foreign and colonial banks three years ago to thirteen, according to the eminent German scholar, Dr. Riesser, with an aggregate capital of 100,000,000 marks and with 70 banks, as compared in England with 32 colonial banks

with head offices in London, with 2,104 offices outside of England, and 18 foreign banks with 175 offices.

Upon the question whether the system of acceptances is adapted to the methods of business in this country, and whether a discount market can be created in New York or any other American city (since banking power is to be decentralized), it would be difficult to enter fully in a short paper like this. Already, sharp differences of opinion on the subject have developed in the mercantile community and it remains to be seen whether the master mind of the New York member of the Federal Reserve Board will be able to formulate a plan which will conform to the existing system of granting mercantile credits in America, and will at the same time make possible a discount market which shall give fluidity and convertibility to the assets of American banks. Undoubtedly, there will be a tendency to the creation of bills which are available for rediscount, but it will require time—perhaps extending beyond the lives of the present members of the Federal Reserve Board—to develop the system upon a large scale.

It will be one of the essential functions of the federal reserve banks to protect the gold stock of the country. For this purpose it is desirable that they should have a decisive influence in the market for foreign bills, especially at times of financial disturbance. Unless they are able to exert such a power, either by rediscount or by operations in the open market, the federal reserve banks will fail in one of their essential purposes. It is in regard to this function that it has seemed most important that there should be a concentration of banking power and of gold resources rather than the decentralization which is the ideal of some of the critics of the old system.

In pursuance of the policy of adequately protecting the gold stock of the country, and at the same time having sufficient resources to grant rediscounts liberally in case of monetary pressure, it is desirable that the federal reserve banks should accumulate foreign bills. The policy of holding foreign bills, long pursued by the National Bank of Belgium, has, during the past decade, acquired much wider use and reputation than formerly. Since the great operation of the Morgan syndicate in 1895, which showed that even under adverse con-

ditions strong banking houses can at least neutralize needless shipments of gold by establishing sufficient credits against which to sell exchange, the policy has been generally adopted in Europe by the great central banks of accumulating bills when they are plentiful and releasing them when the demand arises for the settlement of large balances abroad. Austria-Hungary, in putting her monetary reform in effective operation, acquired practical monopoly of the exchange market by an agreement in 1901 between Count von Bilinski, then Governor of the Austro-Hungarian Bank, and the houses which had previously dealt most largely in foreign exchange. It is not to be anticipated that existing American houses would surrender without a struggle their power in the exchange market, nor is it likely that the federal reserve system will be sufficiently well organized in the near future to undertake a monopoly of exchange operations. The time, indeed, may never come when this will be necessary or desirable, but the time is likely to come soon when co-operation will be desirable between the federal reserve banks and the great exchange houses for sympathetic efforts to maintain the stability of the American exchange market and the adequacy of our stock of gold.

From the accumulation of a stock of foreign bills by the reserve banks will follow perhaps some benefits to foreign trade; but, obviously, they will not accrue until the trade exists. Only through a long process of development, both among the old banks and the new federal reserve banks, will it be possible to establish a market for foreign bills and acceptances approaching in flexibility the markets which have grown up by a process of natural evolution in London, Paris, and Hamburg. One of the underlying factors in the situation, and one against which legislative panaceas usually beat their heads in vain, is the ratio of capital in the country to the demand for it and the rate charged for its use. While the mechanism of modern finance has found the means of equalizing the distribution of capital by the sale in the capitalistic countries of securities representing enterprises in the less developed countries, this mechanism has not entirely overcome the tendency of interest rates on permanent investments towards a

higher level in the undeveloped countries than in those which have capital to lend. In the field of short-term credit, equality of discount rates throughout the world would perhaps come a little nearer to attainment if differences in the character of credit could be overcome. Through the instrumentality of the international market for short-term capital, credits can be transferred at will from New York to London or from Berlin to Paris; but this applies only to credits of the highest type, and this very facility of transfer, while acting between solvent countries as a buffer against violent changes in the rates of money, sometimes accentuates the flight of capital from points where credit is called in question.

While it should undoubtedly be the patriotic aim of American financiers to transfer the center of exchanges from London to New York, this end cannot be soon accomplished by one nation in the face of the development, extending over more than a century, which has made London the center of the exchanges of the Orient and of Latin America. England entered the field of international exchange, as she did the field of machine production, at a time when it was almost unoccupied. Her manufacturers and bankers made "trade follow the flag" because their capital went with it; while her firm adherence to the gold standard, and the maintenance of a free market for gold, gave to the bill drawn in pounds sterling an empire more nearly universal than even that temporal Empire of England, which, in the eloquent words of Webster, "has dotted over the surface of the whole globe with her possessions and military posts, whose morning drum-beat, following the sun, and keeping company with the hours, circles the earth with one continuous and unbroken strain of the martial airs of England."

Wonderful as has been the productive power of the American people during the past generation, great as has been the growth in our banking resources (swollen fictitiously in some degree by the rise of prices), intense and restless as has been the energy of our manufacturers and financiers, there is still a wide field for the employment of American capital under the jurisdiction of the United States or in countries closely adjacent to us. We are sovereign in the Philippines, and are not



likely soon to cease to be so. We are the natural market of the products of the rich soil of Cuba, whose people appreciate the great and gratuitous service which we rendered them in establishing their independence. In troubled Mexico there is invested already a thousand millions of American capital, which in time of peace would be serving purposes useful to American industries and earning an income equal or superior to that earned by capital in the United States.

In all these fields there is an opportunity for the employment of American capital which is likely to maintain the demand for it at rates higher than the returns which will be accepted by Englishmen, Frenchmen, Germans, Swiss, and Belgians for their surplus savings. Until the surplus of capital in this country is so great that the return upon it is forced down to the competitive level of Europe, we cannot expect to compete on a large scale in the undeveloped countries for the permanent investment of our capital in the machinery of production or in banking; and so long as we can earn enough to pay the banking charges of foreign institutions, already reduced to the lowest fractional level by competition among themselves, we are not likely to find large profits and great attractions in the slow process of building up American banking organizations in remote countries.

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THE PRESIDENT: Mr. Conant's paper will be discussed by Mr. John E. Gardin, Vice-President of the National City Bank of New York. Mr. Gardin. (Applause.)

MR. JOHN E. GARDIN: Mr. Chairman: I have studied Mr. Conant's paper very carefully, and took a great deal of pleasure in concurring in practically everything he said. He practically voiced my opinion, but I do not quite concur in some of his remarks, and in particular with regard to the action of this country in the year 1907. Mr. Conant said there had been repudiation. There was no repudiation. It is a misleading idea, and it is surprising how many of the European banks even had the idea that there had been repudiation. As a

matter of fact, gentlemen, the worst kind of money we had commanded the highest premium at that time, and that was the one-dollar and the two-dollar silver notes. We suffered then from a lack of circulating medium due to a hoarding mania that suddenly sprung up caused by an avaricious desire to obtain the high premium that money commanded.

The subject so far has been handled in a scientific manner by Mr. Conant and as I say, I concur with him completely and have nothing to add. But I would like the privilege of making a few remarks along practical lines on the subject for which we are here convened, and that is the furtherance of foreign trade relations. One thing struck me very forcibly in the opening remarks made by Mr. Redfield yesterday, in which he said we lacked courage. There never was a truer word spoken. I found that out in my own experience in the banking business. The first question the exporter always asks is, "How am I going to get my money?" We know the people to be good, but the question is, "I want my money." Look at the attitude of the foreigners on that question. Are there any of you gentlemen here who would extend credit to Huerta, Villa or Carranza? But they are getting the goods just the same, and somebody is giving credit. That is an instance to show the courage that is the basis of the European commercial instinct.

The Federal Reserve Law is the one bright spot that we have to look forward to at the present moment. The administration of our Government certainly has given us two things of which we might be proud: one, the reduction of the tariff—and I am referring to that now from a broad sense as opening up the markets of the world,—if we want to sell we have got to buy; the other is the Federal Reserve Law, which relieves us from the bondage from which we have been suffering for the last fifty years, and I consider that relief just as important as the emancipation of the slaves in 1860 or 1861. The Federal Reserve Law favors foreign commerce more than it does domestic commerce. It gives us the privilege of accepting time bills where imports or exports are concerned. It does not give us that privilege for domestic commerce and I am sorry that it does not; but that is coming, I feel sure.

Now, gentlemen, I would say this one word. It is up to us to be conservative and make haste slowly. We have got the brains; we have got the capacity; we are capable people; but we lack the training. We are the upper crust. We know what we want and we are going to get it; but it will take time. We have got to educate downward. We must educate our clerks and get a solid foundation for the work we are going to do in foreign lands. You gentlemen are not expected to go into your shipping department and into your book-keeping department. You must have capable men to call upon to do this work and you must educate them. The present slipshod methods prevailing in mercantile houses are deplorable, and it is only through education and teaching, and in the co-ordination of the various branches that you will ever be able to have an efficient staff that will carry out your wishes. In our institution I am proud to say we are starting in with a course that any of the colleges would be proud to have, and the attendance of the classes there is not voluntary, it is compulsory. The roll is called every time, so that these men in their practical studies in banking may co-ordinate the various branches of the business one to the other, so that they may gradually work up and become officers of the institution and direct the work of the younger men. The men who do not attend these classes need not hope for any preference.

Another thing that we ought to have in this country is commercial schools, and these commercial schools ought to have practical men to direct matters.

Still another thing is to teach the clerks that it is necessary to have honest and fair dealing with foreigners. We are all honest ourselves, and we know what we want, but the men back in the offices do not realize the importance of all this. If a contract calls for red paper, the articles must be packed in red paper and not in blue paper because blue paper is more convenient; and so all along the line.

Now, I just want to say one more word. The seed has been sown, and it will grow. This Convention is doing a great work, and the ideas that have been brought forward here will be spread broadcast through the land for the benefit

of all those who wish to partake of the benefit of the new freedom.

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THE PRESIDENT: The discussion of Mr. Conant's paper will be continued by Mr. Fred Brown Whitney, of Bridgeport, Conn., Chairman of the Board of Directors of the Lake Torpedo Boat Company.

MR. WHITNEY: Mr. Conant's analysis of the Federal Reserve Law, sections 13 and 25, is concise and clear.

His conclusion, "we are not likely to find large profits and great attractions in the slow process of building up American banking organizations in remote countries," is sound from the immediate standpoint of the ordinary American banker whose profits only come from banking as such. He mentioned the foreign banking co-operation of certain powerful German banking groups, but it might be interesting for all to know that those groups are directly interested in certain large German export factories which make substantial manufacturing profits by the sale of their products in countries where the branch German banks are located abroad.

At first the foreign branch banks of Germany lost money but finally paid dividends. The net result is that the financial groups indicated make enormous profits from the combined bank dividends and manufacturing profits.

South American banks return 15 to 20 per cent. to their stockholders.

The American people through Congress, in sections 13, 14, and 25 of the Federal Reserve Act, have issued a mandate—eternal and omnipotent—that the United States shall become a World Power in international finance and trade. As a declaration of intentions the sections of the law are perfect. If the Federal Reserve Board under its broad implied powers finds the Act unworkable, Congress will pass remedial legislation.

Where there is a will there is a way. The will is indicated in certain pointed views of representative men of North and South America.

The chairman of a group of men who visited South America last year under the auspices of the Boston Chamber of Commerce has stated:

"We should encourage the establishment of American banks and enact any legislation necessary to help the project."

A National Association of Manufacturers' president, after a tour of observation through South America, has said:

"As in our ocean commerce, so also in our financial relations with other countries, we are dependent largely upon the services by foreign interests. Particularly with nations to the south of us we are in urgent need of direct international banking facilities. In the great trade centers of South America the English, the German, the French, and the Italians have their banks, but I think I am right in saying that there is not an American bank in all South America. Manifestly this is a serious hinderance to our trade. There are abundant reasons for the belief that the commercial interests of the United States in South America would be greatly benefited if they are independent of England in their financial transactions."

A president of a large New York National Bank has declared:

"I think the establishment of first-class steamship communications with these countries (South America), coupled with international banking relations, would be a powerful instrumentality in giving the United States a large portion of the trade of those countries—a trade which from contiguity and natural ability to supply belongs to us. The time has come when we, as a nation, *must break our shell* and cease to content ourselves with developing our domestic trade and compete for the trade of the World if we would keep our factories and laborers employed."

An Envoy Extraordinary and Minister Plenipotentiary of Brazil to the United States has stated:

"The adverse balance of trade paid by the United States is pocketed by Europe and principally by Great Britain in dis-

charge of the balance in her favor against Brazil." The U. S. adverse balance for 1913 is \$77,517,388.

It is well known that in commerce very small margins, very small profits or losses, determine the placing of orders for merchandise and the difference of a banker's commission has to be taken into consideration in the rivalries and competitions of buyers and sellers. The European manufacturer or exporter is generally prepared to give thirty days or even nine months credit desired by the Brazilian importer and every facility is offered for this by the banks in the European commercial centers. The American manufacturer cannot always give such credits but, even if he were disposed to do so, he has no banking facilities for that purpose. This state of things can easily be remedied by the establishment of an international American bank. It will find abundant profit for the American capital invested in it in the business that legitimately belongs to the settlement of American and Brazilian trade as far as they balance and may reasonably be expected to operate in the direction of reducing the great balance which now exists against the United States to the advantage of European trade.

A United States Minister to the Argentine Republic has stated:

"This city (Buenos Ayres) offers a splendid field for American banking capital and I am satisfied that an American bank, conducted as our banks are, would command great favor here and find many advantages and facilities extended to it. I am equally certain that it would be the *means of extending and enlarging* our commerce with this country."

A Secretary of State of the United States has said:

"The merchants of this country are as dependent upon the bankers of Europe in their financial transactions with their American neighbors as they are upon the shipowners of Great Britain for transportation facilities, and we will continue to labor under these embarrassments until direct banking systems are established.

"In the merchandise imported into the United States the greater part was paid for by remittances to London and the cities of the Continent to cover drafts against European letters of credit.

"For the use of these credits a commission of three-quarters of one per cent. is customarily paid so that the European banks enjoy a large profit upon our business with a minimum of risk."

(For the Brazilian trade alone in 1913 this commission represents about one and one-quarter million dollars.)

"This system steadily results in losses to our merchants in interest and differences in exchange as well as in commissions.

"These losses would be largely reduced by the establishment of an international system of banking between the American Republics."

A committee on banking of a Pan-American Congress reported:

"It will be *impossible* for the commerce between American nations to be greatly enlarged unless there be supplied to their merchants means of conducting the banking business which shall in some measure liberate them from the practical monopoly of credit which is held by the bankers of London and the European Continent.

"While the sentiments of the independent nations of this continent are favorable to the settlement of all disputes by arbitration as expressed by resolutions introduced in the conference thus rendering it (war) more highly improbable if not impossible among them, there exists no such guarantee that war may not take place in Europe. In such an event, as long as we remain solely dependent for our financial facilities upon European money centers, a complete demoralization of our credit facilities and our money markets would necessarily follow and cause disaster and distress which would be considerably lessened, if not altogether avoided, were there a well-organized system of inter-American exchange."

The following resolution was adopted in part:

"Resolved, that the Conference recommend to the Governments here represented the granting of liberal concessions to facilitate inter-American banking." Signed by members from the United States, Chile, Brazil, Colombia, and Costa Rica.

A vice-president of the First National Bank of Boston recently returned from South America after an exhaustive investigation of the banking facilities and situation in Argentina and Brazil. He stated, "How can it be expected that these banks of European nations should convert themselves into charitable institutions for the aid and protection of American business?"

"A bank from the United States establishing a branch in South America would have hard sledding at the outset. Undoubtedly such a branch must have a large capital at its command. I would put \$5,000,000 as the minimum figure for the bank's beginning capital. More would be needed. They would be bound to meet some cutthroat competition from the banks of Europe. Only a large bank would be able to meet the pressure."

Mr. Conant is sound in his remark, "constructive work in the extension of American banking abroad must originate with the national and State banks and Trust companies rather than with the Federal Government."

While the Federal Reserve Law provides that the Reserve Banks may establish agencies abroad to deal in certain kinds of paper, such banks cannot accept individual deposits and cannot make the ordinary loans needed by our nationals doing business abroad. The American residing abroad needs just the same bank accommodations as the merchant and manufacturer at home. He wants and needs branch banks which can do anything that the main bank can do at home. The handicap is that not many single national banks have the capital immediately available to accomplish the desired ends abroad through branches. Many American banks have strong connections in Europe and split commissions, and it is doubtful if many will feel it profitable to embark into foreign competition against their old associates in foreign exchange affairs. It



may be found advisable to follow the example set by the great German banks which combined their foreign business in a jointly-owned bank for foreign trade.

The American bankers have not the contingent manufacturing profits in foreign business and hence it may be necessary for our American manufacturers to initiate, or subscribe liberally to the capital stock of, banks for foreign trade with the intention of deferring immediate bank dividends with the expectation of making a substantial profit through increased sales of goods exported through expanded banking facilities.

In that event the law should be amended to permit directors to reside in places other than the home State of the main bank.

It is not likely that many American bankers will take off their coats to whitewash the fence for the American manufacturers who may desire to expand business abroad through better banking all-American facilities abroad. The real profits will come to the manufacturer and he must see to it that banks are established abroad.

The per capita exports of the United States as a whole are at least a quarter less than those of Germany and of England, each of which increased total exports for a quarter of 1913 over 1912 by about a fifth while the United States increase was about a fortieth.

The bulk of English and German exports being manufactures the comparative increase of the United States finished manufactures is insignificant. It was 18 per cent. for the quarter indicated.

Little England is the first export nation, Germany second, and the United States third, and both Germany and England are increasing exports faster than the United States.

The United States has the natural resources and skilled workmen but no banks abroad like England and Germany.

Marshall the financial forces of the American banks and they are irresistible in foreign affairs.

One of America's greatest financial writers has stated, "the Federal Reserve Act's provisions are negative rather than positive and will require energy, brains, and capital to make them effective."

It is suggested that it is the duty of American manufacturers to supply some of the requirements indicated and hence the suggestion is left with you that American National Banks for foreign trade, with at least \$10,000,000 capital each, with many branches in many lands, with many national banks as profit sharers, feeders, and local representatives, are our country's need to vitalize the Federal Reserve Act's sections 13, 14, and 25, which provide national banks' acceptances for foreign trade bills of exchange and branch banks abroad, and to protect our free market for gold.

Because, 1. Section 14 is now impotent for exports acceptances and of limited power as regards imports acceptances, as there is no regular market for U. S. exchange abroad; 2., only hugely capitalized banks with numerous branches abroad can eventually, scientifically and advantageously, substitute in American trade American dollar acceptances for London Sterling and prevent cut rates to eliminate American expansion, price discrimination against American bills and retaliation of London against U. S.

Germany, at a great first-cost but ultimate profits, attacked London's monopoly and slowly but surely took much trade from England in many lands. France is considering the same problem.

America must eventually tackle London's monopoly of American exchange and trade finance and should do so with typical American spirit and determination to win out regardless of time, trouble and first-cost. The problem being national, demands the best thought, mature deliberation, national co-operation and immense available capital of American philanthropists, patriotic publicists, public spirited bankers and wide-awake export manufacturers. (Applause.)

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THE PRESIDENT: This concludes the discussion of Mr. Conant's very able paper. We will pass now to the second paper for our consideration this morning, "The Tariff and Foreign Trade," by Professor Henry C. Emery, of Yale University. I am very sorry to say that we have a telegram from

Professor Emery, saying that it is impossible for him to be here this morning.

(The full text of Professor Emery's paper follows.)

## THE TARIFF AND FOREIGN TRADE.

BY

Prof. HENRY C. EMERY  
Yale University.

I assume that in asking me to prepare a paper for this occasion the Committee intended me not to enter into any elaborate discussion or any detailed history, but to present certain considerations as a basis for practical discussion. This discussion would naturally take the form of considering whether or not in this country tariff legislation can be used as a means of stimulating American exports and, if so, what should be the line of practical activity on the part of those interested in the export trade.

During the whole history of tariff legislation throughout the world in the last two or three centuries, the possibility of using tariffs as a means of securing peculiar advantages for the merchants and manufacturers of one country in the markets of another has played an important rôle. The three objects of tariff legislation have been, (1) to secure revenue; (2) to protect the home manufacturer against undue competition from foreign manufacturers in his own market; and, (3) to use tariffs for bargaining purposes in the way of commercial treaties under which mutual concessions should be granted. Furthermore, tariffs have sometimes been used for purposes of mere retaliation, which is only the reverse side of reciprocal concessions and does not need separate consideration here.

The idea of the value of tariffs for bargaining purposes was a constituent part of the whole commercial policy of the earlier period. In the last half century this has remained true for the leading nations of continental Europe. In fact, the tariff rates of most continental countries are determined by a

network of treaties which provide for a lower schedule of duties than the general rates which are supposed to prevail in the absence of such treaties. You are familiar enough with the two different continental methods. One is that best typified by France, where the legislature adopts two separate schedules, known as the maximum and minimum tariffs, and then grants the minimum rates of duty by special treaty arrangements. The other is that typified by such countries as Germany and Austria-Hungary, where the legislature first adopts a general tariff and then special treaties are negotiated by the administrative branch of the Government according to the particular concessions reciprocally granted in each case, and these new rates ratified by the legislature, where so required by the act. The countries of the continent, however, have adopted a liberal interpretation of that clause in commercial treaties guaranteeing most favored nation treatment. Under this interpretation, any new concession made to any particular country is *ipso facto* granted to all other countries with whom most favored nation treaties exist. Consequently there is not a large variety of different rates assessed on imports from different countries, but usually the lowest rates in any of the treaties become the treaty rates for all. Thus we have really in most cases simply two tariffs, the general tariff and the so-called conventional tariff.

On the other hand, England and the United States have, in the main, followed a different policy. In both of these countries the idea of the use of tariffs for bargaining purposes is either non-existent, or unimportant. A general tariff has been adopted, with a single eye to what is supposed to be the needs of the home country itself, and has been made to apply to all countries alike. The great difference, of course, is that, so far as England has levied tariff duties at all, these have been on the basis of tariff for revenue and the English market has been, in general, opened freely to the imports of the world. Consequently, England has had nothing to trade with because she has had no further concessions to make.

In the United States the opposite rule has prevailed. The rates have been adopted chiefly for purpose of protection and,

in general, with the idea that the home market was the only market to which the legislator should give consideration. Where acts have been passed nominally on the revenue theory, they have still imposed rates on a vast variety of articles produced at home, and the primary thought has been that the rates should be fixed once for all by the legislature on the basis of a consideration of home needs only, whether the needs most dominant at the time were those of the producer or those of the consumer. The old theory was quite natural in view of the economic conditions of the time. With a surplus of raw materials and food products which, apparently, the world would have to buy at our prices in any case, and with a small amount of export trade in manufactured articles and a seeming dependence for some time to come on the outside world to supply our deficit in manufactures, it was not unnatural that the legislator should feel that we had no occasion to take part in the adjustment of tariffs with a view to any special care for the interests of our exporters in the markets of the world.

As the importance of American exports, especially the exports of manufactures, increased, the feeling began to grow among business men, who had been satisfied with the old system, that the export interests were being neglected under our customary policy and that it was time for a change. The leadership of Mr. Blaine in this idea is well known, and even President McKinley gave utterance to the same views in his last speech just before his assassination at Buffalo. This idea continued to grow to such an extent that various manufacturers' associations began to put themselves on record in favor of tariff reductions devised primarily to stimulate the export of American manufactures.

In view of these tendencies, I read a paper before the American Economic Association in 1908, entitled "The Best Way to Work for Tariff Revision." Speaking before an audience of whom a majority were probably out-and-out free traders, and of whom nearly everyone believed in some tariff revision in the direction of lower duties, I urged that it was time for the economists of the country to put aside for the moment the general free trade theory and to work in sym-

pathy with this new element in the business world. I held that effective tariff reductions had seldom been made in the interests of the customer alone, but usually only when a strong and united group of producers favored such action. I thought that perhaps the time had come when the new interest in foreign markets on the part of American business men might become a genuinely effective force in determining the course of tariff legislation. The immediate events of the next few years, however, showed only a very limited realization of such ideas.

Since then we have seen two tariff laws enacted, one under a Republican administration in 1909, the other under a Democratic administration in 1913. In neither of these was any such consideration given to the problem of export trade as I had hoped might be the case in future tariff legislation. The tariff act of 1909 made some increases in rates and some substantial reductions, but these were not framed with a primary thought of foreign markets. The act of 1913 resulted mainly from popular dissatisfaction with high prices and was passed with a view of relieving the ultimate consumer at home rather than advancing the interests of the American producer abroad. It is true that there are certain provisions in both of these acts which have reference to possible concessions by foreign countries, but I think the statement holds good in general that the rates in both cases were determined on the old policy of isolation; that is, the rates were determined in relation to their effect on adjusting the relation of the producer and the consumer in the home market.

I well recall the advice given me by a prominent senator of the old school shortly after I had been appointed chairman of the late Tariff Board. It was to the effect that there was nothing worth considering in the new agitation about the importance of the foreign market. He insisted with vigor that the home market should be the only thought of the legislator and that our foreign trade would never be important enough to risk the home market in the slightest degree by concessions devised to secure possible advantages in the markets of the world.

The attitude of those who oppose the protective system

is, on the whole, equally disregardful of this element. Reductions are made with a view to the welfare of the home consumer. Hides were put on the free list in the Republican tariff of 1909. This was done for the American consumer of hides, and no attempt was made to provide that hides should come in free from foreign countries, *provided that such countries should make equivalent concessions on imports from the United States*. Wool was put on the free list in the Democratic tariff of 1913. Again no provision was made providing that such concessions to the foreign exporter *should be met by some concession in favor of the American exporter*. I am not attempting to argue that such stipulations should have been made under the conditions in either case. I mention them only to emphasize the fact that, whichever party is in power, a reduction in tariff rates is made strictly on its own merits and not used, as would commonly be the case among continental countries, as the means of securing a *quid pro quo*.

It is true, of course, that in most of our recent tariff acts some nominal attempt has been made in the direction of considering the possibilities of securing concessions from foreign countries. But these have been so divergent in character, so limited in their scope, so *incidental* to the main purpose of the act, as to be discouraging rather than encouraging to those who seriously advocate the use of tariffs for bargaining purposes. The McKinley Act of 1890 in the famous section 3, inserted through the influence of the then Secretary of State, Mr. Blaine, gave authority to the President to order that duties (definitely prescribed in the act) should be levied on certain important articles included in the free list, provided that he should be satisfied that duties in foreign countries levied upon exports of the United States were "reciprocally unequal and unreasonable in view of the free market given to such products under the act." These articles were primarily sugar, molasses, tea, coffee, and hides. The purpose of the section was stated to be "to secure reciprocal trade." Under this provision proclamations were issued by the President and commercial arrangements made with various countries by which important reductions of duty on American products

were secured. As showing the possibilities of such a clause, perhaps the reductions secured from Brazil and Cuba were the most significant. On the other hand, duties were imposed on the enumerated articles by a proclamation of the President in the cases of Colombia, Venezuela, and Hayti in 1892. No very definite conclusion can be drawn as to the working of this clause in either direction, since it was in operation for so short a time. The revision of the tariff came in 1894 and the new act repealed section 3 of the law of 1890.

The Act of 1897, as you remember, had a three-fold provision. Section 3 provided that "for the purpose of equalizing the trade of the United States with foreign countries," the President might enter into negotiations with other countries by means of commercial agreements to secure concessions in tariff rates on the products of the United States, and that where he satisfied that equivalent concessions had been made he might, by proclamation, reduce the duty on a certain number of articles by a specified amount. The list, however, was extremely limited, including argols, brandies and other spirits, champagne and still wines, paintings and statuary, on which reductions were provided of from 12½ to 25 per cent. on the regular rates. The second provision was practically the same as that of the McKinley Act, providing for an imposition of duties on a few articles included in the free list, but from the older list hides and sugar were now taken out.

Finally, section 4 of the act gave authority to the President to undertake the negotiations of general reciprocity treaties with mutual concessions in rates, such treaties to be ratified by the Senate and approved by Congress. Of these three provisions the first only proved to be of any importance. A series of treaties was negotiated under section 4, but never received the approval of Congress. No use was made of the second provision. Under the first provision, however, arrangements were made with a large number of countries, including France, Germany, Austria-Hungary, Italy, Switzerland, and various others. In a few cases, unquestionably, the concessions on the part of foreign countries were made in



order to secure the lower rates on the enumerated products. More commonly, however, this provision simply gave an opportunity to countries which really wished to levy their treaty rates on American products to do so without loss of dignity and without sacrificing the general principle that, in view of the American interpretation of the most favored nation clause, concessions could not be made to American products without some equivalent in return. The conventional rates secured, for instance, from Germany were out of all proportion to the reduction made by the United States.

These agreements remained in force until 1909. Under the act of that year a new policy was adopted. The Act of 1909 gave up altogether the idea of securing favorable tariff rates by means of special reciprocity treaties with separate countries, and provides for the prompt abrogation of all outstanding treaties, except the treaty with Cuba, under which reductions on all rates of 20 per cent. are mutually conceded. Instead it adopted, in theory at least, the principle of a maximum and minimum tariff. The rates were fixed in the first place as representing the opinion of Congress as to what should be the normal tariff for purposes of revenue and protection. It was then provided that this tariff should be the "minimum tariff" of the United States. A "maximum tariff" was to consist of the rates of duty prescribed in the dutiable list and in addition thereto 25 per cent. ad valorem. The President was then directed to ascertain whether by means of tariff rates or any other regulations other countries "unduly discriminate against the products of the United States" and, in case no such undue discrimination existed by the first of April, 1914, the President was by proclamation to grant the minimum tariff to such countries. Where undue discrimination was not removed by the date fixed, the maximum rates were automatically to apply to the country in question.

Before considering the character of this provision, it should be noted that this new policy was again given up by the present Act of 1913, which provides as follows:

"That for the purpose of readjusting the present duties on importations into the United States and at the same time

to encourage the export trade of this country, the President of the United States is authorized and empowered to negotiate trade agreements with foreign nations wherein mutual concessions are made looking toward freer trade relations and further reciprocal expansion of trade and commerce: *Provided, however*, That said trade agreements before becoming operative shall be submitted to the Congress of the United States for ratification or rejection."

Thus our fluctuating policy regarding this problem may be summed up as follows:

ACT OF 1890: Authority given to the executive to levy rates specified in the act on a few articles included in the free list. *Results*: Arrangements with various countries, either securing their conventional rates on certain products or actual reductions in prevailing tariffs. In some cases these were nominal rather than practically significant. In others they were of genuine, though limited, commercial importance.

ACT OF 1894: No provision as to foreign tariffs, except repeal of above authority.

ACT OF 1897: (A) Provision similar to act of 1890. *Results*: No action taken.

(B) Provision for commercial arrangements on the basis of slight reductions on a few articles (the lower rates specified in the act itself). *Results*: Arrangements with various countries, securing minimum or conventional rates either on all articles or on certain specified articles of American export.

(C) General authority given to the executive to negotiate reciprocity treaties changing American tariff rates in response to similar concessions, but such rates to be ratified by Congress. *Results*: Various treaties negotiated, but none ratified.

ACT OF 1909: Abandonment of idea of special reciprocity treaties and abrogation of existing treaties. Adoption of maximum and minimum theory. *Results*: Important concessions secured in a few cases, referred to below.

ACT OF 1913: Abandonment of maximum and minimum idea. Abandonment or reciprocity arrangements through executive, based on reductions specified in the act (cf. method (B), Act of 1897). No provision for imposition of duties

on goods contained in free list (cf. method (A), Act of 1897). Return to general provision for reciprocity agreements negotiated by the executive and ratified by Congress (cf. method (C), Act of 1897). *Results:* Not yet tested, but in light of experience likely to prove *nil*.

Returning for a moment to the Act of 1909, let us see what facts appeared as to discriminatory and preferential tariffs, referred to in the title of this paper. In general, it may be said that the situation revealed that the United States was being treated more fairly by other countries than might be expected from the very slight concessions which had been made under any previous legislation. The most striking case of rates unfavorable to American exporters was found in preferential tariffs granted by the leading British colonies to the mother country or to other parts of the Empire. These were substantial and important from the commercial point of view. On the other hand, the Government held that these were internal arrangements within the confines of a political unity, and that in so far as such colonies granted the same rates to the United States as to all foreign countries outside the Empire, no undue discrimination existed. This was true of all the British colonies except Canada. It was also true of all foreign countries whatsoever, except France and Germany.

The act, however, contemplated not only tariff regulations, but other regulations regarding inspection of products, and so forth. Under the operation of the act it was possible to secure the removal of discriminatory regulations regarding the inspection of American pork products, which had existed in some instances. Prohibitions of import of American cattle and beef had to be accepted as not unduly discriminatory, as they were based, in theory at least, on sanitary grounds and since similar prohibitions exist in this country.

Consequently, as the result of absence of undue discrimination, proclamations granting the minimum tariff of the United States were promptly issued to all countries, except in the three cases of Germany, France and Canada. Before the first of April an arrangement was made with Germany under

which she granted to us her complete and unqualified minimum or conventional tariff. Already under the old agreement we had had the benefit of these rates on the great majority of our exports. The granting of lower rates on all products was primarily due to what was considered a change of principle rather than to the granting of any favors by this country. Germany had stood out for the principle of securing as low rates from this country as were granted to any other country before making the full concession. Under the new principle of a maximum and minimum tariff it appeared that such favored nation treatment was assured: that is, no other country could secure better treatment than that accorded by the minimum tariff. In all cases foreign countries were willing to waive the exceptional case of the Cuban treaty, because of the peculiar relation between that republic and ours.

In the case of France the full minimum tariff was not given, but such concessions were made as to satisfy the Government that undue discrimination did not exist. It is not possible to go into the complexities of the Canadian tariff. It includes (1) a preferential schedule on British goods; (2) treaty rates on certain products as fixed by the treaty with France and granted to certain other nations on the basis of most favored nation treaties; and (3) a general tariff applicable to the world at large, including the United States. In addition to all these there is a provision for a surtax to be added to the general rates as a means of retaliation. This fourth set of rates the Canadian Government held to be their real maximum tariff similar to the maximum tariff provided by our Act of 1909. This surtax had already been applied against Germany. In view of this fact and also of the relative unimportance of the concessions made under her treaty rates, it was held that undue discrimination did not exist, so that ultimately the minimum tariff of the United States was granted to all nations. The negotiation of a general reciprocity treaty with Canada, which failed of adoption on the other side of the line, was an entirely later and independent matter which does not need discussion here. The effort, however, was a further illustration of the shifting character of our

policy, and showed that leading officials of the Government did not really understand the change of principle made in 1909.

It should be stated, in passing, that it was fortunate for us, as well as for others, that so little undue discrimination existed and that, where it did seem to exist, satisfactory arrangements could be made before April first. Whatever may be said of the advantages of a maximum and minimum tariff in general, such a maximum tariff as that adopted by the Act of 1909 could not, in the long run, form the basis for reasonable and intelligent negotiations. It was meant perhaps as a "big stick," but there is such a thing as having a stick so big that it will drop on your own toes in your effort to wield it. It was absolutely sweeping in its provisions and applied a uniform additional rate of 25 per cent. ad valorem on all dutiable goods. If it had been applied against Canada, for instance, it would have raised the duty on news print paper from \$3.25 a ton to over \$10.00 a ton, and the duty on lumber from \$1.25 a thousand to over \$6.00 a thousand.

What now remains for the business interests of this country to consider in connection with this problem? Can or cannot the tariff be used as a means of stimulating the export trade? It will be urged by the theorist that imports always stimulate exports and, therefore, that all reductions of the tariff are in so far a stimulation to the exporting trade of the United States. Whatever the validity of this theory, it is too general for the purposes of this occasion. I assume, the real question which I have been asked to consider is whether, under our system, the tariff can be used for bargaining purposes or can be framed with a view to securing practical advantages to our exporters in foreign markets. On this point, the outlook is certainly discouraging.

In the first place, there is no settled legislative policy in this regard. A glance at the fluctuations in policy referred to above is sufficient to establish this fact. Nor is it merely a question of which party is in power. Under Republican legislation very different kinds of experiments were tried and the new Democratic act, while discarding the principle of the Republican act of 1909, adopts a prominent feature of the

Republican act of 1897. Reciprocal negotiations, however, require astute and careful handling, looking to long-time results rather than immediate results. The commercial treaties of continental Europe commonly run for ten or twelve years. Unless some stability of policy can be established, there is little likelihood of advantage to be found in continual experimentation.

In the second place, our whole system of government, and especially the relation between the executive and the legislature, in matters of legislation is so different from that of European countries that it is not likely that a policy of reciprocity treaties, similar to that of Germany, could be effectively adopted in this country. In Germany it is the business of the administration to frame tariff measures and introduce them in parliament. In many European countries the cabinet is really a committee of parliament. In either case the administration is in such close touch with the legislative branch that in most cases the question of the ratification of a trade agreement (when necessary at all), is a mere formality. This does not mean, as some people seem to think, that the legislature abrogates its function in this regard entirely; merely that the administration can determine beforehand what concessions are possible of ratification and what are not.

In the third place, to make any effective use of a tariff for bargaining purposes there must be, not only closer relations between the administrative departments and the Ways and Means Committee in such matters, but a closer relation of our administrative departments among themselves and also a more continuous policy from administration to administration, representing the united opinion of all the departments concerned.

If anything is to be done along this line, there must be worked out with great care a policy which, in the first place, shall be suited to our system of government and, in the second place, suited to our commercial needs in such a way that reasonable and practical negotiation may become possible.

Thus the general reciprocity provision contained in the present act, as in the Act of 1897, seems to me unworkable.

The Act of 1903, establishing reciprocity with Cuba, contained the following statement: "That nothing here contained shall be held or construed as an admission on the part of the House of Representatives that customs duties can be changed otherwise than by an Act of Congress originating in said House." It is not to be expected and it is not to be desired under our system of government that this principle should not be adhered to. Consequently, if Congress is to provide a basis for negotiation, it must provide it through determining in the general tariff act just what decreases or increases in the tariff, as distinguished from the general rates, can be made by means of negotiation on the part of the executive.

With this we have had, as shown, some experimentation. The trouble with the provisions of the Act of 1897 was that the list of articles on which reductions could be made was almost absurdly limited. It is true that some favorable results were secured, but no permanent and enlightened policy of this kind is possible without greatly widening the basis of negotiation. On the other hand, the Act of 1909 erred in the other direction in providing for a sweeping addition of 25 per cent. ad valorem on all dutiable articles and allowing no latitude whatsoever. Such a provision cannot, again, be a basis for wise commercial arrangements.

It is not, I think, difficult to come to an arrangement as to what is the proper method for this country to adopt if we seriously propose to undertake any action of this kind. In the first place, it is better to abandon the idea that reciprocity treaties of a general nature should be independently negotiated by the executive and then submitted to Congress for adoption. Both the form of our Government and all our traditions and experience are almost certain to render this method futile. If there are to be two different sets of duties, these must be carefully prescribed by Congress in the original tariff act. This should provide for a combination of the provisions of the McKinley Act as to increasing duties and the provisions of the Dingley Act as to reducing duties. The former method applied to our free list and used with moderation might make it possible, not only to prevent discrimination, but to secure

relief in behalf of our exporters where tariffs are so high as to be nearly prohibitive of trade in special lines. This would apply especially to certain countries to the south of us. Then combine with this a provision similar to that of the Dingley Act which allowed reductions in certain cases of spirits, wines, paintings, and statuary. The application of this principle would have to be much wider and the number of articles included materially greater than under that act in case important concessions from the commercial point of view are to be secured from foreign countries. This does not imply at all that there would have to be two rates fixed on all commodities or even on a majority of commodities. A well-chosen representative list might be selected as a basis for bargaining purposes without any serious danger to domestic industries and which would leave the great mass of tariff rates untouched by any trade agreements.

Under the circumstances the question is whether such propositions are practically worthy of your consideration. Personally, I believe that they are, but I can understand the point of view of one who says that it is better to give up the matter altogether and stop talking about it. In any case, there is no use talking about it unless the difficulties are thoroughly appreciated. It is no use for business men in their conventions to say that other countries use their tariffs as a means of securing advantages for their exporters and that this country, therefore, ought to do the same. The limitations of our situation must be appreciated. It must also recognize that it will take a long campaign of education to bring about that harmony of view and unity of action which is necessary for any satisfactory result between the three elements of the problem—first, the administrative branches of the Government; second, the Ways and Means Committee of the House of Representatives; and, third, such associations of business men as are typified in this convention.

It should also be remembered that tariff negotiations as between countries require not only knowledge and intelligence in handling our tariff from the domestic point of view, but skill and training in understanding the point of view of other



nations, the commercial relations between them, and those lines of business in which negotiations may prove practically possible. For this purpose there must be some continuous body of a non-political nature to whom such problems are a life work. Various suggestions have been made. For some purposes a permanent body attached to the Ways and Means Committee and not changing with the political complexion of that body would serve best. In other ways a permanent body attached to the Department of Commerce would be most useful. Others would suggest that it is a matter primarily for the Department of State; others for the Department of the Treasury. Still others believe that, because of the uncertainty of unity between different administrative departments and the uncertainty of harmony between all administrative departments and the Ways and Means Committee, with the constant changes in the political complexion of different branches of our Government, there should be some independent board or commission which should not in any way arrogate to itself any functions belonging properly to different branches of our Government, but which might in a non-partisan way act as a clearing-house for all the different factors involved, and remain in close touch, both with the Ways and Means Committee on the one hand, and the various administrative departments concerned, on the other hand. The question of particular method I do not wish to inject into this discussion. I am simply mentioning the matter as one of the complexities which demand wise consideration.

My final conclusion is that we had better give up the consideration of this problem altogether and leave other countries to make their tariffs and adjust them among themselves as they see fit, unless we are prepared to work earnestly for such a change in our whole treatment of these questions as will secure, on the one hand, the establishment of an enlightened, conscious, and continuous policy, and, on the other hand, an efficient machinery.

Finally, let me suggest that, just as the question of the tariff has been enormously exaggerated in this country, both as to its stimulating or its oppressive effects, so it is easy to

exaggerate the importance of tariff arrangements with other countries as affecting our export trade. I believe it is a factor worthy of serious consideration, but if business men decide that it is impracticable under our system to attempt any kind of reciprocal trade agreements or to frame our tariff legislation with some regard to its bargaining possibilities, it will still be found that the expansion of American export trade depends primarily upon the vigor and intelligence with which business principles are applied, rather than upon the action or inaction of governments.

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THE PRESIDENT: We will now proceed to the discussion of Professor Emery's paper. I will call upon Dr. Frank R. Rutter, Chief of Division of Foreign Tariffs in the Bureau of Foreign and Domestic Commerce.

DR. RUTTER: Mr. President and gentlemen of the Convention, before attempting the discussion of Professor Emery's paper, I should like to read a few sentences from it that I think will present clearly to you his general conclusions. He says:

"My final conclusion is that we had better give up the consideration of this problem altogether and leave other countries to make their tariffs and adjust them among themselves as they see fit, unless we are prepared to work earnestly for such a change in our whole treatment of these questions as will secure on the one hand the establishment of an enlightened, conscientious and continuous policy, and on the other side an efficient administrative machinery."

Professor Emery, in his interesting and practical study, reaches the general conclusion that there are two prerequisites to success in foreign tariff negotiations: (1) The adoption of an enlightened policy; (2) The establishment of efficient machinery to carry out that policy. While I am in complete accord with him regarding the importance of these two factors, I cannot agree that no step should be taken until we have definitely determined our policy and selected our administrative machinery. I am convinced that the time is peculiarly suit-

able for taking one preliminary step toward a foreign tariff policy.

Professor Emery points out that the concession on the part of Germany in 1910 of the full conventional tariff was principally due to what was considered a change in American policy. This action by Germany constituted the grant of the lowest rates of duty provided for in any treaty, no matter what concession Germany had obtained in return for these reduced rates. The Imperial Chancellor, speaking in the Reichstag in advocacy of the measure, stated the case in part as follows: "We have agreed to extend to the United States of America our full conventional tariff, in consideration of the extension to us by the United States of their minimum tariff, and thereby, as they have expressly declared, most-favored-nation treatment." The Germans undoubtedly viewed the arrangement as an exchange of the guarantee of unconditional most-favored-nation treatment—that is, most-favored-nation treatment in the European sense.

While I know of no general agreement among European nations to apply against the United States the so-called American interpretation of the clause, as suggested by Professor Emery on page 8, there has been a feeling abroad that the American interpretation worked unfairly in practice. The stricter wording of the clause in inter-European treaties necessitated the extension, say, to England without compensation of reductions originally granted on terms of reciprocity to some other country. And the extension of the concession "freely" to England has led to its further extension to the United States, although this country has consistently refused to extend to European countries reduced rates contained in reciprocity treaties.

Germany, therefore, viewed with favor what appeared to be the acceptance by the United States of the principle of unconditional most-favored-nation treatment. Later, upon the failure immediately to admit German wood pulp and paper on the same terms as Canadian, Germany applied what is practically conditional most-favored-nation treatment. The reduced rates of duty accorded to Japan and Sweden in 1911 for concessions in return were not extended to the United

States. In consequence, American rubber shoes and some other articles are subject to higher duties than those applicable to imports manufactured elsewhere. Germany withdrew its discriminating duties in 1910 in the expectation that the United States would give German products unconditional most-favored-nation treatment; might not a similar result be obtained by formal guarantee of such treatment?

From the tariff point of view, there are two essentials to successful competition generally on the world market. On the negative side, there must be absence of discrimination. On the positive side, there must be favorable rates on typical products of the country. Professor Emery deals chiefly with the positive side of the question—how best to obtain favorable rates. May I not add a few words in regard to the possibility of lessening foreign discrimination against American products?

Discrimination, unlike retaliation, is in most cases not intended to avenge some real or fancied wrong, but is merely incidental to the grant to a competing country of an exclusive favor. It is therefore only the reverse side of preference and reciprocity—meaning by “reciprocity” a mutual tariff reduction, restricted to the products of the contracting countries. The admission of American flour into Brazil at a lower rate than is applicable to other flour is called in the United States “preference,” but in Argentina “discrimination.” The admission of Cuban sugar into the United States at less than the regular tariff rates is termed here and in Cuba “reciprocity,” but in Germany and Java “discrimination.” The action of Germany in applying a reduced duty to Swedish and English rubber shoes is deemed in this country “discriminatory,” but there merely a strict construction of existing treaties and agreements.

Reciprocity advances commerce with a particular country to the possible detriment of commerce with other countries. It of necessity introduces an element of discrimination and is likely to interfere with satisfactory trade relations generally.

Reciprocity is a policy peculiarly suited to a country just entering foreign trade. In such a country, a few lines of manufacture may demand some extension of the domestic market, without being sufficiently developed to meet compet-

itors on equal terms in all foreign countries. The advantages accruing from a preferential market in a neighboring country may under such circumstances easily outweigh any discrimination that may result elsewhere.

The most-favored-nation clause in practically all the commercial treaties of the United States still follows substantially the form set by the Treaty of 1778 with France. Both in wording and legal construction the clause differs from the unconditional form in current use between European countries. It may be admitted that there is no legal obligation on the part of the United States under existing treaties to extend gratuitously to a third country concessions for which equivalent concessions have been obtained. On economic grounds, the conditional clause is open to criticism; however well suited to the period of its adoption, it has failed to remove all discrimination against the United States, while the unconditional clause in modern European treaties has eliminated discrimination between countries having such treaties.

Germany has attained its success in international trade under a commercial policy with two aspects: (a) Reduction in the German tariff by treaty in return for concessions to German products; (b) Extension of such reduced rates to all countries with which most-favored-nation treaties are in force. Germany has thus the advantage of favorable rates in foreign markets for long terms, and it avoids making discrimination, which might lead to retaliation in return.

If it be decided to adopt the policy of unconditional most-favored-nation treatment, conditions are peculiarly favorable right now for making the change. There is no reciprocity treaty existing except that with Cuba, and as Professor Emery has pointed out, European nations have tacitly assented to the exceptional character of the Cuban concessions. The clause could doubtless be worded so as to exclude the reductions made to Cuba. Moreover, if new treaties are to be concluded, it should be known in advance whether the reductions in duty are to be extended to most-favored-nations. The benefit of such extension would be confined to those countries that agreed to give us their lowest duties then in force or that might later be fixed by law or treaty.

Objection to the unconditional grant of most-favored-nation treatment is frequently made on the ground that the incentive to special treaties would be taken away. A country, it is argued, would not be eager to conclude a treaty, if the reductions would be extended freely to other exporting nations; it would be content rather to benefit from concessions which other countries might purchase. This argument would be valid if the products of all countries were uniform. But on the contrary the articles of export differ vastly and this difference is the basis of international trade. Of what advantage to the United States would be the extension of a reduced rate on habutai silk? On the other hand, it would be of great advantage to have the German rates reduced on typewriters and other office appliances, even if the rates were made universally applicable. For the German maker, not the exporter from other countries, is our chief competitor. In 1911 Japan entered into treaties with the United Kingdom, Germany, and France, providing for reduced rates of duty. It is estimated that 37½ per cent. of the imports into Japan from those three countries consisted of articles on which the duties were reduced. Of the imports from the United States, a most-favored nation, less than 3 per cent. came in at the reduced rates.

A few minor points of criticism may be noted. Most of the countries with which agreements were made under the Dingley tariff already applied most-favored-nation treatment to imports from the United States. Those agreements guaranteed the continuance of such treatment and in a few instances reduced the rates on important American products, such as meats in Portugal and cottonseed oil in Italy. The Canadian treaty concessions to France, and withheld from the United States, can scarcely be regarded as "relatively unimportant"; and, besides Canada, France, and Germany, at least four countries (Roumania, Salvador, Nicaragua, and Haiti) applied higher duties against the United States than against some other countries. I cannot approve Professor Emery's suggestion that the President be authorized to impose or increase duties on certain products of countries that refuse to lower duties on American goods.

Threat of retaliation may serve as a temporary expedient, but is a dangerous weapon, and usually, in the long run, does more harm than good. On political or constitutional grounds, it may be necessary to have a list of articles prescribed in advance by Congress; but this course offers difficulties because of the wide variation in the exports of different countries; and in many cases a small reduction on an article outside the list might be found to be a stronger incentive to the grant of a concession desired than anything the American negotiators might be empowered to offer.

To summarize briefly the points to which I have called your attention: Reciprocity results in discrimination. It may facilitate the beginnings of foreign trade but is unsuited to the policy of a country prepared to compete in world commerce. Unconditional most-favored-nation treatment is the first step toward eliminating discrimination. To obtain favorable treatment for typical products of a country, that country must be prepared to make concessions in return. Tariff concessions abroad have rarely if ever been obtained by threat of retaliation. (Applause.)

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THE PRESIDENT: I will call upon Mr. James R. Watson, representing the American Cotton Oil Company of New Jersey and acting for the Chairman of the Legislative Committee of the Interstate Cotton Seed Crushers' Association, to present a paper entitled, "The Necessity for Promotion of American Export Trade."

This paper will be read by Mr. Douglass, the Secretary.

MR. DOUGLASS (reading): Gentlemen of the Convention: It is my understanding that your purpose in meeting here is to discuss in general the question of the export trade of the United States. It is my further understanding that the presentations of the various subjects are to be made in written form, and that, when it is deemed necessary or desirable, the discussion of such subjects will ensue. I therefore submit this, and ask for it your serious consideration.

Doubtless much of your time will be given to the discussion of ways and means by which United States exporters may

secure very greatly enlarged markets in foreign countries for their commodities; and perhaps some time will be given to the question of the importance of this government's being empowered to protect such trade, as the exporters of this country have already secured, or may in the future secure. It is to this phase of the general export trade question that I wish to call the attention of the Convention.

With respect to the matter of securing foreign trade, it is very desirable that American manufacturers who export their commodities should have whatever assistance can be rendered by our government toward securing such foreign trade; though, in a general way, it would appear that the facilities for manufacture, the bountiful supply of raw material at hand, and the keen wit of the American manufacturers, should be relied upon to go far toward securing export trade in their wares. However that may be, there can be no doubt that the American export manufacturers all welcome government aid in securing extended markets for their commodities abroad.

That there is a great necessity for the extension of American foreign markets is obvious, since changes in American import duties on finished products invite invasion of domestic markets by countries where both raw material and cheap labor are material factors in the price of goods. It therefore, of course, behooves the manufacturers themselves, with whatever aid they can secure from the government of the United States, to maintain present export fields, and secure new ones.

Assuming, however, that through the joint efforts of manufacturers themselves, and the government, the necessary extension of foreign markets for American goods can be accomplished, what provision is to be made for the protection of the markets so gained? Under the Payne-Aldrich tariff law, the President of the United States, in the case of unjust discriminations by foreign countries against American products, was empowered to proclaim the breaking off of trade relations with the offending countries. This power of retaliation was soon found to be so unwieldy as not to be practical of operation, since it would have been unjust to entirely cut off all imports from and exports to any foreign country, because in some one case a discriminatory act was committed against



some American commodity. Efforts were then in due time made to secure the enactment of a modified form of retaliatory power, which would empower the President to penalize discriminating foreign countries by imposing, in varying percentages, additional import duties on selected articles. This plan failed, however, to meet with the approval of the party then dominant in the House of Representatives.

When the present tariff law was under consideration in Congress, the House of Representatives refused to incorporate in it the plan as above; but inserted, instead, a provision empowering the President of the United States to negotiate new commercial treaties with foreign governments based on reciprocal concessions on each side. When the law—then the bill—reached the Senate, the Committee on Finance inserted in it, and the Senate approved, a plan of retaliation for discriminating action on the part of foreign governments, which, it was believed, would be effective in forcing fair treatment for American exporters. There is attached to this paper copies of the pages from the conference print of the then Underwood bill (H. R. 3321) covering this plan. The conference committee, however, saw fit to eliminate from the bill, and consequently from the law as it now stands, the language as above, leaving only the plan of negotiation of new commercial treaties by the President.

It is within the writer's knowledge that overtures made by this government to foreign countries looking toward the removal of discriminatory conditions now existing, or the securing of reduced rates of duties on American exports, in return for the material reduction in the existing tariff on imports, have been met with an indisposition on the part of foreign countries to negotiate, excepting on the basis of still further concessions from existing rates.

With the import duties of the United States under the present law reduced to a figure where there appears to be some doubt whether the revenues will be sufficient to meet the wants of the government—even with the proceeds of the income tax added—it is difficult to conceive how further concessions can possibly be made on the part of the United States.

There are a number of long standing cases of discrimina-

tion on the part of foreign governments against American products. Within recent months this number has been augmented by other cases arising in both eastern and western hemispheres. As matters now stand, there is no law to cure this situation. It is a logical conclusion that if such discriminations are to be permitted to continue, the time is not far distant when the export trade of the United States will be the subject of but little respect on the part of foreign governments. Such being the case, would it not be labor lost to build up American export trade, even if it can be done, if that trade when established is not to have the protection of the Government of the United States to the extent, at least, of making it stable?

Your convention—composed as it is of the representatives of a wide range, both of trade organizations and manufacturing industries—could, in my judgment, aid greatly in having incorporated in the present tariff law, or having otherwise written into the statute books, some power by which foreign nations may be forced to mete out fair treatment to American export trade. This export trade established, can never be counted upon as an important factor unless assurances can be had that it will at least not be destroyed by discriminatory action on the part of foreign governments.

I submit a resolution designed, I think, to properly call the attention of the President and of Congress to the phase of American export trade which I have discussed; and I trust you will give it your serious consideration. A resolution of similar import has just been passed by the Interstate Cottonseed Crushers' Association in a Convention assembled at New Orleans.

Respectfully submitted,

JAMES R. WATSON,  
Representing The American Cotton Oil Company of New Jersey, and acting for the Chairman, Legislative Committee, of the Interstate Cottonseed Crushers' Association.

#### SECTION V.

"And provided further, That whenever the President shall ascertain as a fact that any country, dependency, colony, province, or other political subdivision of government imposes any restrictions,

either in the way of tariff rates or provisions, trade or other regulations, charges or exactions, or in any other manner, directly or indirectly, upon the importations into or sale in such foreign country of any agricultural, manufactured, or other product of the United States which unduly or unfairly discriminates against the United States or the products thereof, or whenever he shall ascertain as a fact that any such country, dependency, colony, province, or other political subdivision of government imposes any restriction or prohibition upon the exportation of any article to the United States which unduly or unfairly discriminates against the United States; or whenever he shall ascertain as a fact that any such country, dependency, colony, province, or other political subdivision of government does not accord to the products of the United States reciprocal and equal or equivalent treatment, he shall have the power and it shall be his duty to suspend by proclamation the operation of the provisions of this Act relative to the rates of duty to be assessed upon the importation of the following specified articles, or such of them as he may deem just and applicable, and to substitute therefor the rates of duty hereinafter prescribed upon such articles when imported directly or indirectly from such country, dependency, colony, province, or other political subdivision of government:

Fish, fresh, smoked, and dried, pickled, or otherwise prepared; coffee; tea; lime; earthen, stone, and china ware; lemons; coal, bituminous, culm, slack and shale, and compositions used for fuel in which coal and coal dust is the component material of chief value, whether in briquets or other form; cheese; wines of all kinds; malt liquors; knitted goods; silk dresses and silk goods; leather gloves; laces and embroideries, of whatever material composed, and articles made wholly or in part of the same; toys; jewelry, precious and semiprecious and imitation precious stones, suitable for use in the manufacture of jewelry; sugars, tank bottoms, sirup of cane juice and concentrated molasses, testing by the polariscope not above seventy-five degrees; molasses; wool; vegetable oils.

On the issuance of such proclamation and until its revocation there shall be levied, collected, and paid upon all articles covered thereby, when imported directly or indirectly from the place mentioned therein, the following rates:

On fish, fresh, smoked, and dried, pickled, or otherwise prepared, 1 cent per pound; on coffee, 3 cents per pound; on tea, 10 cents per pound; lime, 10 per centum ad valorem; on the following articles one and one-fourth times the rate specified in section one of this Act, namely, on earthen, stone and china ware; expressed oils; lemons; cheese; wines of all kinds; malt liquors; knitted goods; silk dresses and silk goods; leather gloves; laces and embroideries, of whatever material composed, and articles made wholly or in part of the same; toys; jewelry and precious, semiprecious, and imitation precious stones, suitable for use in the manufacture of jewelry. On the following, in addition to the duties as provided in section one of this Act, the duties specified below:

On sugars, tank bottoms, sirup of cane juice and concentrated molasses, testing by the polariscope not above seventy-five degrees, fifteen-hundredths cent per pound, and for every additional degree by the polariscope test, one-hundredth cent per pound; on molasses, 2 cents per gallon.

On wool of the sheep, hair of the Angora goat, alpaca and other like animals, and all wools and hair on the skins of such animals, and all wool wastes by whatever description known, 15 per centum ad valorem.

On coal, bituminous, and shale, 45 cents per ton of twenty-eight bushels, eighty pounds to the bushel; coal slack or culm, such as will pass through a half-inch screen, and briquets of which coal and coal dust is the component part of chief value, 15 cents per ton of twenty-eight bushels, eighty pounds to the bushel.

And the President may provide for drawbacks for the refunding of the duty paid upon any such coal, culm, or slack imported for the purpose of being used for fuel upon vessels propelled by steam and engaged in trade with foreign countries or between Atlantic and Pacific ports of the United States and which vessels are registered under the laws of the United States.

That whenever the President shall ascertain as a fact that such restriction or prohibition or lack of accord of reciprocal and equivalent treatment has ceased, he shall have the power and it shall be his duty to revoke such proclamation, whereupon the articles covered thereby, when imported from the place mentioned therein, shall pay the rates of duty otherwise provided by law. But this provision shall not be applicable beyond the period of three years after the date of the passage of this Act unless Congress shall otherwise prescribe."

MR. DOUGLASS: The resolution is, of course, submitted to the Committee on Resolutions. (Applause.)

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THE PRESIDENT: I am going to call upon Mr. Hurley to make a most important and interesting announcement to the Convention. (Applause.)

MR. HURLEY: Gentlemen, the Reception Committee have made arrangements for the entire delegation to meet the President at a quarter to three—2:45—and they have recommended that large "sight-seeing" automobiles shall be at the hotel door about twenty-five minutes to three, to take the delegates to the White House. After the reception we will return to the hall. Secretary Redfield will introduce the delegates to the President. (Applause.)

THE PRESIDENT: The next paper for discussion is "The Panama Canal and Latin American Trade Possibilities," by Mr. Edward N. Hurley, President of the Hurley Machine Company, Chicago, Illinois. (Applause.)

(Mr. Hurley presented a synopsis of his paper, the full text of which follows.)

**THE PANAMA CANAL**  
**AND**  
**LATIN-AMERICAN TRADE POSSIBILITIES.**

**BY**  
**EDWARD N. HURLEY**  
President of the Hurley Machine Company, Chicago, Ill.

**INTRODUCTION.**

The National Foreign Trade Convention, in itself, is evidence of the importance of Latin-American trade to the United States. As an industrial nation we look for overseas trade in those countries which are developing. Twenty republics lying to the south offer an increasing market for our products. Since their territory extends from the tropics into the south temperate zone they have vast wealth in natural products, many of which are raw materials necessary to our own factories and mills. Thus nature, as well as our proximity to each other and our common political interest, invites a friendly and reciprocal attitude in our commercial relations with the Latin-Americans.

**IMPORTANCE OF LATIN-AMERICAN TRADE TO UNITED STATES.**

We are in a critical condition with respect to foreign trade. For many years our exports largely consisted of food stuffs and crude manufactures. Manufactures, certain food stuffs such as sugar, tea and coffee, which we do not ourselves produce, and raw materials for manufacture, have preponderated in our imports. The situation is rapidly changing. We are using more and more of our own food stuffs, and the problem of producing enough to sustain the life of our population thirty years hence is in a fair way to become acute. Our industries demand a growing share of our natural products and raw materials.

The volume and value of our exports will, accordingly, diminish unless manufactured articles are sold abroad in greater abundance.

The new tariff at this juncture has increased foreign competition. Industries are obliged to grapple with the foreign competitor here at home. These rivals are formidable because they have grown up in the strife of the world market. Their resources extend far beyond the countries of their origin. Their profits are derived from lucrative fields which we have scarcely touched. British, German and other European manufacturers can afford to reduce prices for the purpose of gaining a foothold in the United States. Their earnings from oversea trade elsewhere will justify and permit the cost of this stratagem. So long as the American manufacturer surrenders the neutral markets to Europe, so long will he contribute to the sinews of our friendly enemies' campaign, and so long as the nation and financial interests withhold from the manufacturer the support and resources necessary for the conquest of the neutral markets the advantage of Europe will continue. The expansion of our export trade, therefore, is a fundamental defensive as well as offensive necessity. American manufacturers must attain the great volume of production necessary for success on the narrow margin of profits enforced by competition, domestic and international. Great as our home market is, it yet remains too small for this purpose.

It is almost a misnomer to call our oversea business "foreign trade," because in the future it will have a profound domestic effect. Foreign sales should help us to bridge over periods of domestic depression. The stability of managerial and labor conditions that must result from development of a world demand is an advantage that requires no demonstration. It is the goal towards which we should all work. The benefits of foreign trade are equally important to labor and to capital.

#### PRESENT SITUATION.

A sober review and recognition of our present situation with regard to Latin-American trade is imperative. The period in which this market represented merely a convenient outlet for surplus product has passed. Various of our great industries long ago abandoned that fortuitous view of the outside world, and they now afford inspiring examples of

what is possible through the application of American genius to foreign trade. Their accomplishment is the more notable because unaided by many of the resources which intelligent state aid musters behind European industries.

#### PANAMA CANAL.

The opening of the Panama Canal opens our eyes. It is trite to say that this shorter route to the west coast of South America will lead to a great development. Precisely what this development will be is problematical. The masters of ocean transportation feel no certainty regarding it. I will offer no conjecture. The one fundamental accepted fact is that the canal will benefit those nations which are best prepared to reap its advantages. It is a highway for steamships. For whose steamships? We have practically none.

No greater mistake is possible than to expect the canal without effort on our part, to vastly enrich us with the trade of Latin America. The ditch is no magic cornucopia to shower wealth in our waiting lap.

Consider the distribution of our Latin-American trade. Latin America divides between the ten North American and the ten South American Republics. The North American Republics are: Mexico, Guatemala, Salvador, Honduras, Nicaragua, Costa Rica, Panama, Cuba, the Dominican Republic and Haiti. The South American Republics consist of: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela.

The North American Republics lie close at hand. They are not within the zone of the direct influence of the canal. Our import and export trade with them in 1912 was valued at \$434,877,837. The United States takes nearly three-fourths of their exports and supplies more than half of their imports. This is a truly advantageous situation. The remainder of the business is chiefly divided between the United Kingdom, Germany and France.

But, we find a very different situation in the more populous and further developed Republics of South America. Our total trade with them in 1912 was valued at only \$395,808,265,

much less than the trade of the United Kingdom and but little in excess of that of Germany. We take only about one-fifth of the exports and supply less than one-sixth of the imports of these ten South American nations. Both the United Kingdom and Germany surpass us in sales to them. The accompanying tables will well repay analysis. For these figures I am indebted to that admirable publication, "The Bulletin of the Pan-American Union." It will be seen that we enjoy more of the total trade of Latin-America than any other nation. That is due to our relative commercial predominance in the North American Republics:

*Total trade—All Latin America, 1912.*

	Total	United States	United Kingdom	Germany	France
Value .....	\$2,812,114,436	\$830,686,102	\$619,703,536	\$394,754,566	\$224,817,231
Per cent. of whole	100	29.54	22.03	14.04	7.99

*Imports—All Latin America, 1912.*

	Total	United States	United Kingdom	Germany	France
Volume .....	\$1,241,773,366	\$304,217,287	\$309,681,730	\$207,789,113	\$102,837,046
Per cent. of whole	100	24.49	24.93	16.73	8.28

*Exports—All Latin America, 1912.*

	Total	United States	United Kingdom	Germany	France
Volume .....	\$1,570,341,070	\$526,468,815	\$310,021,806	\$186,965,453	\$121,080,185
Per cent. of whole	100	33.52	19.74	11.90	7.76

*North America, 1912.*

	Total	United States	United Kingdom	Germany	France
Imports.....	\$281,268,607	\$150,911,934	\$36,574,798	\$29,936,304	\$19,176,274
Per cent. of whole	100	53.65	13.00	10.28	6.81
Exports.....	393,369,524	283,965,903	40,793,173	30,093,447	18,451,765
Per cent. of whole	100	10.37	10.37	7.65	4.69

*South America, 1912.*

	Total	United States	United Kingdom	Germany	France
Imports.....	\$960,504,759	\$153,305,353	\$275,106,932	\$178,852,809	\$83,660,772
Per cent. of whole	100	15.96	28.43	18.62	8.71
Exports.....	1,176,971,546	242,502,912	269,228,633	156,872,006	103,528,420
Per cent. of whole	100	20.60	22.02	13.31	8.71



There our Latin-American trade stands. We are ahead in Central America and the West Indies, and behind in South America. This compels the conclusion that propinquity is our only present advantage in addition to the tariff preference we enjoy in Cuba.

#### POSITION OF EUROPE IN LATIN-AMERICAN TRADE.

What are our European rivals doing? Older and wiser than we in their knowledge of foreign trade they have pioneered, sold, bought and invested and have entrenched themselves like the prudent commercial soldiers they are. They saw in us a powerful future competitor long before we began to realize our own strength. How could it be otherwise? With the United States occupying the most habitable portion of the hemisphere no analysis could fail to reveal the country's potentiality as a supplier of the needs of Latin America. We were closer and, naturally, our relations with the sister republics should be more intimate than those of Europe. The lines of communication between Europe and South America were more extended. But we were absorbed in the development of our own country and this gave time for European enterprises to rear a close-knit commercial structure designed to capture the trade untouched by the United States and hold it when the United States entered the field.

So we find that in South America, where we lose the advantage of propinquity, the trade is held by European nations and fortified by resources which we utterly lack.

#### EUROPEAN ADVANTAGES.

These include, first and foremost, a network of sales organizations and trading houses; second, steamships; and third, banks. The large European emigration creates in the various South American countries a local environment propitious to trade. European Governments exert their diplomatic influence assiduously for the extension of trade. And last, but as subtle as it is important in its effect, European interests control most of the news agencies.

## DEVELOPMENT AND DEFENSE OF AMERICAN TRADE.

Orders for goods are the first requisite. These depend on salesmanship, and salesmanship in South America is dependent upon knowledge of the language, adaptation to local conditions and persistency. The United States is without an adequate supply of salesmen trained for the South American field. This difficulty is being remedied by the policy of direct representation pursued by institutions like the United States Steel Corporation, the Bethlehem Steel Company, the Standard Oil Company, the American and Baldwin Locomotive Companies, the Singer Sewing Machine Company, the Westinghouse and General Electric interests and the International Harvester Corporation, the Moline Plow Company, Oliver and Remington Typewriter Companies, W. R. Grace and Company, Parlan and Orendorf Plow Company, Deere & Company. Others might be mentioned. The United States Steel Corporation, by creating the United States and Brazil Steamship Line, has restored the American flag to the seas on the east coast of South America, providing a much needed competition to the foreign conference previously monopolizing the carrying trade between the United States and Brazil.

It has long been said that American business fails in Latin America because manufacturers will not adapt their goods to the requirements of the country. This generalization is partially untrue and partially founded upon a misconception. The idea that Latin-Americans are so unprogressive as to insist upon certain goods merely because of familiarity with them is an undeserved reproach. A visit to some of the great cities will show them thoroughly abreast of the times in the matter of machinery. Latin-Americans will not, nor will any other race, buy new articles the use of which they do not understand. American manufacturers and export houses can and do sell thoroughly up-to-date American machinery in South America and experience little difficulty in carrying their customers along with the progress of invention. This, however, is accomplished only by demonstration of the superiority of the American article and by follow-up methods to insure proper installation, instruction of operatives and to satisfy the

customer. Where American machinery is merely consigned to foreign agents or trading houses and is not demonstrated, the less desirable European machinery will be bought because it is known and usually cheaper.

#### DEMONSTRATION AND ADVERTISING.

The great opportunity for American sales in South America lies in demonstration, advertising and follow-up methods. The market is ripe for these tactics. The Latin-American character is susceptible to the appeal of cogent argument.

While salesmen are the infantry in this commercial contest and bear the brunt of the fighting, they are at a great disadvantage unless supported by banks, which may be likened to artillery and steamship lines, resembling the supply trains of an army. American trade is now financed by foreign banks and American goods are carried in foreign ships. This service is to many traders satisfactory, but from a national standpoint is fundamentally wrong. The profits of the enormous freights which we pay go to foreign shipowners. We pay a heavy toll, estimated at several million dollars a year, to European banks for handling, in London bills of exchange, our financial dealings with oversea customers. All the collateral benefits derived by the banker of any business deal, all the prestige that comes from the handling of the money and all the powerful influence which banking can exert for the success of an enterprise is alienated from the United States to the benefit of European competitors. They organized foreign banking systems to build up their own trade. They do our banking business for the profit that is in it, but also to prevent us from handling our own banking business and reaping for ourselves all its possible benefits.

#### EUROPEAN BANKS.

Thus far, European banks have been able to accommodate American business and to supply credit information to American clients without injuring the trade of their own countries. Our exports of natural products and crude manufactures have not competed with their exports of finished manufactures.

Henceforward, however, our exports will consist more largely of manufactures. If foreign banks accommodate us they will be aiding to displace the goods of their own nationality. If they supply credit information it will tend to the same end.

Can we expect that they will continue to supply us with ammunition? The German foreign banks were created as a part of an intensive and interlocking organization of industries, steamship lines, banks, telegraph companies and governmental influence for the conquest of foreign markets. The German banks in South America are the outposts of great industrial groups. While the British foreign banking system lacks the same close organization, there exists nevertheless a definite relation to and solicitude for the progress of British trade. It is unreasonable to suppose that the banking systems of either of these countries will assist the United States to undermine their own trade. They will, of course, continue to provide banking mediation, because to withdraw it would force us to establish our own. But it is obvious that we cannot get from the employment of foreign banking the same efficiency and power that could be derived from an aggressive system of American foreign banks.

#### AMERICAN BANKS NEEDED.

It is often said that when the trade further develops American foreign banks will be established as a matter of course. This is a species of fatalism unworthy of American bankers. The doors that shut in national banks from their fullest possible participation in world commerce have been opened by the Federal Reserve Act. National banks with a capital of more than one million dollars may, subject to the regulation of the Federal Reserve Board, establish branch banks abroad. And they are also now permitted to accept foreign drafts based on bills of lading.

But this is not enough. American bankers should lead, not follow the procession into foreign lands. Compare our manufactures with those of Europe. When the American

manufacturer's foreign business increases and he needs more money he can get a certain line of credit at his bank, but when the limit is reached he must seek it outside. This necessitates the issuing of preferred securities. American banks, as a whole, have limited information as to the reliability of a manufacturer's foreign customers, or of the market in which they live. The manufacturer's credit is determined by his domestic standing. The German manufacturer, on the other hand, has a friend in the German banks which are thoroughly educated to the foreign business. The German manufacturers' credit really consists of their own domestic standing plus the credit of their oversea customer's whom the bank knows all about. The German manufacturer can take his draft, with bill of lading attached, to the bank and gets its face value or a little less. The German banker then charges interest at 6% to the purchaser of the goods in South America. This is more than the prevalent rate of interest in Germany and less than the rate in South America. Everyone is satisfied. Everyone is helped. The manufacturer avoids extension, gets a quick turnover and increases the volume of production to the point necessary for reasonable earnings on narrow margins of profit. Throughout the transaction until the debt is finally liquidated the influence of the German bank is exerted at home and abroad to make the deal successful.

The day is gone when our banks can make large profits through the underwriting of industrial and other securities or through a species of industrial fiscalization. If the American bank will show the same spirit of co-operation with the American manufacturer that the German banker displays, our position in the world's trade will rapidly improve and our position in South America will be changed from one of perilous dependence on uncertain props to an attitude of effective self-reliance.

Banks are not asked to invade a profitless field. Foreign banking in South America is the most profitable of all European investments, and nationalities possessing far less than the United States maintain their own successful financial institutions.

## EUROPEAN INVESTMENTS CREATING A "CLOSED DOOR."

Britain's grip on Latin-American markets is strengthened by her enormous investment. On the basis of the listings on the London Stock Exchange, British investment in Latin America is estimated at \$5,800,682,825, estimated to yield more than \$200,000,000 in annual interest. The United Kingdom's entire purchases from Latin America in 1912 only slightly exceeded \$300,000,000 in value, so the earnings on investments pay two-thirds of the bill.

Railways, tramways, irrigation, hydro-electric power, agricultural and industrial enterprises are fostered by a steady inflow of European capital. The natural tendency of any project so financed is to purchase materials or equipment from the country providing the money. Accordingly, British railroads give preference to British materials; many of them will not even submit their inquiries to other than British firms. The investing interests of Europe go even further to compel trade. The practice of stipulating in loan contracts the use of specified materials is steadily increasing. The practice tends to create a "closed door" in South American trade, and certain markets which American industries could successfully invade are thus restricted to investing nations. While all South American nations politically offer equality of opportunity for all comers, they are powerless to prohibit "closed door" tactics of this kind.

## AMERICAN INVESTMENT AND THE "OPEN DOOR."

American investment seems to be a necessity for creation of an "open door" policy in many of the projects required by future industrial development. It is true that our public has not acquired the foreign investment habit, but it is reasonable to expect that with a greater development of foreign commerce and the encouragement of American mercantile success abroad, this tendency will assert itself. We already have large investments in Canada, Mexico and Cuba. American manufacturing industries can find no greater aid in the foreign field. Banks are indispensable and powerful agencies for wise investment.

Even if a bank should reap no profits from general banking business, its encouragement of a prudent and profitable investment of American capital under circumstances stimulating to the purchase of American materials, would be well worth any probable outlay required. It seems that the manufacturing interests having most to gain from such an institution should be its logical promoters.

#### BETTER UNDERSTANDING WITH LATIN-AMERICAN PEOPLES.

Suspicion of the United States is fostered by various of our trade rivals in South America. This refers to individuals, not to nations. If it were not for this insidious propaganda directed chiefly by foreign newspapers, the Latin-American view of the United States would be more favorable. The news service received by most South American papers is handled via Europe, and while the serious political, commercial and social news of the United Kingdom and the Continent is set forth creditably, the dispatches from the United States display the least desirable side of our national life. One or two American newspapers in South America are doing splendid work in behalf of our rightful good name, but they are far outnumbered. It is important that steps be taken to combat this anti-American propaganda. The excellent native press of South America is open to its refutation if American interests will more vigorously assert themselves.

It is more important for Latin-Americans to become familiar with the United States than for our citizens to increase their knowledge of Latin America. Interest in Latin America has been greatly stimulated and educated in this country during the last eight years. Several important commercial bodies have visited the great republics of the South, our magazines and newspapers have given them more attention than ever before and their mediation in the Mexican crisis has shown the dignity of their desire for restoration of peace. Citizens of the United States are traveling to South America in greater numbers. The Pan-American Union does a great work for all the republics. Our industries are stationing their own exclu-

sive representatives in all the markets. It is not even more important that South Americans should see the United States, comprehend its development and particularly realize that ninety millions of our citizens are not seeking to obtain any sinister advantage over their smaller neighbors? Far-reaching benefits would flow from the visit to this country of delegations of representative men from the progressive South American republics. Should they travel through our country, inspect its industries, feel its genius, observe its life and spirit, and meet our individual citizens in a social as well as in a business way, some of the misconceptions in the South American mind would surely be removed and obstacles in the path of our commerce and friendship surmounted. Great diplomatic and educational work has been done for a clearer comprehension of our relations with the other peoples of this hemisphere, but a greater opportunity still exists to infuse our business contact and commercial relationship with a broad and helpful spirit.

Fair dealing will obliterate friction. American prestige is rising in South America through the influence of the high-class men our representative industries are stationing there. They carry with them the best traditions of American business and their commercial contact with the citizens is not only mutually profitable, but the high character of the products they sell lays a lasting foundation for future business. In the course of a 12,000 mile journey through South America, I heard very few complaints as to the quality and efficiency of American goods. This is not true of the products of certain of our rivals. The old charge that American shippers do not know how to pack was, for years, effectively dinned in our ears by the watchful consular service. But packing has improved. It must be still further improved, for so long as there is any deficiency at all in this direction, it will be widely advertised by other nationalities. One important European house maintains what suspiciously resembles a horrible example of American goods damaged in transit. No other purpose would seem to explain the continued presence of these damaged and worthless goods in an expensive show-room.



## EXTENSION OF CONSULAR SERVICE.

Gratification with the present extent and future prospects of our Latin-American trade must be coupled with a sense of gratitude to the American Consular and Diplomatic Service, whose officials have long been pointing a way to success. The Consular Service in South America is the envy of the world, but the inadequate salaries and insufficient clerical assistance of these indispensable officials is a reproach to our Government. Brazil and Argentina are probably the two most expensive countries of the world to live in. The cost of comfortable existence is very high in the other republics, yet the consuls' salaries appear to have been fixed according to the volume of business and without any regard to the expense of living. Accordingly, many consuls are obliged to invade their private income in order to maintain the dignity of the government commission which they hold. For a great nation's prestige to be thus dependent upon any private purse is not excusable. The situation of the subordinate officials in various consulates is distressing. The devotion of these men to the service and to the interests of their country is the more conspicuous by reason of the sacrifices entailed. Under the existing system, increases of salary can be obtained only by the transfer of an efficient consul to a higher ranking post elsewhere. In other words, his reward removes him from the post in which he is most valuable.

A similar objection lies against the salaries of diplomatic officials, especially in the secretarial grades. Nowhere are there stronger reasons than in South America for the Government ownership of embassy and legation houses.

The policy of the Department of Commerce through special investigations of trade conditions abroad has been highly successful and should be extended. No wiser expenditure of public money can be made than to create commercial attachés.

## CONCLUSIONS.

Our South American trade problem is thus seen to consist not only of winning markets, but defending them against com-

petition that yearly grows keener. The head of a great American industry rightfully has said that steamship lines, banks, governmental policies, consular efforts and trade reports are of little avail unless our wares can be produced and sold in competition with the producers of other nations. Without such a basis, consideration of our oversea opportunities would be futile. But this basis does exist; the goods are being produced and are being sold. The proportions of this export trade are gratifying in themselves but inspiring in the suggestion of what will be possible when we muster behind our industries every resource that legitimate co-operation and governmental assistance can provide.

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THE PRESIDENT: I will call first upon Mr. Charles Lyon Chandler, South American Agent of the Southern Railway, to discuss Mr. Hurley's paper. (Applause.)

MR. CHANDLER: You have heard much at this Convention of one of several important factors that go to make up the sum total of efficiency in our export trade,—namely, the goods themselves; how to prepare them, pack them, and persuade people to purchase them; but how about the pendulum that swings and regulates the clock, the man behind these same exports? Is not just as much care needed in preparing him for the export work as there is for preparing his goods? It seems to me that this training of the individual, whether he is to travel six thousand miles away or is to hold down a desk in the export department of the business, is as fundamental a topic as any that such a conference as this can or ought to consider.

We have no time to-day to discuss this training in detail,—as to whether it should be general or specific, direct or indirect; we have only a few minutes to prove that training for foreign trade is just as necessary and essential as any form of industrial or vocational instruction. Think for a moment of the tremendous progress that has been made in almost every line of business education during the last fifteen years, all the

way from the University to the night continuation school or the evening trade-schools. And yet in this country of over one hundred million people you will find scarcely a city where Spanish, the only foreign language of countries bordering us, is taught as a prescribed subject in the public schools on a level with French and German. Our trade with Spanish-speaking countries is twice what it is with French-speaking ones, and does not fall so very far behind our trade with German-speaking ones; and it is expanding as fast, if not faster, than that with any other linguistic group of countries in any part of the world. We have a trade of over \$170,000,000 with Portuguese-speaking countries. I know one of our largest export firms to-day which has been hunting all over the country for some capable young Americans who were college graduates and had a good knowledge of Portuguese. It is shamefully disgraceful that a University like Harvard or Virginia can have courses in Italian and not in Portuguese. The scope and importance of Brazilian and Portuguese literature, both in prose and poetry, should in itself appeal to cultured minds as a reason for this.

But this language matter is only a factor in the general question. You and I have seen plenty of people who could speak several languages and could say nothing in any of them.

A language is a very essential veneer, an extra good quality of the salesman's clothing and outward appearance, as it were; we must train the already alert salesman to learn the language, not fit the language on anyone who happens along. What else should the man behind the exports put into his brain, and what rubbish should he discard from it before he starts out to conquer the world? First, take nothing for granted; don't believe everything you see in print, such as that half the people of Argentina are illiterate or that Patagonia is mostly barren, when you can go down to the dock and see a few carloads of ploughs consigned to develop the valley of the River Chubut, one of the most fertile river valleys of its size in the world. Learn the customs, manners and environment of your chosen field, as our student interpreters at Peking have to go to the Chinese theatre twice a week. Get a standard textbook on geology; it will forestall your selling raincoats on the Pacific

seaboard of Peru, where it never rains. Read some geography; and physical geography too; that will tell you not to write to the American Consulate at Mukden about the market there for deep-sea diving apparatus, or to Rio Grande do Sul or Bagdad, regarding high-grade machine-tools that are only used in a dozen of our own largest factories.

A little natural history will prevent salesmen taking a sideline of mouse-traps to a country where there are no mice, as happened in the last two years: the Government officials of that country bought the mouse-traps to teach the Indians mechanics; the Indian put his finger in the trap, and learnt the principle of leverage. Learn how to write advertisements in idiomatic foreign languages; remember the zealous missionary whose native convert was assisting him to translate the Bible, and when they came to the passage "And Judas went and hanged himself," they rendered it: "And Judas went and bought some Schieren's Duxback Leather from Brooklyn"; or that classic rendering of "It's a hot time in the old town to-night"—"the weather is warm this evening." Learn the recent history—and also the customs tariffs—of the countries you will visit.

Now when each of you gentlemen get back to your offices, I would suggest this method of putting these dry precepts into effect, and of getting some results from these shopworn and ancient maxims. If you are really going after export work, and have not already done so, you can do one thing for your own good, and at the same time another for the good of the community; in the first place, you can train your own export man, and in the second, you can see that Spanish, as well as other modern languages, are properly taught in the public and private schools where you live. If you are a college graduate, see that that college has its modern language instruction up to the mark. See that the public libraries have a good assortment of books on our leading foreign markets. See that the schools are co-relating their teaching of physical geography and geology of foreign countries with that of foreign languages and history.

Let me tell you what Chattanooga, Tennessee, is doing. There is not an independent country on earth where Chatta-

nooga goods are not sold. They say in Chattanooga that the reason the King of Albania had to flee was because he didn't have enough Chattanooga wheelbarrows to satisfy the Albanians. They have a big map of the world in the schools and in the Manufacturers' Association, with little pins and crosses marked at every city and country where Chattanooga goods are sold. They have a special section of books on the export trade in their library which is of great service. They teach the children geography this way: "Here is Rhodesia; how many Chattanooga goods are sold there?" "Here is Salvador; remember, one Chattanooga firm has eight different agencies there." "The Panama Canal could never have been built without Chattanooga bathtubs and sinks"; and so forth.

We are now the second largest export nation in the world; if we have reached this point with so little attention to export education, how much more can we not accomplish if some of that scientific management which is so lavishly bestowed on training in other lines of business were put on training those whom we send abroad? And on training those in the office at home? I went into the office of one of the largest industrial concerns in the South the other day. Every man in that office was at least a high school graduate—from a high school where they professed to teach the French of Paris, Kentucky. Not one of those men could translate a simple letter of inquiry from a prominent French firm asking for information about their goods. They had lost thousands of dollars, in another instance, from carelessness with export orders, almost entirely traceable to their ignorance of foreign languages and customs.

Why cannot our state educational authorities and our United States Bureau of Education in the Department of the Interior take up this matter? It is just as important as teaching boys how to form corn clubs or girls how to make tomato soup. If it is important enough to make a required subject drawing the entire four years of naval training at Annapolis, why cannot other educational institutions take it up?

But the morning light is breaking slowly. There is a \$125,000 professorship at Harvard now on Latin American history and economics, and there is a \$100 prize at Princeton

for the best essay of modern Argentine history. The four years course of Spanish and of South American economic conditions at the Boston High School of Commerce has already turned out splendid material. Its graduates are sought for all over the country. The excellent educational work being done by the Philadelphia Commercial Museum also deserves that imitation which is the sincerest flattery. The South, which needs instruction in Spanish and Portuguese and in Latin American matters more than almost any other section of the country, is rapidly awakening. It initiated these studies when a slender boy named James Monroe attended the first class in Spanish at William and Mary College in 1776. It continued them when Simon Bolivar was at Charleston in 1806 and found the Charleston College teaching Spanish. It is modernizing and expanding them at the University of Tennessee, where that prophetically constructive scholar, Professor Swiggett, will inaugurate this summer a splendid course on export opportunities in Latin America, on modern Latin American history and in commercial Spanish. Next year the University of Tennessee will give wider and broader instruction in these essential topics. Senator Vardaman has aroused the people of Mississippi; thousands are learning Spanish there as a result of his efforts, and the States of Alabama and Georgia are most active in spreading the work.

There is another feature in this situation. Our exports still comprise to a considerable extent non-competitive goods and raw products. In exact proportion as export education and training advances, we will see more and more of our competitive articles sold abroad, because there will be more trained men to sell them.

We are from fifty to a hundred years behind Germany and France in export training, and it is up to you gentlemen to whom it is a matter of dollars and cents to see that we catch up with them as soon as possible.

I shall close by quoting from an interview with Mr. Frank A. Vanderlip, President of the National City Bank of New York City, which appeared in the New York Sun for December 29, 1913:

"Aside from actual conditions in the two continents, our greatest obstacle has been in finding men capable of the work, men of such character that we could send them away to manage such an undertaking. There is the difficulty of securing men who speak the language and are sufficiently familiar with the Latin American literature, characteristics and methods to make it possible to trust them." (Applause.)

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THE PRESIDENT: I shall call upon Rear-Admiral Chester of the United States Navy to continue the discussion of Mr. Hurley's paper. (Applause.)

REAR-ADMIRAL COLBY M. CHESTER, U. S. N., retired: Gentlemen of the Convention: If my friend, Mr. Lloyd Griscom, were here, I think he would introduce me and state that I know something about the subject that you have to deal with to-day. For the last twenty years I have been engaged in the study of this subject. Mr. Griscom and myself nearly twenty years ago put through a measure out in Turkey regarding which it is stated by him that I was responsible for all the honors he received in the diplomatic service. But, however that may be, in 1898 I was sent out by the New York Chamber of Commerce and the New York Boards of Trade to study the subject of trade conditions in the near East, under the supervision of one of our greatest statesmen, Elihu Root, then Secretary of State. And I would say that only a short time ago he confirmed what he started me on at that time sixteen years ago, and is as strongly in favor of the dollar diplomacy now as he was then. Also in 1897, I commanded the squadron in South America and started a campaign with that squadron to study the commercial conditions. I took the vessels up the Amazon River, and La Plata River, as far as they would go, in order to study the conditions. But for the Spanish War, we would have gotten results then.

I want to tell you to-day that the time for study has passed. In a very few months we are going to open the Panama Canal, and that will be to us one of the blackest

Fridays that we have ever had in our commercial history, if we don't get ready for it. We are told we cannot get it unless we have banks, and that we cannot have banks until we get trade. How are you going to harmonize those things?

The first essential for that trade is to get ships. That is the whole problem before us to-day—the subject of transportation. And I would like to see written upon the wall as it was placed there yesterday, that *we want ships*, and we want them right away, and the only way to get them is to get them. I have recently seen a resolution presented in Congress by one of the greatest bankers, one of the greatest tradesmen we have in the country, Senator John W. Weeks of Massachusetts, who has offered a proposition to the Senate to take for the present some of our naval ships to start an American mail line between South America and North America, in order to take advantage of the opening of the Panama Canal. I commend that measure to your earnest consideration. It is a means—not a good means, mind—but it is the best way we have got for the present time to get ships. If you help him along—I am not speaking for Senator Weeks, he does not need anybody to speak for him—I only say that it appeals to me very much and I so wrote him, and was thanked for the letter I wrote him upon the subject.

I would like, then, to offer a resolution which I will read:

Whereas the Bill No. 5259, entitled "The Bill to establish one or more United States Navy mail lines between the United States and South America" has been introduced into the United States Senate by Senator John W. Weeks of Massachusetts, which is likely to have an important influence on the future trade relations between this country and our sister republics and the Continent, and whereas it is important that we should be prepared to take advantage of the opening of the Panama Canal to the commerce of the world upon the opening day, January 1, 1915, that the country may secure its share of the trade made possible by our expenditure of four hundred million dollars in building the Canal, therefore be it

Resolved: That the National Foreign Trade Convention assembled in Washington, D. C., on this 29th day of May, 1914, commend this Bill to our national legislatures and the executive of the Government as affording a measure eminently worthy of their early consideration and support.

Resolved: That a copy of this resolution be forwarded to the President of the United States, the President of the Senate, and the Speaker of the House of Representatives.

I thank you. (Applause.)



THE PRESIDENT: Admiral Chester's resolutions will be referred to the proper committee.

The next person discussing Mr. Hurley's paper is Mr. Herbert S. P. Deans, Manager of the Foreign Exchange Department of the Merchants Loan and Trust Company Bank, of Chicago.

MR. DEANS: Gentlemen of the Convention: I think you will agree with me when I say that a great piece of constructive legislation has been enacted in this country in the passing of the Federal Reserve Act, and that that Act, while it may and probably will undergo some changes during the next few years, is going to do more for the advancement and promotion of the foreign export trade of the United States than perhaps any other factor.

Among the many excellent papers read at this Convention one of the most illuminating has been that of Mr. Hurley, and it is on the statement he makes on page 9 that I wish to base my remarks this afternoon, i. e., "The profits of the enormous freights which we pay to foreign shipowners. We pay a heavy toll estimated at several million dollars a year to European banks for handling and financing dealings with overseas customers, etc., etc."

Gentlemen, all of that is true and probably more, but we have not been doing this—paying these freights or banking commissions—because we wanted to do so but because we could not avoid it. We have had no ships and no banking machinery of our own to render us independent of the foreigner. Other and more able speakers have taken up the subject of our merchant marine, or lack of it, and I will therefore confine my few remarks to the banking questions to which Mr. Hurley has alluded.

In the past, American trade has suffered from the disabilities of our banking system, which, only partially adequate to domestic trade needs, was entirely inadequate to our foreign trade requirements. Framers of the new Bank Act saw this clearly and two great advantages have been given to American banks in that they can now establish branches and agencies abroad and will hereafter have the power to accept long bills

of exchange, both indispensable functions to the carrying on of foreign trade by American business men.

Almost all of our purchases from other countries are paid for in London; the sellers stipulate this form of settlement at time of sale, for London has been and is the financial center of the world and has become so to a great extent by the freedom of the English banking system. The London discount and commercial bill market is the evolution of over a hundred years. But even that great market so long the admiration of the world had to have a beginning, and so with ourselves. We are now at that stage in our commercial life where it seems opportune for us to put into effect new practices, that is, new to us but which are old and tried elsewhere, which will broaden our scope of operation and take us more actively and extensively into the international field. I hope I am not too sanguine when I say that I expect to see the day when some considerable part of our foreign purchases will be settled for by the acceptances of New York and other American bankers. The French, the Germans and other Europeans have accomplished much in this direction during recent years although they recognize as we do that London is the money center and have evidenced their appreciation of the fact by establishing many branches of their great commercial banks in England. With their own banking houses in London they are able to give a London bill (accepted by themselves) if that is demanded of them. The French and the Germans, like the English, have their discount markets, and this is something that we must evolve as speedily as possible, a money market where the acceptances of American banks and the obligations of American merchants can be readily discounted at rates which shall be published abroad and which must always be readily ascertainable.

It is a sorry commentary on our own system to say that anybody, by consulting a London financial newspaper, could at a glance find out how much it would cost to discount a bill on Christiania or Geneva, but nobody has known in the past where to find out the rate at which bills on New York or Chicago could be discounted. It is clear then that the greatest undertaking now before us is the establish-

ment of a discount market in the City of New York, for until we have one it is futile to talk of New York reimbursement. A great volume of fine bills comes into existence each year, bills which have their origin in American trade. All of these bills are now domiciled abroad, most of them in London, and if we ever hope to capture some of this business and profit by the accepting and discounting of bills arising out of our own mercantile operations, we must buckle down to the great task of rearing a discount market here, a market that will take these bills on terms that will make it possible for us to compete with other markets.

One of the principal obstacles to overcome before a discount market can be had here is our uneconomic practice of charging a varying scale of interest for loans but of usually paying fixed rates of interest on deposits. This is illogical and unsatisfactory and has operated against us in the past. In periods of great commercial activity when money is loaning at  $5\frac{1}{2}$  or 6 per cent., deposits ought to be worth more than 2 per cent., and in time of commercial depression when it may be difficult to place funds at better than  $3\frac{1}{2}$  or 4 per cent., it is unreasonable and quite as poor banking to pay 2 per cent. on deposits. Varying rates for money on deposit are what we need in this country—conformity to the law of supply and demand, not opposition to it. If foreign money did not flow to London attracted by higher rates offered there, it is doubtful if English capital could be found at all times to keep that money market so readily accessible to us. The effect of such a reform is too clear to need any explanation from me. It is a poor rule that won't work both ways and, if money is worth more to loan, then it ought to be worth more to borrow.

Just another word before I finish. There seems to be an idea in some quarters that the establishment of American banks abroad is not practical. It has been urged that the expense of operation would be too high. Other reasons more or less uncertain have been advanced why we should not attempt to invade the foreign field. Gentlemen, it seems to me that until we do invade the foreign field with branches of our own banks, our merchants are not going to accomplish those results from their efforts for trade

abroad which they should and which they have a right to expect. Agencies of American banks ought to be established abroad wherever there appears a likelihood of their being able to exist or stimulate trade with this country. Such agencies need not be pretentious or expensive to begin with, the main thing to be considered, I think, is that they be put in charge of active and experienced men. To make the work of these bank agencies effective we must, of course, have discount facilities at home for any long drafts on New York which they may draw and a branch of the same bank or at least an accepting agency in London. Thus equipped we need not be afraid that the establishment of foreign agencies of American banks will lock up too much capital, for the paper they buy will largely be of the most liquid order immediately convertible into money, thus enabling the branch banks often to buy long and sell short exchange simultaneously. Where they put out funds in the form of local loans, the rates are so much higher that the business will be profitable *per se*. At first it may prove uphill work, but nothing that is worth while can be accomplished without effort. The English found many obstacles when they began first, and the Germans found it even harder because in some of the places where they sought to establish themselves they found that the English had already got the business. But we must not forget that the English are still there plus the Germans, and since the Germans came there have come Frenchmen and, in some cases, Italians. The world is large, foreign trade ever increasing and surely there must be room for us as well as for the others. Mr. Chairman, gentlemen of the Convention, I thank you. (Applause.)

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THE PRESIDENT: The Secretary will read a message addressed to the Convention by Mr. H. J. Devereux, of Chicago, travelling foreign freight agent of the "Gould Lines."

SECRETARY DOUGLASS (reading): Recognizing the vast possibilities for the increased traffic from the United States to South and Central America, the Gould Lines have had a repre-

sentative spend six months investigating trade conditions and determining what is necessary to the development of trade. They have issued a pamphlet giving the information with reference to credits, names of the principal importers, commodities in which they deal, banks and other valuable data of interest to manufacturers, which will be furnished on application through the Secretary of the Convention.

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THE PRESIDENT: The next paper for discussion is "Our Dependencies," by the Honorable W. Cameron Forbes, formerly Governor-General of the Philippine Islands. Is Governor Forbes here, or anyone to present his paper?

(Governor Forbes' paper follows.)

## OUR DEPENDENCIES.

BY

HON. W. CAMERON FORBES  
Former Governor-General Philippine Islands

The territorial expansion of the United States has taken two forms, one of which was a natural and inevitable growth, namely, taking additional territory on our own continent, and the other has been the acquisition of overseas dependencies. With the first of these I will not further concern myself. A different set of problems confronts us when we undertake the acquisition and retention of territory which can only be reached by sea, such as Alaska, the Sandwich Islands, Midway Island, Guam and the Philippine Islands on the west, and Panama, Swan Island and Porto Rico on the east. It is probable that more territory would have been added had it not been for the fear of the extension of the slavery areas in the ante-bellum period of our development, when there existed a sentiment, which has not yet subsided, against territorial acquisitions, a sentiment which is still very strong throughout the American people, in spite of the fact that we are generally acquisitive and have never yet given up any territory of which we have once become possessed.

Many people think that the maintenance and control of distant dependencies are not in accordance with our institutions, particularly where these people are held under political institutions imposed upon them by the United States and not accepted by themselves. The Philippine Islands have a political status different from any other of our possessions. They belong to the United States, but are not part of them. They are subject to our sovereignty but do not come under the Constitution. They are, as was once expressed to me by a very keen observer, treated as domestic for foreign purposes and as foreign for domestic purposes. They can be properly classified as ex-territorial possessions.

I see no objection to this arrangement, nor do I see any reason why we should not have an ex-territorial department for the administration of such countries, so that when we take control, temporarily or permanently, of alien or partially developed peoples we should not be obliged to give them citizenship and privileges under the Constitution, such as the trial by jury, for which they may not be ready, but that we should give them instead the best government we know how and such institutions as are calculated to meet the requirements of the situation. This ex-territorial department, as I call it, should be considered a sort of a suspense account, into which countries over which the United States has assumed either temporary or permanent control might be placed and held there, with the idea that their future political status was to be made a matter of later determination. It is not my idea that the United States should permanently hold alien peoples under its dominion and against their will, but the political relation should follow the economic one and adapt itself to it, and until the economic relation was established, the political relation should be held in abeyance. Later, at the proper time, when the people were sufficiently developed to have an opinion of their own and express it, the nature of the federation between the two countries could be easily adjusted in a manner satisfactory to both.

The people of the United States have demonstrated what we all now believe to be a great fundamental truth of political

development, namely, the collective wisdom of the people when called upon to govern themselves, and we believe that this collective wisdom is greater than can be individual wisdom. To have it, however, representing the whole people and not only a class or a few, we must have the whole people educated; we must have them literate and we must have them informed. In other words, they should speak a common language; they should be able to inform themselves by reading as to the various acts of Government and the problems of the day, and if this is done, the result should be, according to our theories, a Government for the best interests of the whole people.

Under a Government that has approximated more or less closely these ideals, the United States has grown and prospered more than has any other country in the same period of time. There is more freedom of the individual, more stimulus for individual effort, more opportunity for development and more progress than would be possible under any system where individual opportunity is discouraged and where the stimulus for individual effort is less. It is this development of the individual, with its resultant progress, that the United States is endeavoring to give to other countries. The results of these privileges given in Porto Rico and the Philippines have been little less than startling.

The trade of Porto Rico with the United States, under the stimulating influence of our institutions, is best shown by the following table. 1895 is taken as a fair sample year under Spanish rule.

	IMPORTS		EXPORTS	
	U. S.	FOREIGN	U. S.	FOREIGN
1895....	\$ 1,833,544	\$15,001,909	\$ 1,506,512	\$13,739,127
1900....	4,640,431	9,989,505	3,078,415	6,612,499
1905....	13,387,457	2,562,189	15,527,265	2,721,683
1910....	26,478,106	3,537,201	32,095,788	5,822,602
1913....	32,223,191	3,745,057	40,529,665	8,549,451

The Philippine Islands show the astonishing increase of \$500,000,000 in growth of business and trade in four years of

free trade. The sum of the business and trade at the end of this period is almost double the amount for the last year before the passage of the Payne Bill.

It is, however, becoming pretty well established that the adoption of a Constitution and the nominal setting up of a republic before the people are ready for it is accompanied with most unfortunate results. Following the establishment of the republic in the United States, many European countries adopted Constitutions and there was a general wave of demand for popular government which swept through Europe and has profoundly influenced the form of government established since that time throughout the world, but the fact that the people were not ready, that the great masses were not educated up to a point where they could protect themselves, where conditions were not favorable in other words, resulted in a serious set-back to the whole cause. Many countries found themselves nominally republics, but really under a despotism pure and simple, as was the case in Mexico, as is the case in certain of the Central and South American republics of today, and as seems to be the case in China. The first result of the failure in Europe was a swinging of the pendulum toward monarchy, from which a few countries emerged, like France and Switzerland, but these countries are noted for the wide distribution of property and the high intelligence of the poorer classes.

Any study of dependencies at this time will be incomplete without a word on the Mexican situation. Any arrangement of the present Mexican problem which does not involve the establishment of a strong central control, capable of maintaining order, administering the finances, justice and the executive branches of the Mexican Government will prove in the end to be no solution but just merely a postponement of the solution, if it amounts even to that, and the real crux of the matter will have to be taken up again and solved later.

But this article is concerned with the economic side of our relations with dependencies. The question is always asked by the material Americans, "Does it pay; do we get value received from these enterprises, and are the Philippines



and Porto Rico commercially valuable to us?" Porto Rico and the Philippines are wholly different propositions and must be treated separately. Roughly speaking, however, it can be said that with our own possessions we have reciprocal trade relations, which means that the bulk of the products of the countries concerned is sold in the United States and the bulk of their purchases are made in the United States, and the balance of trade is not very great for or against any of these dependencies.

The advantage of owning these countries from which we buy our tropical products is that we have reciprocal trade relations with them and they buy of us our manufactures and other articles which they use, instead of sending their money abroad with which to purchase foreign-made goods. Thus the annual imports and exports from the Philippine Islands to the United States are about equal, whereas with almost all South American countries the balance of trade is largely to our disadvantage, aggregating many millions of dollars a year. The Philippine Islands can produce a very considerable and important part of the tropical products consumed in the United States, as follows: sugar, copra, tobacco, hemp, rubber, gutta-percha, hardwood lumber, pearls, and perhaps silk, tea, coffee and camphor. In return they buy from us cotton goods, manufactures of steel, machinery, wheat and bread foodstuffs, and a thousand and one other things which will go to build up our home manufactures, employ our people and improve the condition of our country.

It is not, however, only as a consumer of our products that the Philippine Islands are available to us. Their present population is about 8,000,000. There is enough good land on the Islands to support a population of 50,000,000. Their potential trade is many times their actual trade. Not only could the numbers be greatly increased, but the purchasing power of each individual in those added numbers could be greatly increased. If a policy of attracting capital should be consistently carried out, by the installation of machinery, making labor more effective, improving means of transportation, freight handling, and by increasing the value of labor, by in-

creasing its productivity by more scientific methods in agriculture and manufacture, the per capita purchasing power of the people might easily be quadrupled over its present figures.

And then again, there is another feature to be considered. The Pacific Ocean is unquestionably the future theatre of the world's commerce. That country which has the greatest mileage on the Pacific will have the greatest commercial advantages. The shore line of the Philippine Islands is 11,000 miles.

Moreover, the position of the Philippine Islands as a depot to reach out for the China trade is one of the utmost importance. These Islands lie on the direct line from San Francisco and Honolulu to the Suez Canal. They fence off the English, German, French, Dutch and Chinese possessions from the Pacific and, as such, hold a commanding strategic position. There is no reason why Manila should not be one of the world's greatest emporiums of trade. There should be established there a free port and when the great nation of China rises in its might and comes to its own, with its 400,000,000 of people, the possession of this depot of American products at Manila will be of such inestimable value in the development of our future Oriental trade that the factor of cost of the Islands, now a matter of the past, as the Islands are civilly self-supporting, will seem so trivial that one would no more raise the question of the value of the Philippine Islands to the United States than would the economist of to-day question the wisdom of the Louisiana Purchase, or the annexion of Texas, New Mexico, Arizona and California.

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THE PRESIDENT: I wish to introduce Professor Dean C. Worcester, whose name has been so identified with the Philippines that he has become an established authority upon everything pertaining to those dependencies. (Applause.)

PROFESSOR WORCESTER: I was asked a couple of hours ago to summarize Mr. Forbes' paper, and to open the discussion upon it. I find that he has reduced his statements on the very im-

portant subject of "Our Dependencies" to five short printed pages. I do not see that further summarization is possible. As to the discussion, I have no personal familiarity with conditions in Porto Rico and Alaska, and very little with those in the Hawaiian Islands. I do not care to discuss subjects concerning which I have so little knowledge. I shall, therefore, limit myself to an effort to set before you a few facts relative to the extraordinary commercial development of the Philippine Islands during a decade and a half of American rule, some of which perhaps Mr. Forbes in his innate modesty has been prevented from stating in his paper because of his personal share in bringing about improved conditions. If time remains I will say a few words as to the possibility of further commercial development. I find the following statement in Mr. Forbes' paper: "The Philippine Islands show the astonishing increase of \$500,000,000 in growth of business and trade in four years of free trade." Without hesitation I say that one of the fundamental factors in this splendid result has been the improvement in public order. We found in the islands a condition of things worse than that existing in Mexico to-day. We have brought about a condition comparing favorably with that in any of the states in our Union.

I do not believe any national administration would care to take upon itself the responsibility for a relapse into conditions such as those previously existing. At the outset we had free silver there with a vengeance. There were periods of rapid fluctuation in the value of our circulating medium, and it was worth on any given day what you could get for it. It was in reality a commodity. Now we have a token currency with good yellow gold behind it.

The commercial development of the islands has been greatly stimulated by opening to them the markets of the United States, and the present free trade arrangements will doubtless continue to result favorably.

We found the islands periodically swept by epidemics of disease. The first cholera epidemic after the American occupation cost 110 thousand lives. If we now had a cholera epidemic that cost us 500 lives we should suspect that there was something very wrong and make an investigation. These

great epidemics of disease decreased the number of laborers, took many of those who were left from their work, interfered with the movements of vessels and even disturbed public order. Their suppression has been an important factor in improving commercial conditions.

The Philippines are an agricultural country. Cattle diseases had swept off many of the draft animals. There were not enough left to till the soil. A successful fight was made against these diseases by the Bureau of Science and Agriculture resulting in the restocking of the islands with draft animals and this has made improved conditions possible.

Good means of communication are essential to the commercial development of any country. As you know, the coast line of the Philippines is very long. Water transportation is therefore a matter of fundamental importance. Most of the important commercial centers are on the sea. The coasts were badly lighted. They are to-day among the best lighted in the world. The United States Coast and Geodetic Survey has already surveyed more than 11,000 miles of coast and the adjacent waters covering all the important marine lines of traffic in the islands. That has been a matter of great importance.

The means of communication by land were in a far worse condition. The existing roads were hardly worthy of the name and, during the rainy season, they often became impassable. Bridges were conspicuous by their absence. Some 4,500 miles of good roads have been built over much of which automobiles and motor trucks can operate. These roads are supplemented by 1,500 miles of cart road and horse trail. There are more than 5,000 new bridges and culverts of reinforced concrete. These roads and trails have not only greatly facilitated the maintenance of public order, but have brought thousands of small farmers, who previously had no encouragement to raise more than they or their immediate neighbors could use, within reach of the world's markets. Our export business has grown because we now raise more to export. Mr. Forbes is responsible for the change in public order and for the improvement in means of transportation which has made possible the increase in trade between the islands and

the United States. The islands are capable of producing a large part of the tropical products which the United States to-day uses. The balance of trade against us with all countries from which we import such products was some \$360,000,000 in 1913, but in our Philippine trade the balance was in our favor. Ninety per cent. of the goods which we sell to the Philippines are either our manufactured products or our partially manufactured products, on which we make our largest profits. The manufactured products make up 75 per cent. of that total. To the other countries from which we purchase tropical products we sell chiefly raw material or partially manufactured merchandise.

The Philippines are on the coast of Asia, and have the advantages as well as the drawbacks of an outpost. Within the sphere of commercial influence of Manila there are 800,000,000 of people. That port will make an admirable basis for you to operate from in going after the trade of the Far East. (Applause.)

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THE PRESIDENT: I will call upon Mr. Douglass to read a communication from Mr. Maurice F. Lowenstein, President of the Pacific Commercial Company.

SECRETARY DOUGLASS (reading): The Bill (H. R. 15657) to supplement existing laws against unlawful restraints and monopolies, and for other purposes, as reported with amendments to the House on May 6, 1914, is, in certain parts, made applicable to our insular possessions.

The Philippine Islands has an import tariff of its own quite distinct from that of the United States and in most of its schedules departing greatly from the rates in our own tariff. American exporters must enter that field in competition with foreign manufacturers of like goods and without the protection which is uniform in practically all other territory under our jurisdiction. Trade there is not a question of American firms competing with each other, but of American firms competing with foreign firms, and any restriction such as imposed in Sections 2 and 4 of that Act simply has the effect of placing

American business at a great disadvantage in meeting foreign competition.

As a business proposition, therefore, this Act should specifically exclude from its operation the Philippine Islands. It should under no circumstances be extended to any territory which is not fully covered by the United States tariff.

There are additional reasons why this Act should not apply to the Philippine Islands. Briefly, they are:

1. This Act is in its terms supplemental to certain existing laws against unlawful restraints and monopolies and for other purposes, which laws do not apply to the Philippine Islands.
2. The instruments on which the execution of this law depends, such as the district courts of the United States, etc., do not exist in the Philippine Islands.
3. From the passage of the organic act of the Philippine Islands, July 1, 1902, in which Act it was specifically provided that the statutory law of the United States should not extend to the Philippine Islands except when specifically so made to extend, it has been the policy to create in the Philippine Islands an autonomous government and to that government has been given ample power to legislate on all matters of local concern.

In this Act extending to those Islands amendatory legislation of legislation not applicable there, this principle is violated.

THE PRESIDENT: This communication will go to the Committee on Resolutions.

The next paper in order is that written by your Chairman, entitled "South and Central America." In presenting the abstract of it, I can say very briefly that it is a blunderbuss paper, intended to scatter so as to cover the whole field. I do not believe there is a statement or a fact in it which has not been referred to at one time or another by the speakers of this convention, and, therefore, it would be wasting your time to take it up item by item.

(The full text of Mr. Johnson's paper follows.)

## **SOUTH AND CENTRAL AMERICA.**

BY

**ALBA B. JOHNSON**

President, Baldwin Locomotive Works

The United States has spent upwards of four hundred millions of dollars in building the Panama Canal. Unprecedented energy, skill and scientific achievement have marked its construction. As the time approaches for its formal opening, the public attention should be and is concentrated more and more upon the necessity of extending our trade in the countries of Central and South America, so that we may at least share with other nations in the benefits arising from the reconstruction of trade relationships which must follow its use.

Some years ago at a dinner given to distinguished South American visitors, one of our statesmen referred to South America as a "Continent dangling from North America by the narrow Isthmus of Panama." The eminent speaker was oblivious of any discourtesy which might be apparent to the visitors by such reference to their country. He was only expressing the popular misconception held by North Americans as to the extent and resources of the prosperous countries to the south of us and the intelligence and refinement of their people.

Few of our countrymen have real conception of the facts. The reason is that few of us travel in South America, that the lines of communication from the ports of South America make them closer to Europe than to us and that their financial and trade relations are largely with Europe. Those South Americans who visit us rarely come into contact with large numbers of our people. Therefore, we average North Americans do not know the South Americans in anything like the way we know the leading peoples of Europe, such as the English, French, Germans or Italians. We have read of their unhealthy, tropical cities, but few know of the transformations which have taken place within the past ten or fifteen years. Contagious disease, which so long deterred travelers from

visiting South America, has been stamped out of their chief seaports, just as we have stamped it out at Panama. Numerous books written by American travelers have set forth the real facts. Sailing by direct steamer southward, touching at numerous interesting points, in sixteen days we enter the beautiful harbor of Rio de Janeiro, to find a city of a million inhabitants. No scenery in the world excels that which opens to the traveler approaching Rio from sea. Volcanic mountains guard the coast line and appear to present an unbroken barrier. The narrow entrance to the harbor is between hillsides covered with tropical verdure. The bay occupies part of a great basin surrounded by mountains. First, the Sugar Loaf rises from the bay, behind that rises Corcovado still higher with its slender summit, and behind all rise the Organ Mountains, forming the distant background. The first impression is that of an oriental city. The red-roofed churches, towers and Government buildings, amidst royal palms rising above the bay, give such an appearance. The business part of the city occupies a level site and its residential portions extend up into the several valleys separating the mountains. Improvements in sanitation and beautiful parks and avenues have been constructed which would be creditable to any North American city. On every side are indications of business activity and of a high standard of civilization. Similar conditions are found to exist in other Brazilian cities, notably in Santos and São Paulo. Magnificent hydro-electric installations have been made at Rio and São Paulo which are equal to anything in the world. A further journey of five days by steamer brings the traveler to the River Plate, with its two prosperous cities of Montevideo and Buenos Aires. The first is the capital of Uruguay, a country which, although of the smallest area, is perhaps the choicest in South America for agriculture; and the latter is the capital of Argentina. Montevideo is notable for its handsome buildings and its cleanliness. Buenos Aires is a city of one and one-half millions, extending over a vast area. In addition to its excellent tramway system, in December there was opened to travel a new subway two miles in length, whilst further subway con-



struction is in progress. Here, municipal improvements have been carried out which would be envied by any American city. The vast docks have cost upwards of forty million dollars and are the most complete and commodious on the American continent. The development of the natural resources of Argentina has created a wide diffusion of wealth. West of the chain of the Andes, is Chile, a country of great mineral and agricultural resources and having a highly developed population. I will not take time to speak of Bolivia, Peru and other South American countries, all of which, however, contribute a share to the world's trade. Taken together, these countries, forming the continent of South America, are said to have a population exceeding seventy millions, and a foreign trade in 1912 exceeding two billions of dollars.

This aggregate foreign trade is, of course, made up of imports and exports, the former amounting to \$958,900,000 of goods purchased by South America, the latter to \$1,177,600,000 of goods sold by South America. The United States is one of the largest purchasers of their exports, but the present discussion concerns only their imports into South America, or our sales to them. Omitting the statistics from Uruguay and Venezuela, which are not available for the year 1912, their purchases are distributed amongst the several countries as follows:

United Kingdom .....	\$252,700,000
Germany .....	166,900,000
United States .....	139,900,000
France .....	77,600,000
Italy .....	49,300,000
Belgium .....	42,400,000

Approximately, therefore, Great Britain enjoys something more than twenty-five per cent., Germany about seventeen per cent., and the United States about fourteen per cent. of their business. The question which we desire to consider is why our share is not larger, and how we can increase it.

First of all, foreign trade depends upon the goodwill of the purchaser. This goodwill implies granting favorable

tariffs and other conditions of import. One of the first essentials necessary for successfully cultivating South American trade, is, therefore, a capable and experienced diplomatic and consular service. Our ministers and consuls must compete with the shrewdest and most experienced representatives of European nations, men having life-long training in their diplomatic and consular service. Stability of official tenure and promotion for efficiency in the service of our Department of State are therefore primarily essential to the cultivation of such political and commercial relations as will assist the efforts of our merchants and manufacturers in extending their interests in those markets. It is in the highest degree desirable that our consular service and, in part at least, our diplomatic service should be protected by an effective civil-service law.

The manufacturer must know, in general, the requirements of the export business, and in detail the particular requirements of the country in which he wishes to do business. If he has not himself this knowledge, he must appoint a representative who understands these requirements. Ignorance of the needs of the foreign trade by many of our manufacturers is surprising. The manufacturer must know intimately the country in which he wishes to do business, their ways of doing business, their credit system, and, in fact, know the people as well as he knows his own countrymen and their ways of doing business. His success will grow as his knowledge grows. If a merchant in New York desires to extend his trade in St. Louis, he carefully studies the requirements of the St. Louis market by sending his representatives there to make personal acquaintances with buyers, to learn their wants and any peculiarities known to those already doing business in that market. There is no essential difference between increasing business in St. Louis and increasing it in Rio or Buenos Aires, and there will be no more difficulty in doing so if the same care and effort are devoted to it. The most effective way of securing foreign business is to go for it, or to send a capable representative who should, of course, be able to speak the language of the country, and who should also have personal qualifications equal to those which would give success at home. These

qualifications are not necessarily the same, but differ in kind as the customs of the countries and the habits of thought of their people differ from our own. He should not be excessively aggressive, nor unduly obtrude his Americanism, as neither tend to make him acceptable to those with whom he would do business. He should go frequently enough to form permanent acquaintanceship with his customers, and to become a welcome visitor. If the business would not bear the expense of sending its own representative, then the next best method of securing it is through the medium of responsible commercial export houses.

There are certain characteristics of the Latin-American buyer which must be understood by the North American manufacturer. The first is his loyalty to those with whom he has had satisfactory business relations, and his unwillingness to change for trivial reasons. This presents an obstacle in securing new business, but makes the effort to secure it worth while, for once gained it is not quickly lost. It is true that many articles of merchandise are produced and sold cheaper by English and Continental than they can be by American manufacturers. As South American buyers desire the best and are willing to pay a higher price for it, and as our American products, when manufactured in quantity, usually excel other goods of the same general grade in ingenuity of design, in finish and in efficiency of operation, they find a ready market, notwithstanding the difference of cost. The fact of their greater cost is no disadvantage to the South American merchant who sells them, because they increase his gross sales and his profits upon the same transaction. It is, therefore, true that meritorious articles of higher cost sell readily side by side with the cheaper goods of European origin. Pioneer work is necessarily slow and time is required to build up a new trade where both the goods and the maker are unknown, and therefore immediate results should not be expected.

There are certain things which I must mention as essential to success in retaining the foreign markets when secured. The first is scrupulous care to conform without deviation to

the conditions of the order, and equal care to maintain the standard of quality, even to the point of conservatism in introducing improvements. The second is to spare no effort to follow up the goods when they reach the consumer, in order to make sure of their suitability to the purpose intended, and of the customer's satisfaction with them. This offers the best guarantee of continued and increasing orders. Third, uniformity of prices should be maintained. Foreigners cannot understand the fluctuations of our business conditions, which cause low prices at one time and high prices at another. It is, therefore, better to adopt a uniform, stable line in prices, which may be higher than those charged at home in dull times and lower than those charged in prosperous times. For the same reason I would add that prompt deliveries of goods for foreign markets should be made, even though at the cost of much inconvenience to the manufacturer. Mention should be made also of the need for careful study of the treatment to which goods shipped abroad are subjected in transportation, to the necessity of adequate care in packing to provide therefor, and to the necessary limitations of the weights of packages. Much has been written upon this subject and it cannot be too strongly emphasized. The legal requirements of foreign custom-houses must be ascertained and strictly observed. In the case of machinery or kindred material which has been knocked down for transportation, every effort must be made to provide explicit drawings or instructions for its re-erection.

We hear much of the need of American banks for extending foreign trade. It is not true that there is any difficulty whatever at present in carrying out all the banking operations necessary for making remittances, establishing credits, etc., between New York and Central and South American countries. The existing banks having their head offices in London and their branches in New York, and in all the commercial centers of Central and South America, furnish every necessary facility for making collections and remittances. These British banks do little or nothing, however, for the extension of American trade. The real need of American banks abroad is to furnish experienced representatives of American

financial interests, capable of seeing profitable opportunities for the investment of American capital and held in such confidence by American investors that when opportunities for profitable investment are presented, they will be taken advantage of. The English banker naturally presents such opportunities to English capital, the French banker to French capital and so on. It is difficult to determine whether American interests in foreign countries must precede the establishment of American banks in those countries, or whether the establishment of the banks first will lead to the development of American interests, but at present we have no such American banks, and Americans are comparatively unaccustomed to the idea of foreign investment. In the development of the vast and virgin resources of South America, business opportunities are constantly offering quite as profitable as any in our own country. I hope that under the new currency bill which permits our banks to establish foreign branches this need will be supplied.

Another need for American banks is for giving merchants and manufacturers immediate information as to the credit of foreign buyers. Our commercial agencies are not yet able to render efficient service in this particular, and, therefore, the charge that Americans are less disposed than foreign competitors to grant customary credits, is true. This is due in part to the fact that for the most part the houses engaged in the exporting and importing business are comparatively small, and their credit is not well established. The custom of the South American buyers is to require documents accompanying time drafts to be delivered to them on acceptance, thus substituting their obligation in place of actual title to the goods. A method of handling such drafts, so far as the banks are concerned, is for them to draw bills on London the proceeds of which are paid to the manufacturer or exporter against his draft, with shipping documents attached, at 60 or 90 days, on the South American customer. Of course, however, as above mentioned, the exporter assumes the risk of ultimate payment.

No bank can exist on the business of merely making collections. Banks must depend for their profits upon using

the deposits of the community in which they are situated. To achieve success in foreign cities our banks must co-operate with their local business interests and as closely as possible identify themselves with the business of the country.

The financial necessities of the foreign manufacturer are in nowise different from those of the American, but through the English or German banks, their manufacturers are able to ascertain immediately the character and responsibility of the foreign buyer. By a system of acceptances at three, four or six months, the banker, in fact, furnishes the credit which places the British or German manufacturer at an advantage over the American. Another system sometimes used is that of German bankers granting book credits up to fixed amounts, against which the foreign agent can draw, paying interest only on the money actually outstanding, plus a small commission. Neither of these systems has as yet become established in American commercial usage.

We hear much of the need of American steamship lines. Of course, there would be an economic advantage to us as a nation in expending at home the sums paid to Europe for sea transportation, but I regard this, from the shipper's standpoint, as comparatively unimportant and sentimental. It is a fact that the American steamship lines operating American and foreign ships to west-coast ports, and the foreign steamship lines operating to east-coast ports, furnish by weekly sailings all the facilities at present necessary for the trade, and under the ordinary laws of supply and demand, such facilities will be increased as the business increases. Whilst I have heard of cases of discrimination against American shippers by the European steamship lines, so far as my own experience goes, I have been satisfied that the freight rates charged to American shippers are as favorable in general as those charged to European shippers of similar commodities. The need of American steamship lines does not, therefore, stand in the way of the extension of American trade. The American flag has been banished from the seas by unwise regulation of American ships. Until these requirements are changed so that American ships can be operated approximately as low as

those of other commercial nations, it is impossible for us to hope for a restoration of our flag to American commerce.

Advertising is an important essential to business and it is a channel of expenditure where much can be paid out with little return. As personal effort is the most effective basis for promoting sales, there is little use in promiscuously sending catalogues or printed matter even when printed in the language of the country, and sending them printed in the English language is practically money thrown away. I have come to the conclusion that advertising expenditures for the promotion of foreign business can be most wisely made in the countries themselves where the business is sought.

Means should be taken for the promoting the study of Spanish by young men in banks, and by those employed in merchants', manufacturers' and shipping offices. Employers should make it known to their young men that success in acquiring foreign languages useful in the business would be regarded as evidence of efficiency and rewarded accordingly. The value of foreign languages and particularly of Spanish, should be especially apparent to young engineers and mechanically trained men, to whom business opportunities in Latin-American countries may at any time be opened.

The value of such institutions as the Philadelphia Commercial Museum, and of such museums as exist in Munich and in other European cities, should be recognized. Here can be gathered information as to the legal and commercial usages of foreign countries, samples of goods consumed, prices current, credit of commercial houses, newspapers and trade publications from foreign countries, etc. The various avenues of usefulness of such an institution are so numerous as to be difficult of appreciation.

Owing to financial conditions which were world-wide in their effects, the year 1913 was one of great financial stringency from which the world is only now recovering. This has affected to an important degree the purchasing power of the principal countries of South America. I hope and believe that the recovery which appears to be in progress will be complete. Stability of conditions should restore the purchasing

power of these great markets. Furthermore, we are upon the eve of the opening of the Panama Canal which will bring about a readjustment of the commercial relations of a large part of the west coast of South America, and which will bring new opportunities to our Atlantic ports. We have adopted a radical change in our tariff policy for the purpose of promoting a freer interchange of commerce with foreign nations. It is, therefore, a most opportune time for a forward movement of the extension of American commerce, and the truth which I would especially emphasize is that if this business is sought with the same personal care and intelligence as we would seek business in the neighboring markets at home, our success will be assured.

What American business interests most need to meet the competition of other nations in the world's markets, is rest from further pernicious regulation at home and the same freedom of action in foreign trade that is enjoyed by competitors of other nations. Modern commerce can be conducted most effectively by large concerns. To attack our business interests because by reason of intelligent management they have grown strong, is to cripple them in the struggle for the world's trade. Measures which our Government has been endeavoring to enforce at home are contrary to reason and to economic law, and reflect a period of development through which public opinion has been passing. In our domestic business where all are subject to the same restrictions, it is possible that owing to the great recuperative power of the country, we may partially escape the penalties resulting from blunders of public policy. Such is not the case in foreign business, where we are opposed by competitors who have the advantage of cheaper labor, who are already strongly entrenched in the world's markets, who have the aid of powerful banks of their own nationality, and who have such advantages as accrue from ownership of the lines of steam transportation. Such competitors are not only unhampered by their Governments, but are powerfully assisted by them. To our law-makers in Congress we must appeal for an even chance with our competitors of other nations in the struggle for the world's trade, and to



leave us as free as they are, so that we shall not be hindered by those to whom we should look for protection and support.

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I shall now call upon the two speakers who have expressed a desire to discuss the paper on South and Central America. The first is Professor J. Paul Goode, of Chicago. (Applause.)

PROFESSOR GOODE: The United States of America has become a great nation in an era of east-west moving trade. The trend toward economic equilibrium along the parallels has begun to be in evidence. Now, also, the complementary principle begins to be apparent, that there is a tendency to permanent economic disequilibrium along the meridians.

The greatest flow of intercontinental traffic to-day lies between the ports of west central Europe and our north-eastern ports. But the great routes of trade of the future will lie between economic couples, each couple made up of a temperate latitude land and a proximate tropic land. One such couple is made up of North America and South America. For by far the larger part of North America is outside the tropics, and in just about inverse proportion South America is within the tropics.

Trade goes on between regions differently endowed. And to add to the differences in endowment due to climate as compared with South America our country has a superb resource of coal, oil and gas and also of iron, the foundations of all great manufacturing and transportation development, while in these very lines the countries of South America have a market shortage.

Our manufacturing population is causing great changes in the character of our foreign trade. Of the total imports in 1913 of \$1,813,000,000, foodstuffs had a value of \$406,000,000, and raw materials for manufacture a value of \$635,000,000. In this year 54 per cent. of the foodstuffs imported came from South America. During recent years the export of foodstuffs shows a rapid decline. In 1900 we exported

329,000,000 pounds of fresh beef, but in 1913 only 7,300,000 pounds. Now we have begun to import our beef. The last three months of 1913 we imported an amount almost equal to our entire export for the whole year.

Within ten years we will export no wheat. Our food imports have doubled within the last dozen years. We are finding our foods and raw materials largely in Latin America. Our total imports from South America in 1900 were valued at \$93,700,000, in 1913 at \$217,700,000. Our population is increasing at the rate of about 4,000,000 a year, and our wants have no upper limit. Thus the first term in the foreign trade equation is very large, but Latin America has a second term to match it.

If we omit the worthless Arctic islands of northern Canada, the continent of South America is larger than North America. About half the area of North America is too cold or too dry ever to be of large significance. Most of South America consists of well-watered tropics. Moreover an equally large proportion consists of low flat lands, as a rule with exceedingly fertile soils. So there is endless promise in forest products, in wheat, corn, rice, coffee, cacao, sugar, fruits and nuts of many kinds, cattle, sheep and goats.

Brazil alone has an area of 3,218,000 square miles, or larger than the United States of America by an area equal in size to the empire of Germany. And only the fringe of Brazil has been scratched as yet. The richest three-fourths of it has not even "begun to itch."

Mr. Roosevelt adds to the map a hitherto unknown river as large as the Hudson. But there are three or four other uncharted areas large enough to furnish rivers of equal size to the honor of future explorers. There are matchless opportunities for development waiting for initiative, capital, transportation facilities and populations yet to come.

If Brazil alone were developed as Java is, or the island of Cebu or even Japan, it would support a population of over a billion. To add to her superb wealth of farm and range she has the richest known deposits of iron ore.

The two countries, Venezuela and Colombia, together have an area of four times that of Germany. They are nearest of

all the countries to us; they are exceedingly rich in natural resources, and are practically untouched. Each of the other countries in turn, when studied closely, shows phenomenal possibilities.

In the total foreign trade of South America in 1912 of two billion dollars, our country stood third among the trading nations, with only 14 per cent. of the total. But the important thing is the rate at which our foreign trade is growing, as compared with our competitors. An examination of the record shows that we have trebled our trade with Argentina, Chile and Peru in the last thirteen years; have doubled our trade with Brazil and Venezuela, and have quadrupled our trade with Colombia. And in almost every case our rate of increase is faster than that of any other land.

A canvass of all our merchants doing business with Latin America will bring out the verdict that the largest handicap we have against the development of this trade is the lack of adequate transportation service. And on the solution of this problem many men will take issue with the statement that we need less government participation in commerce. What we really need is more government participation. And the proof of this is to be found in a study of German methods. For Germany, of all the nations, is showing the world how to develop foreign trade.

First of all, the government owns the railways and makes the freight rates. It provides inland water routes of the highest quality, and makes them almost wholly free highways. So shippers may choose the cheapest way, either water or rail, and have the service without discrimination. Far more freight moves up and down the Elbe river, for example, than on all the railways along its course.

The government makes exceedingly low rates on coal and raw materials for manufacturing industries. Goods for export are given a rate so low as to be in some cases less than the cost of service. Then the government authorizes cartels, or selling trusts, giving all the advantages of large-scale operations, but like the freight rates, these advantages are guaranteed to all merchants and manufacturers, large or small alike.

The government provides special education of consuls, as trade agents, with the system on a rigid civil service basis. Among many other things the government does is to establish scientific laboratories for the standardizing of units and materials for the benefit of trade. As a consequence of all this government co-operation, German merchants are winning the prizes of trade in every foreign field they enter.

Our government can help tremendously in the development of our trade with Latin America. It could revise the shipping laws, giving our shipowners equal conditions with those of Britain and Germany. But far better than this it could build and operate a merchant marine of its own, as Germany and other lands have built and operate their railways.

The plan proposed by Mr. Benjamin J. Rosenthal (see Chicago Commerce, August 9, 1912), is most excellent. Briefly stated the plan is, that for every battleship built by the government, a fleet of half a dozen merchant ships be built. That these ships be officered from the navy, and put into regular commercial service between our ports and Latin America, or Oriental or other ports. Then let freight charges be based upon cost of service, and the government can absolutely control shipping rates in every sea it enters.

In time of war these ships will be available as auxiliaries of inestimable value to the navy. The advantages such a service would render to the American merchant would give him an equal footing with any competitor in the field.

Such a plan may be very remote, but there are plans very near and easy of inauguration, which may have the undivided support of all business men. Such plans as those advanced by Secretary Redfield; the appointment of commercial attachés in various lands; the making of trade directories of various regions; the expert studies in various lands on trade opportunities; the research along many lines, such as the labor cost in standard wares in competing lands, and the many other ways looking to the education of the American public in matters of commerce.

Secretary Redfield is the best equipped man for service in commerce that ever came to so responsible a position in our

government. Money can be spent in no better way than in the support of the program he is outlining. (Applause.)

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THE PRESIDENT: The next one to discuss this paper on South and Central America is Mr. John J. Arnold, of the Chicago Association of Commerce. (Mr. Arnold not present.) The next paper in order is "The Orient—China and Japan," by Mr. S. D. Webb, President of the China and Japan Trading Company of New York.

Mr. Foord will present the summary of Mr. Webb's paper. (Applause.)

(Mr. Foord gave a synopsis of Mr. Webb's paper, the full text of which follows.)

## THE ORIENT—CHINA AND JAPAN.

BY

S. D. WEBB

President, China and Japan Trading Co.

The foreign trade of the United States began on February 22, 1784, when the good ship *Empress of China*, three hundred and sixty tons carpenter's measurement, sailed from New York for Canton to bring back a cargo of tea and other products of the country, in exchange for her own very light outward cargo, consisting mainly of ginseng. There were but a few of the world's markets open to the trade of the newborn Republic. The British navigation acts closed the ports of the mother country and of all her colonies to the ships of the United States, and the East India Company, already the supreme power in Hindostan, grasped at the commercial empire of all Asia. But the newcomers in a field in which Dutch, Portuguese, French and Spanish made but a feeble show of competing with the English, had some important advantages in their favor. For one thing they could build ships of the highest

class of live oak and cedar at a price per ton fifty per cent. lower than any similar vessel could be turned out in the cheapest ports of England, Holland or France. Then there was the business capacity of the merchants of Salem, Boston, New York and Philadelphia which had been developed under the discipline of adversity in colonial times and had as yet but few domestic enterprises to engage its attention. Supplementing and sustaining these, there came in the skill and boldness of the American sailors. No better example could be had of these than the voyage of the *Alliance* to Canton in 1788. This ship sailing with no charts, and with only a map of the then known world or Mercator's projection, never dropped anchor from the time she left Philadelphia.

The beginnings were sufficiently humble, but before the close of the eighteenth century the trade with Canton formed a larger part of our entire foreign commerce than does our trade with the whole of China to-day. After 1795 the Napoleonic Wars afforded a great opportunity for American shipping, and the only two flags much in evidence in Chinese waters were the English and the American. The English because England was mistress of the seas and the American because neutral America was the friend of all, and, with a short interlude, 1812-14, the enemy of none, and could consequently trade where others could not. Thus, during the first decade of the nineteenth century, Great Britain took about three-fifths of China's exports, while the Americans took a third. By this time the American trade amounted to something over \$6,000,000 a year, both in and out—but mostly out. That is to say during the seventeenth and eighteenth centuries what is called the balance of trade was always in China's favor, and this state of things continued well into the nineteenth century. The foreign trader had, accordingly, to find the means of buying his tea and silk, and of providing for heavy disbursements on account of his foreign establishment and his ships—the tax on the latter being as heavy as the traffic could stand. Briefly, the import of goods never sufficed to pro-

vide an export fund to complete the transaction with the Chinamen. It has been estimated that during the eighteenth century it never amounted to one-fifth of the sum required, and that during the whole of that century Europe was drained of its silver and poured into China a sum which for the period ending with 1830 could not well be less than \$500,000,000.

Up to 1830, the American trade with China was conducted on the basis of a triangular operation. The products of this country were shipped to Europe and with the proceeds in Spanish dollars the ship sailed, practically in ballast, either direct from Europe or from an American port to Canton and there loaded tea for the United States. Up to 1815, a full four-fifths of the export fund for American ships was provided by Spanish dollars in this way, and in the fifteen years from 1816 to 1830 a full two-thirds. The sudden change which took place in the latter year and which enabled American trade at Canton to be financed by bills of exchange in London, was due to the expansion of the opium trade. The Chinese would take opium when they would not take other commodities, and in 1837 it provided with fifty-three per cent., while cotton accounted for twenty-two per cent. of all the imports, English manufactures and tropical spices supplying the remaining twenty-five per cent. In 1837 cotton fabrics were exported from China, and the importation of machine-spun and woven cottons had only just begun. In 1837 the value of the exports of Chinese hand-woven cloth called for by the colonies of Chinese settled in the Malay Archipelago was \$500,000, and seventy years later this trade still continued and had attained three times the above-quoted value. About the same time the value of the import of cotton manufactures had reached the sum of \$122,500,000, which was thirty-seven per cent. of the value of all the Chinese imports. Up to 1906, the American share in this trade continued to be a growing one and bade fair to rival that of England. As a matter of fact, in the closing years of last century there had been no more remarkable expansion of any department of our commerce than took place in

the exports of cotton cloth to China. In 1887, there were imported into Shanghai, of English, Indian and Dutch plain gray and white goods, 11,140,380 pieces; and of American sheetings, drills, and jeans, 1,874,274 pieces. By 1897, the American imports had risen to 4,143,971 pieces; that of our competitors figuring for only 9,880,330 pieces, including the new contribution from Japan.

In other words, there had been an increase in quantity of imports into China of American cotton cloth of 121.11 per cent. and a decrease in those from England and India of 13.77 per cent., and from Holland of 7.12 per cent. The imports of 1897 represented a total of some 165,000,000 yards of American cloth, which by 1899 had increased to 250,000,000 yards. By 1906 China imported 20,250,000 pieces, averaging about 40 yards, of plain cotton fabrics. Of these, fifty-three per cent. came from English mills, forty-two per cent. from American, and three per cent. from Japanese. Fancy cottons, chiefly imitations of more expensive woollen fabrics, were valued at \$22,000,000 and came chiefly from England, with the exception of the cotton flannels which were nearly all American. That our exports of cotton cloth to China in the last few years compared so poorly with those of 1905-06, is largely due to the fact that an exaggerated estimate was placed on the possibilities of the Chinese market at the end of the Russo-Japanese War, which had closed a very important section of that market to business. The sudden jump in the exports of our cotton textiles to China in 1905 to a value of \$28,000,000, and in 1906 to one of about \$30,000,000, or fully double the value of the years immediately preceding, was thus an abnormal process, and the depression of the following years was primarily due to the necessity of absorbing surplus stocks. But it was also due to the direct competition of Japanese with American fabrics—to the deliberate imitation by Japanese mills of American cloths, marks and brands, and the consequent supplanting of the standard fabrics by cheap and inferior imitations.

As already indicated, as late as 1906 the import of Japanese piece goods into China was a negligible quantity,



although for several years before the Japanese mills were competing strongly with those of British India in the yarn market of China. There is probably no more remarkable chapter of industrial and commercial history than that which records the activities of Japan in the field of manufacturing production in the forty years between 1868 and 1908. The statement has been made and it is probably true that when history shall have placed all the great political events of the Nineteenth Century in their proper perspective, none will bulk larger in the eyes of posterity than the appearance of Commodore Perry's fleet in Japanese waters. "For it initiated a complete revolution in the relations of the West and the East by awakening to a consciousness of its power an Eastern nation which for the first time in history has shown itself able to assimilate in great measure the civilization of the West without entirely surrendering its own, and thus to assert a claim to take rank on a footing of equality with the Great Powers of the West in the arts both of peace and war." Further, the emergence of Japan, its marvelously rapid transformation from a mediaeval and feudal into a modern State, equipped with all the material implements of Western civilization, its warlike achievements, both on land and sea, and its less ostentatious but scarcely less substantial achievements in the field of commerce and industry, have for the first time raised the question whether the supremacy of the white races is as indisputable as we have hitherto imagined it to be, or, in other words, whether they can rely upon the continuance of a vested monopoly in the civilization which they have built up during the course of so many laborious centuries. It is the incalculable consequences which the rise of Japan must involve for the human race as a whole that will not improbably secure, among all the great historical dates of the Nineteenth Century, pre-eminence for the day when Western civilization, in the shape of an American squadron, forcibly broke down the self-imposed isolation of the hermit Empire of Japan.

From the first the United States has had a large share in the foreign trade of Japan. It was not until the eleva-

tion of the late emperor to the throne in 1868 that Japan had any foreign commerce worth speaking of, and from that year dates the real development of the Japan that we know. In 1868 the value of Japanese foreign trade did not exceed \$13,000,000; forty years later, it was \$413,000,000—the population, meanwhile, having about trebled, while foreign commerce increased thirty-two fold. The progress made in the last five years has been hardly less remarkable. The total value of the foreign trade of Japan in 1912 was \$572,987,059, in which imports from the United States amounted to \$63,253,847 and exports to the United States to \$84,017,030. These are the Japanese figures and they vary but slightly from those furnished by our own Bureau of Foreign Commerce. They show that the United States took 32 per cent. of Japanese exports and contributed 20.52 per cent. of the imports. The United States is easily the best customer of Japan, China coming next with 21.79 per cent. of the total of Japanese exports, and the United Kingdom figuring as low as 5.65 per cent. British India, from which Japan imports a trifle more than from the United States, buys from Japan only 4.49 per cent. of her total exports. Of the 63 millions of imports from the United States into Japan, more than one-half is accounted for by raw cotton; iron bars, rods, plates, tubes, etc., account for \$5,166,000; machinery and engines for \$3,442,000; and nails and galvanized wire for \$1,655,000. While raw cotton is by far the largest single item of Japanese imports, raw silk heads the list of exports, and of the total coming under this head in 1912 amounting to over \$100,000,000 the United States took \$59,563,396, or twelve millions more than the preceding year. This is, curiously enough, just about the amount by which Japan increased her purchases of American raw cotton during 1912.

The foreign trade of China showed a less sensational gain during the closing years of last century than that of Japan. But in the present century it has advanced quite as rapidly as that of its more enterprising neighbor, and in 1901 the aggregate of the Chinese exceeded that of the Japanese foreign trade. Considering that China has seven

times the population of the Island Empire, a far richer soil and a vastly greater store of undeveloped mineral and agricultural wealth, this is no great achievement. But it must be held to be significant of the tremendous latent possibilities of China as a market for foreign products. In 1901 the net value of the foreign trade of China was Hk.Tls. 437,959,675, while in 1910 it reached a total of Hk.Tls. 843,798,222, or an increase of 94 per cent. The average value of the tael for the latter year being 66 cents, the direct foreign trade of China for 1910 may be stated in our money at \$556,906,826. In spite of the demoralizing influence of the Revolution, the foreign trade of China for 1911 attained a total beyond any previous example, with imports reaching the value of \$306,477,563 and exports of \$245,269,808. Although reckoned in taels, the foreign trade of China did not increase in 1912, the fact that the average exchange value of the tael was only 65 cents in 1911 against 74 cents in 1912, advances the value of the trade in dollars. Thus the imports for the year figure at \$350,091,802 and exports at \$274,185,098—a total of \$624,276,900, or \$48,000,000 more than the foreign trade of Japan proper, and \$21,000,000 more than Japanese foreign trade with Formosa and Korea thrown in.

These figures of Chinese trade for 1912 are the more significant because in the words of the Statistical Secretary of the Maritime Customs, perhaps no year in the history of the trade dawned on a gloomier prospect. With the abdication of the Manchu Dynasty, in February 1912, began a new era for China, happily ushered in by splendid harvests giving food and contentment to an industrious and peace-loving people. How full of promise is that era for an expanding commerce, both internal and external, can best be estimated by the progress made in the past in the face of misfortunes and discouragements which would have disheartened a less patient and persevering people. In the reports of the Maritime Customs for 1898, to single out but one instance, there is recorded the same kind of triumph over adverse conditions which occurred in 1912.

The conditions of fourteen years ago are thus described by Mr. F. E. Taylor, the Statistical Secretary:

"Were any proof needed of the vitality of China's foreign trade, the figures for 1898 would supply it. Various parts of the country were disturbed by sporadic rebellions of sufficient gravity to check business; the Yellow River once more burst its banks and flooded enormous tracts; an ominous war cloud during the greater part of the year made importers cautious; the political situation was full of menace; and in September the news from Peking completely disorganized the trade of the northern ports. In spite of these adverse circumstances, the value of the import trade surpassed all previous records, while the value of the export trade exceeded that of every past year, with the exception of 1897. The total volume of the trade was valued at Hk.Tls. 368,616,483 (\$255,819,839), which is the highest on record."

Certainly not the least promising of the indications that China has entered upon a new era is to be found in the readiness of the Government to make a serious effort to render impossible, once and for all, the devastating floods of the Hwai and Yellow Rivers. This is a work whose initiative must be placed to the credit of the American Red Cross Society which, during the last six years, has expended hundreds of thousands of dollars for famine relief in China, not including large cargoes of food and their transportation. The charter of the Society requires not only that it should mitigate the suffering caused by famine and other great calamities but imposes upon it the duty "to devise and carry on measures for preventing the same." Accordingly, in 1911 the officers of the American Red Cross, with the approval of the State Department, decided to offer to the Chinese Government an expert engineer on river conservancy to make a thorough examination of the flood and famine region with a view to designing some scheme by means of which the flood level could be lowered, the rivers properly restrained and the swamps and shallow

lakes drained and made available for agriculture. The disturbed state of the country somewhat delayed the completion of the work whose supervision had been confided to Mr. Charles Davis Jameson, an American civil engineer of high standing who had spent sixteen years in China. On the basis of his report the Chinese Government declared its readiness to grant to the American Red Cross exclusive authority to make arrangements for the Hwai River conservancy work, and to guarantee a loan of \$20,000,000 to start it. Being naturally unable to accept the immediate responsibility for the conduct of such an enterprise, the Red Cross named the Engineering Corporation of J. G. White & Company to take up with the Chinese Government the terms and conditions upon which the work could be undertaken and carried to completion.

The Government at Washington has shown no such hesitation in backing this enterprise with all needed support as it displayed in connection with the participation of American bankers in the sextuple loan. There could certainly be no more promising beginning to the rehabilitation of American financial enterprise in China than that supplied by the readiness of the J. G. White Corporation to expend millions, carefully, honestly and intelligently, for the enrichment of the country, and the elevation of its people in the scale of national well-being. Though less humanitarian in its aspect, the enterprise of the Standard Oil Company is not less calculated to advance American prestige in China. The agreement which the Company has made with the Government at Peking amounts to a virtual partnership for the joint development of the oil possessions of the Republic. The contract is one almost unique in the history of commerce, and it is one calculated to supply a leverage for the development of the material resources of China that must add enormously to the potential wealth of the Republic. Since the most pressing need of China today is that of industrial organization, it is of obvious advantage that there should be furnished an object lesson on a scale of sufficient magnitude to attract attention and according to a standard of efficiency which may provoke imitation.

The Standard Oil Company have succeeded in supplying the Chinese with a smokeless oil lamp at a nominal cost, yielding several hours light at an expenditure within reach of the poorest. To that extent they have lengthened the Chinese working day and proportionately increased the output of the cottage industries. It is equally within the range of practical achievement that the sinking of oil-wells with the construction of their accompanying pipe-lines, should promote the creation of great industrial centers and a diversified system of manufacturing.

A highly satisfactory indication of the enlightened policy of the new Government of China is to be found in the Mining Regulations which have just been promulgated. As far back as the Mackay Treaty, China agreed to provide rules for the exploitation of her mineral wealth, but up till now an arrangement calculated to meet the approval both of the Treaty powers and the Government of Peking has been found impracticable. Under the new mining law the whole country is divided into eight districts, in each of which there is to be a Bureau of Mining Supervision, directly responsible to the Ministry, so that there will be no divided responsibility. Foreigners will be permitted to hold equal shares with Chinese in any mining enterprise, and in case the Chinese fail to take up their allotted shares, the foreigners interested may subscribe the whole share capital. The Government is engaging foreign mining experts of the highest professional standing as advisors, and these will act also in the capacity of engineers-in-chief and consulting engineers as occasion may arise. Under the old conditions, the owner of lands under which minerals were lying untouched, was entitled to make a claim to the minerals as his property. Under the new mining law it is clearly laid down that minerals are owned by the State and, this being the case, they may be exploited by anybody, whether the owner of the land or not, who obtains due sanction and authorization from the Government. There has been a very considerable enlargement of mining areas and a radical reduction in the royalty which has been reduced to a maximum of  $1\frac{1}{2}\%$  of the output, while

the special mineral tax, levied on lands over mines, has also been greatly reduced.

Coal and iron rank easily first in the mineral wealth of China. Competent authorities have estimated that the anthracite resources of the Province of Shansi and adjacent territories are equal to those of Pennsylvania, and while no estimate is possible of the total amount of bituminous coal available, it is safe to say that this is also comparable to the deposits of the United States. A similar remark applies to the supply of iron ore whose utilization on a modern scale has only begun. Of copper and zinc and the precious metals there is an appreciable supply awaiting merely the introduction of improved methods of working. All this may suggest the possibility of China being at no distant date sufficient unto herself in the production of iron and steel and their manufactures. But, meanwhile, there must be a long introductory period during which China will have to be equipped with the appliances of modern production and the conveniences of modern civilization. Whether the United States is to contribute its fair share of these must depend a good deal on how freely American capital can be induced to flow into Chinese investments, foremost among which are, of course, the investments in railroad construction. It would seem as if this were about to attain a pace in China suggesting the boom times of our own history. At the end of 1912, China had less than 6,000 miles of railroad in operation, with some 2,000 odd miles under construction. Considering the area and the population of the country, this was a merely rudimentary installment of the facilities of transportation. In the six months ending with last March more railway concessions were granted than during the last ten years. In February Great Britain succeeded in acquiring the right to build a railroad of about 760 miles in length from Shanghai to Singyifu, while France almost simultaneously secured a concession to construct a line of about 720 miles from Kweichow to Chengtu. Then followed another French concession to build a railway 1,100 miles long from Peihai to Chunching, while at the

same time Great Britain obtained the right to build a railway of about one thousand miles from Nanking to Changsha. These concessions are referred to as given to the country whose nationals advanced the money and consequently supply the expert superintendence of construction as well as the materials. As a matter of fact, the diplomatic representatives of both Great Britain and France have taken an active share in the negotiations of which these concessions are the outcome. On the side of the United States there has been neither diplomatic participation nor financial bidding for any rights of construction still to be allotted. It remains to be seen whether in the immediate future American enterprise is to assert its claim to a share in the larger developments of Chinese transportation and the equipment with public service activities of the great Chinese cities.

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THE PRESIDENT: Mr. Earl Hamilton Smith, delegate of the Philippine Society, will discuss Mr. Webb's paper.

MR. SMITH: Mr. President and gentlemen of the Convention: You have been told the details of our business affairs with China, Japan and the Philippines. As one who has spent eight years in the Far East I wish to thank Governor-General Forbes, Captain Dollar, Mr. Webb and Mr. Straight for their efforts to impress this Convention with the importance of our Asiatic interests.

But it is a sad fact that our pioneers abroad, even in our own Philippines, have been neglected by the business men of this country. On more than one occasion we have failed to hold the business that these pioneers won for us. We have been careless, ignorant and indifferent. This is true even about such an item as packing. Having spent a year in the Philippines' customs service, and visited many Chinese and Japanese ports, I am in a position to tell you that we long ago took the booby prize for the packing of goods; it was a prize won at the cost of lost orders.



My contribution to this discussion is the suggestion that the National Foreign Trade Convention organize an expedition to make a commercial survey of China. This idea is not original with me; neither am I violating any personal confidence in bringing it forward here. The subject has been discussed informally for years, both in this country and in China. This commission, or board of survey, should be made up of experts, and from one to two years should be allowed them to do the work and make their report. Each man should be versed in his own subject, and these subjects should be: railroads, electrical engineering, agriculture in general, soils, grains, cotton, forestry, irrigation, mining of gold, silver, coal, iron and steel, and other phases of commerce and industry.

This body, through its officers or a special committee, should organize and control such a board of survey. The speeches yesterday by Secretary Bryan and Secretary Redfield indicate that we would have the hearty support of the United States Government.

What about the Republic of China? Gentlemen, you may rest assured that officers of the Republic would do everything in their power to help such a worthy project. All New China asks is a square deal and co-operation in developing one of the greatest and richest countries on earth. President Yuan Shih Kai is one of the ablest and most progressive rulers in the world to-day. I had the pleasure of seeing him in action in Peking two years ago. With no pretense of quoting President Yuan, I can tell you that the new Republic welcomes our argosies of commerce. The Chinese are more anxious to buy from us than we seem to be to sell to them. They want to deal with us, but they cannot throw the business at our heads. We must go after it.

We sleep while others work. While we sit in our own particular corner of the universe and dream of past achievements our commercial rivals are up with the dawn in pursuit of China's trade. The steady tramp, tramp, tramp of those European and Asiatic armies of business toward the richest undeveloped commercial and industrial field in the world is now so familiar that the persistent monotony of it lulls us like an opiate. Only the sharp report of another redoubt

taken rouses us momentarily. We chuckle sleepily over our fancied security because of China's reputed desire to deal first with us. We mumble a little flat sophistry about our traditional friendship for China. We go back to our nodding. But that tramp, tramp, tramp goes on.

It is in calm defiance of many warnings that we do this. Government reports and private citizens and free-lance writers have told over and over again and in vain of the golden opportunities of China. The garden spot, the gold mine of Asia beckons for American capital, American machinery, American initiative, American fair play. Our response is a loud snore. England, Germany, France, Japan, Russia, even Italy, answer the summons. Yea, they even enter uninvited.

The China Year Book of 1913 and the reports of the United States Department of Commerce, based on information given by every American consulate in the new Republic, are living records of our dwindling trade there. The Far Eastern Information Bureau, of New York, has shown in repeated bulletins that our trade in China has dropped 28 per cent., while that of Germany has increased 70 per cent., and Japan's 68 per cent. Our imports to China declined \$8,289,138 in seven years. Last year they were barely \$21,000,000. Eight years ago our cotton goods sales alone were more than that.

Our government and our merchants have barely been lifting a finger to put the United States ahead of the nations of the world in regard to China's trade. Our merchants and manufacturers and financiers continue to insist upon selling to the Chinese goods that they do not want, to pack what they do send so poorly that it reaches the other side a veritable jelly, to deny to the native traders the long and easy credits which the European and the Japanese have always given them, and to be guilty of many other commissions or omissions which redound to the benefit of our rivals.

The Japanese, the British and the Belgians have captured valuable railway concessions in China within the past few months. Nearly all governmental supplies are being bought from the nations in the Five-Power agreement from which we withdrew last March. Italy has organized a national Chinese-Italian chamber of commerce, Japanese and Chinese

bankers have started a Japanese-Chinese banking and commercial firm, Germany plans to cover China with commercial attachés, England talks of founding a British-Chinese university at Hankow, in the heart of China, and last October there was organized in London the Anglo-Chinese Friendship Bureau for the purpose of aiding Chinese students in England and securing positions and commercial opportunities in China for Britishers. What is the United States doing? Snoring!

Even China is wide awake. She has been planning to send commercial attachés to every capital in the world. This simple expedient has just occurred to us. We do not hold even that which we have. While the world moves forward toward the new day in the Far East, while China throws away the opium pipe, we sleep on, drugged by our own smug complacency.

It is estimated that China's wealth, actual and potential, is five hundred billion dollars. What share shall this country have in developing this mighty empire of trade and commerce and boundless natural resources? Let this organization be the nucleus of America's advancing host into the boundless Orient. (Applause.)

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THE PRESIDENT: Gentlemen, a considerable number of those who have been present with us have passed from the room, and before proceeding further I wish to make a subsequent announcement to that which has already been made. The meeting this afternoon will be advanced to 1:45, and we will meet promptly at that hour. We will then adjourn at 2:20 in order to go to the White House. The sight-seeing automobiles will start from the street below at 2:30. There will be a charge of 25c. per person for the use of the automobiles, and that will be paid by each one on the car.

At the close of this meeting, it is desired that the Committee on Resolutions should meet in the General Committee Room.

I should add, furthermore, that we will return from the White House to this room in order to complete the consideration of the papers on the programme.

For further discussion of Mr. Webb's paper, I would call upon Mr. William Piggott, of Seattle.

Mr. Piggott is not here, and his paper will be made part of the record rather than having it read.

### MR. PIGGOTT'S PAPER.

I am *strongly* of the opinion that everything condensed to a practical point, *the first and most* important steps are:

First: That American manufacturers and merchants should have co-operative representation in China by men of *high standing and character*, and particularly experienced in *the line of work that they represent*. To quote from my "Observations in China":

"To begin with, it would be well to correct an erroneous idea that seems to prevail with most foreigners, i. e.: that China is a backward, poor, and badly governed empire, devoid of enterprise, and lacking in modern intelligence. On the contrary, and somewhat to our surprise, we found a people bright, intelligent, enterprising and, everything considered, well governed.

"The Chinese are shrewd but honest merchants, expert accountants, good mechanics, artistic workmen, deep thinkers, philosophers and diplomats, and in the years to come must be reckoned with in every phase of human effort, socially, commercially, financially and politically.

"In learning, energy and business qualities, the upper classes rank very highly compared with the people of other nations, being apt and of indefatigable perseverance. They instinctively grasp the financial bearings of business transactions, as well as the social and political effect of things generally.

"The merchants of the Chinese empire are predisposed to trade *with America*, but as our American merchants do not solicit *foreign business as keenly as their competitors*, and in most cases American products are represented in the Orient by *foreign houses*, who sentimentally, at least, prefer to forward orders for merchandise to their home countries, we are not securing as large a share of the Chinese business as the natural friendship and inclination of the people warrant.

"To remedy this condition the first practical move would be for a number of American manufacturers to *form groups in kindred lines*, each group agreeing to subscribe annually for a period of three to five years a sum sufficient to defray the expenses of locating in China first-class experts who would give their time and attention solely to the development of their particular lines. I mean by this, representatives who will undertake this work on long time contracts and are willing to take up their permanent residence in China.

"As illustrative, suppose one group of say one dozen manufacturers of various railway equipment, like locomotives, cars, wheels, air-brakes, couplers, springs, and other parts, should enter into an agreement of this kind, it would not mean any particularly great expense *to any one of the group*, as the same man would naturally be familiar with all the parts represented. I make this as a practical suggestion which could be applied to many other groups of a kindred nature.

"American houses *are not well represented* in China at the present time, and while there are some very capable American salesmen in China, they are nearly all working in connection *with foreign houses and foreign capital*. Occasionally a director or officer of an American company makes a hurried trip to China, combining *business with pleasure*, or in some instances sends a representative to China, who, after a tour of three or four months, becomes homesick or discouraged, and the home company feeling that the expense of maintaining a man there is too great *in their one particular line*, cease further effort.

"As an illustration, one company in which the writer is interested made tender on three different lots of railway cars for Chinese railways *during the past six months*. In each case, the price we named was sufficiently low to take the business, but as it was necessary to transact the business *indirectly through foreign houses*, the orders were finally placed in Europe. On a prior occasion and inquiry, however, we secured a large order for railway equipment in competition with all foreign manufacturers because of the fact that we went to the trouble and expense of sending a first-class engineer to negotiate the business in China.

"While some advocate a system of advertising American-made goods in the Orient, and while advertising is always profitable, *I am fully convinced* that the better way is for our American merchants to combine, on the lines suggested above, and cover the field with personal representatives.

"The most important factor in an organization of this kind would be the employment of men of *unimpeachable business character* whose personal conduct would not only be a credit to themselves, but to the merchants and country they represented; men whose candor and veracity would not be doubted in any quarter; ordinary men would be detrimental rather than beneficial. The old idea of a good salesman, i. e.: one who could tell good stories, drink whiskey and play poker, and who was not always careful in fulfilling his promises, would not measure up to the Chinese standard, and would finally end in failure. Much might be said on this subject, but space will not permit.

"Of the American firms doing business in China, the Standard Oil Company is conspicuous on account of its business success. While it has one serious rival in the Asiatic Petroleum Company, a firm conducted along similar lines, the Standard is building up a large trade in the Orient, principally because of its policy of employing capable, reliable, energetic and enterprising representatives. Nowhere in the Orient did we find such clever, energetic, up-to-date and accommodating class of men as those representing the Standard Oil Company. They study conditions and requirements closely and methodically, and are establishing a business in the Orient on a systematic and firm basis, and on lines that it might be well for other American manufacturers to follow.

"We found a general complaint in the Orient that American manufacturers did not study requirements there as closely as the European merchant. Also that the American manufacturers were careless in their method of packing for export, and failed to ship their goods in packages to suit the climatic and transportation conditions in the section of the world for which they were intended. If the American merchant expects to extend his trade to the Orient and compete with Europe, he must first make goods *suitable for Oriental*

*use and conditions*, and, secondly, ship his merchandise in packages that will be suitable for the purpose."

*If my opinion* of this matter needs corroboration, I would refer you to a company recently established in London. I quote from the "Far Eastern Review" as follows, regarding this company:

"An interesting and important development, and one which may be regarded as significant, is the establishment in China of Representation for British Manufacturers, Ltd. This Company was recently founded by nine well-known English firms for the express object of establishing and maintaining staff representation in certain foreign countries for the sale of their manufactures. The founders were Sir William & Co., Ltd., Glasgow; John Brown & Co., Ltd., Sheffield; Cravens, Ltd., Darnall, Sheffield; Dorman, Long & Co., Ltd., Middlesbrough; Thos. Firth & Sons, Ltd., Sheffield; R. W. Hawthorn, Leslie & Co., Ltd., Newcastle-on-Tyne; Hulse & Co., Ltd., Manchester; W. S. Laycock, Ltd., Millhouses, Sheffield, and Simon Carves Coke Oven Co., Ltd., Manchester.

"The East Asiatic Section of the Company is now being organized. There will be a head office at Peking and branch offices at Shanghai, in Eastern Siberia, Mongolia, Manchuria, Korea and the provinces of Chili, Shansi, Shensi and Kansuh will be attended to by the Peking office, while the spheres of the other offices will be as follows: Shanghai office: Shantung, Kiangsu, Anhui, Chekiang and Fukien; Hankow office: Honan, Hupeh, Kiangsi, Hunan, Kweichow, and Szechuan; Canton office: Kwangtung, Kwangsi, Yunnan, Hongkong, Formosa and the Philippine Islands.

"The Company is not a trading company; that is to say, it does not exist to make profits for itself. Business will be negotiated for account of and in the names of the respective manufacturers. The Company desires to facilitate business with the existing commercial houses, whilst keeping the names and trade-marks of the manufacturers who hold the shares prominently before the users.

"The organization in China is being carried out by Mr. W. Franklin Newman, General Manager, and the Assistant Gen-

eral Manager is Mr. S. W. B. McGregor, A. M. Inst. C. E., M. I. Mech. E."

I will close by saying that in my opinion there has never been a sufficiently close practical co-operation *between our Government and American manufacturers*, endeavoring to develop foreign trade, neither has there been *methodical co-operation between American manufacturers*, but I believe that *by the co-operation of our American manufacturers with the present Secretary of Commerce, William C. Redfield*, a trained and efficient man who understands all phases of commercial life, the Department of Commerce can open up to American manufacturers in the next few years, a world of undeveloped territory. This is a great work and the Department of Commerce has now at its head the best fitted man in America to organize and work out the necessary details.

Second in importance to first-class representation, proper international banking facilities should be arranged, whereby more or less flexibility in credits could be extended by American merchants to Chinese trade.

The companies in which I am interested would be glad to join in a *group* along the plan outlined.

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THE PRESIDENT: I call upon Mr. D. J. Menocal, Manager of the International Banking Corporation at Pekin, China.

MR. MENOCAL: Gentlemen, I feel that I am rather at a disadvantage in speaking upon this occasion, as I only knew a few minutes ago that I was to be called upon and I have made no preparation. I arrived only yesterday morning at about ten o'clock from China, so I am not at all familiar with conditions at this end. But I have just put in five years this time, as my second trip to China, so I am somewhat familiar with conditions at least in Pekin.

So far (I was at the dinner and I have been here this morning), I have heard no mention of the open door. I suppose to most people it is an old shibboleth now and again brought out on party platforms, but if you were in north China



at this time you would see that it is more than that. The open door is being closed in our faces—not only closed, but locked and bolted. It is all very well, so far as the Oriental trade is concerned, to say that the natural trade outlets for our markets should be the Orient; but as a market for exports of manufactured goods from America, unless something is done and done at once, that market will not exist for American goods, manufactured goods I speak of particularly, principally railway materials, locomotives, rails, rolling stock of all kinds, switches and all that goes to equip a railway. It seems that the Chinese Government has in the last eighteen months signed agreements with British, French, German and Belgian capitalists for more railways than she had built previously in her entire history, and in each contract there is always a clause, very definite and clear, that the people who put up the money will supply the material. Even if we can furnish an American locomotive at very much lower rates, it does not matter; if it is French money that is being used, it must be French material, or if it is a Belgian loan, it is French and Belgian material, which will equip that line. No amount of commercial travelers and no amount of drumming in that market will help matters much if there are not some American railways built at an early date. There is a movement going on in China now whereby the country is being slowly but surely divided up into zones of special influence, and they are hardening and crystallizing every day. The other countries are represented out there by active, intelligent business men. The principal factor, of course, is finance. Capital is being supplied to equip Chinese railways, but at present nothing is being done by America whatsoever—nothing at all, and month by month we see these agreements signed up by other people, and we should realize all that goes with them. The result, as regards these zones of influence which is the policy that is working out in China now, is that as these railroads are operated by the British, French, Germans, or Belgians, preferential tariffs, rates of all kinds, will in time probably be given to the ordinary commercial imports from those countries. Just as the Japanese have effectually shut us out from Manchuria, and the Germans established special interests in

Shantung, other districts in China are falling under the influence of this country or that country, and the result will be——

(The speaker suspended because of expiration of his time but was requested to continue.)

I have really said what I have to say. I am not familiar with conditions in this country, but I have not a doubt that if American financiers can only get together, if there are only some of sufficient influence who will get together and interest themselves in China, some organization can be built up at this end by which these loans can be handled. As far as I can make out, there seems to be no cohesion among those interests here in America who are able to handle this class of business, and that cohesion must be obtained in some way, and just as soon as it is obtained, we can go out there and build up markets for railway materials and other exports from this country.

If it cannot be done in that way, it can be done in another way. There are a great many markets in China awaiting to be developed. It is a country of four hundred million souls, and they are the most adaptable people in the world. If there is any particular product that is wanted, they will grow it. They will produce whatever the foreigner at the coast wants to export.

At present the principal article of import into China that interests us particularly is railway material; excepting, of course, kerosene, which is handled by the Standard Oil Company. They control that business in China, but probably only a comparatively small number of us are interested. But if some of the industrial concerns in this country which have interests more or less in common, or which can work together, will form an industrial group, even if they are not prepared to commit themselves now to any definite investment in that country, they certainly should make an investigation of conditions in China and make it at once. There is no time to be lost. These other people are busy there, and they are adapting themselves and making their position every day stronger and stronger. I thank you very much. (Great applause.)

THE PRESIDENT: The final paper this morning is entitled, "Trade with Australasia," by Mr. Welding Ring, of the American Exporters' and Importers' Association, New York.

## OUR TRADE WITH AUSTRALASIA.

BY

WELDING RING

American Exporters and Importers Association, New York

People generally have the idea that Australasia consists of one large Island, comprising the territory of Australia, and a smaller one, the territory of New Zealand; that they are located in the extreme southern part of the world and that their chief productions are Wool and Gold.

Very few realize the great extent of Australia, which is larger in territory than the United States, and New Zealand, which is more than one thousand miles from north to south. Comprised in this territory, is a population embracing very few of the original natives, who have been supplanted by the best character of people from England and other European countries, and by the native-born element, making a people as high in education, intelligence and business activity as any other in the world. While it is true that the population is not large, being between four and five millions in Australia and about one million in New Zealand, yet they are enormous consumers of all classes of products manufactured in other parts of the world, and, on their part, are producers of a vast variety of products that are exported to almost every port in Europe and the United States. Their principal exports consist of Wool, the first in value and the best grown in any part of the world. Their Wheat Harvest, which is a large one, provides not only for all local requirements, but a surplus of many million bushels available for export. Their Meat products consisting of Mutton and Beef, have grown very rapidly during recent years, and are now to a certain extent influencing the markets of the world. Their Dairy products are constantly increasing, and of very great value in the ag-

gregate and there are many minor lines which they export heavily. Added to all this, is the production of Gold, which has always been large and is eagerly availed of when shipped to Europe. It will be seen from these particulars, that Australasia is a very important factor in the World's trade and commerce, and will, no doubt, continue to develop and prove more so in the future. Natural conditions are, generally speaking, very favorable, with good soil and easy methods of transportation to the seaboard.

There are two drawbacks to the constant prosperity of Australasia. First, the uncertainty as to the rain-fall, and a sufficient amount of moisture for agricultural and grazing purposes. At recurring periods, sometimes from seven to ten years apart, a severe drought affects most disastrously these industries throughout Australasia. This drought is so severe, that entire flocks of sheep die from thirst and many thousands of cattle either die or become useless for food purposes. The ground is so parched that all vegetation ceases, and it is necessary in many sections of the country, to transport water for ordinary family purposes. Fortunately, these dry seasons appear to be coming at longer intervals, the last one some ten years ago, but the fear is constantly before the people, that each recurring season may be a dry one. These conditions do not apply to New Zealand, where, as a rule, they have ample moisture for crops and herds every season.

The second drawback, is the want of a larger population for general development throughout Australia. The Labor Laws are extremely severe, making it difficult for immigrants to be brought into Australia, if they are at all likely to interfere with any of the labor interests. The Labor Laws being so severe, makes it a constant detriment to the development of manufacturing industries.

Both Australians and New Zealanders have an abundance of confidence in their own ability to develop Australasia and hold it well to the front as one of the leading producing countries of the world, and in this they are justified in a large degree, by the success they have met with.

Trade with Australia was conducted by sailing vessels entirely, up to a period of about ten years ago, when steamers supplanted sail, and they are now the only means of transporting cargo from this country to Australia. Trade has grown steadily, if not rapidly, and in fair proportion with that from European countries. England, naturally, has the largest volume, for in the first place they are English Colonies, and home ties are always strong, and this is added to by the Government of both Australia and New Zealand giving a preferential rate of duty on all imports from England and Canada, as against those from other countries. For this reason, it makes it more difficult to compete with English-manufactured goods, than if all were placed on the same basis of duty. England is always more inclined to be liberal in its financing and credits with Australia, than is the United States, but this condition is being lessened almost every year, until it is approaching a parity, or very nearly so.

Banking Facilities in Australia and New Zealand are among the best and, as a rule, the banks are very liberal in dealing with their customers. The system is somewhat different from that existing in the United States, for instead of discounting the notes of their customers, they allow them an overdraft to such an amount as their credit warrants. The banks have a very large number of agencies throughout the entire country, and keep in close touch with business ventures of every description. As a rule, they have been extremely prosperous and, having close connections with the London Banks, some of them having their own branches there, they are prepared to carry out financial transactions on very reasonable terms.

With the advent of steamers, importers in Australia and New Zealand do not find it necessary to purchase in as large quantities as when sailing vessel connection was the only one available. The orders are smaller in volume and more frequent than in former years. This is a decided advantage to them, as it ties up less capital in heavy stocks and enables them to watch market conditions more closely, and take less risk of variation in trade.

Merchants in Australia and New Zealand, as a rule, maintain the highest standard of mercantile honor, and business relations with them are nearly always safe and satisfactory. In earlier days it was customary to issue bank letters of credit in connection with orders, but of recent years, it has become more and more the custom for shippers to draw direct on the purchasers, giving them such terms of credit as they are entitled to.

Competition is extremely keen for the trade that Australia and New Zealand has to offer, and representatives from all the manufacturing countries of the world are constantly canvassing the market to keep in touch with buyers and meet all their requirements. This competition is particularly keen between the representatives of the United States, England and Germany, each country, naturally, representing its goods to be of very best quality and superior value and using all the usual arguments to influence buyers. With competition of this nature, it makes selling a difficult problem, and the terms that are offered, as well as the ability of the salesman, tell largely in the results obtained. Buyers in Australia and New Zealand are extremely sensitive on the point of any misrepresentation as to quality of goods, method of packing and dates at which shipments can be made. Promises that are not carefully carried out result in distrust when placing further orders, and a frank and open statement of actual conditions always proves the best in the long run.

Australia in its cities demonstrates the advanced ideas that its people entertain, and in some respects they are more American than English. Melbourne particularly, has wide streets, well paved and in splendid condition, and a large number of high buildings that are typical of American construction. This gives it a strong American appearance, and the people are tinged with American ideas, being liberal in their views and open and direct in their transactions. Sydney is more of an English city, although they are gradually increasing the size and height of their buildings and putting on a modern appearance. Its merchants are somewhat more conservative, but have been extremely successful in all their business trans-

actions. The other cities of Australia bear these characteristics in more or less degree, and the people are bright and energetic. New Zealand is a combination of Scotch and English characteristics, both in the building of their cities and the character of the people. This colony has shown a constant progress and, in view of its moderate population, is a wonderful consumer of all manufactured articles. The lines of merchandise exported from the United States to Australia and New Zealand are almost numberless and comprise nearly everything that is manufactured in this country. Efforts are constantly being made to introduce new lines and more largely develop the older ones, and the people demand everything that is new and attractive.

As the United States is noted for the inventive genius of its people, there are constantly new articles being produced, many of which meet with success when placed upon the market. If they prove useful and attractive here, they are almost certain to be equally so in foreign countries, and especially so in Australia and New Zealand, where American inventions are in high repute. In producing these articles, manufacturers should have constantly in mind the wisdom of attaining a high degree of perfection in material, workmanship and finish, and send nothing abroad that is not of the very best. These conditions should also apply to staple articles, already in use, but particularly so, when the field is to be developed for anything that is new and requires demonstration to prove to buyers its value and usefulness.

As to prospect of future trade with these distant countries, there can be no question about a steadily growing demand and volume of exports. The people of those countries and of this, are so similar in all their characteristics and advancing tendencies, that what is proving new and satisfactory here will soon be in demand there. There are some fundamental conditions that must be constantly observed if we are to retain the goodwill and confidence of our neighbors over the sea :

*First*—It should be thoroughly kept in the mind of manufacturers that everything produced here for foreign trade

must be of the best in quality and manufacture, and that when goods are stamped "Made in the United States," it will always be a guarantee that only the best is being offered. It is a short-sighted policy to try and hold a trade by first offering first quality goods, and then gradually having them deteriorate. Buyers are very quick to detect any change in quality and, unless it is fully maintained, complaints will be made, claims will be pressed and orders gradually cease.

*Second*—Manufacturers must meet the requirements of their buyers in supplying just what is required in sizes, styles and packages. It will not do to use the argument that certain conditions existing in the United States and entirely satisfactory to trade here, should be satisfactory to buyers in Australia. They know what they want, they will insist upon it, and unless we are prepared to meet their views and wishes, the trade will go elsewhere. Many articles have been established for long periods and buyers have been accustomed to their different conditions, and it is the meeting of these wishes that will please those to whom we sell. A fair illustration of this point is given by the United States Steel Corporation, who have developed a very large trade in all steel products both for Australia and New Zealand, and this has come about largely by their willingness to adapt their goods to the same styles and conditions as those supplied by England and Germany. The differences may seem small, but they are sufficient to turn trade to one country or the other.

*Third*—The packing of goods is a very essential condition, as regards their arrival at the various ports. If the packing is too frail or sufficient care is not used to see that everything is carefully protected, the goods are certain to arrive in a more or less damaged and unsatisfactory condition. Heretofore, we have been too careless on this point, assuming that what was required for trade in the United States would be sufficient protection for goods shipped oversea. The fact of rehandling from railroads to lighters, lighters to steamers, stowage in the steamers and long voyages with more or less tempestuous weather, and delivery from the steamers, is certain to require better packing conditions than would be



necessary here. Many manufacturers have learned this to their cost, and found it necessary to make changes, while others, realizing the advantage of sending only the best, have secured the natural benefits.

*Fourth*—In describing new articles of merchandise it is extremely desirable that a fair and open statement should be made as to quality and condition and for what purpose they are adaptable. Any other statement of fact, or too much praise as regards actual value, are sure to result in unsatisfactory reports when goods reach consumers' hands.

Freighting accommodations enter to a very large extent into the possibility of foreign trade. Merchants the world over, have become so accustomed to frequent and regular communication, that unless these conditions are complied with, complaints are sure to arise. With the carrying of smaller stocks and replenishing at more frequent intervals, it makes it necessary for buyers in foreign countries to have their goods coming forward at regular intervals, otherwise, there will be periods when stocks will be exhausted and supplies will have to be sought from other sources. Naturally, freight rates are a very important element as determining cost of goods delivered and whether these rates are fair, as compared with those ruling from other countries from which competitive lines are shipped.

With the inauguration of steam service from the United States to Australia and New Zealand, there was very great competition and constant irregularity in freight rates. These conditions were not at all satisfactory to merchants in general, as they could not know from month to month, or for any considerable period, what the delivered cost of goods would be. While some merchants might be in position to avail of a specially low freight rate, yet in the long run this would not prove advantageous, for very soon others would be receiving the same advantages. Fair but moderate rates are the most desirable, and, particularly, that they should be steady with changes as seldom as possible. Exporters frequently have to make sales for long periods ahead, and it is necessary for them to know with some degree of certainty, what freight

rates will be, particularly when goods are of a bulky or heavy nature, where the freight rate is a large item. The general tendency among steamship companies at the present time is to steadiness of freight rates and to make them on a competitive basis with those ruling from England and Germany, from which most of the foreign exports are made. There is also the endeavor to arrange for regular sailings as near as it is possible to do so, and this enables manufacturers and exporters to know with a considerable degree of certainty in regard to dates at which shipments can be made. If these conditions are maintained and a general co-operation established between exporters and steamship companies, it will add very materially to the facilities for business and the development of trade.

One other important factor in the coming trade with Australia and New Zealand, is the opening of the Panama Canal now about to take place. Experts differ very materially as to the effect of this canal on future trade, and it will take a considerable time to demonstrate the advantage of this route, as against that around the Cape of Good Hope or through the Suez Canal. The best information obtainable up to the present, is that as it will bring New Zealand much nearer to the Eastern Coast of the United States when using the Panama Canal, than when going around the Cape, that a large portion of the New Zealand trade will be diverted through the Panama Canal. Australia being very nearly on the line of division as between using the Panama Canal or continuing to use the Suez Canal or the Cape route, it is very much of a question as to the extent that trade there will be influenced. As the Eastern coast of Australia will be almost as near via Panama Canal as via other routes, no doubt considerable of that trade will avail of the new route. South Australia and West Australia, on the other hand, are likely to continue as at present. It is very largely a matter of facilities for obtaining coal in the Pacific, where the long passage through the Pacific to either New Zealand or Australia would mean an extra amount of coal, unless intermediate stations are established. It is reported the French Government are about to develop their facilities at

Tahiti, making that a very promising coaling station, and this would be of great service in the Pacific trade. Trade via Panama Canal is a question that only actual trial will demonstrate, as to availability of this route as against those at present used, and it would be rash to venture any accurate prediction as to the outcome of such a trial. Without doubt, freighting facilities will continue to improve by the use of larger and faster steamers and ample tonnage will be supplied for all shipments that will seek Australia and New Zealand for a market.

Looking over the field as a whole, and endeavoring to judge somewhat of the future by experience of the past, it would seem there is good reason to count on a steady development of trade between the United States and our distant friends, and with the reciprocal advantage of the free wool, and the other lines that Australia and New Zealand will export to this country, all indications point to a continued large and growing volume of trade. Competition is certain to be keen, but, with the inventive genius of the people of this country and the activities of its merchants, there can be little doubt about the United States holding its full share of trade with the distant continent.

We must give the best of our ability and service in looking after the interests of our distant friends, and particularly so in supplying exactly what they need, of the best quality, and establishing a record for goods "Made in the United States," as being the best that the world produces.

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MR. JOHN M. GLENN, of Chicago, Secretary of the Illinois Manufacturers' Association: Mr. Chairman, on behalf of the Illinois delegation I have been requested to offer the following:

"The twenty-one delegates of the Illinois Manufacturers' Association, representing more than 1,500 industries, being fully sensible of the value of the services of the General Committee in organizing the first Foreign Trade Convention as a medium for the consideration of national sentiment for the development of American foreign trade along systematic lines,

productive of increased prosperity of the country as a whole, present and urge the adoption of the following resolution :

“Be it Resolved, That the thanks of the National Foreign Trade Convention be extended to the General Committee for its services, and that the Convention expresses its wishes that subsequent gatherings of a similar character may be held for the same general purpose.” (Applause.)

THE PRESIDENT: This resolution will take the usual course. It will be presented to the Committee on Resolutions.

The final speaker of the morning is Mr. Connors, late United States Consul at St. Petersburg, who desires to present discussion upon Mr. Ring's paper on Trade with Australasia. Is Mr. Connors here? He does not appear to be here, and the Convention will therefore stand adjourned until 1:45.

(At 12:30 o'clock p. m. the Convention took a recess until 1:45 o'clock p. m.)



## AFTERNOON SESSION

Thursday, May 28th.

THE PRESIDENT: Mr. M. A. Oudin, Manager, Foreign Department, General Electric Company, Schenectady, New York, will present a synopsis of his paper entitled: "Government Assistance in Foreign Trade."

MR. OUDIN: Mr. President and fellow delegates: I am asked to make a synopsis and to present within the space of five minutes the main points of my paper. Now, I think that is impossible. It is a rather difficult task to give in the time allotted the gist of a paper that presents general principles rather than concrete facts. So I will not attempt to do that. I might perhaps in one or two respects amplify my paper.

I wish to preface my remarks by one or two statements. In the first place, I desire to point out—what is indeed axiomatic—that the law-making body of this great nation possesses at least the same degree of patriotism that we ourselves possess. In legislating, especially with respect to foreign trade, there is no doubt that Congress has no desire to hamper or hinder that trade in any respect whatsoever. Therefore, any criticism that may be directed against legislation should not be regarded as a certain criticism of individuals or of motives, but as made for the sole purpose of pointing out certain features in pending legislation that would work a very great injury to the trade in which we are all interested.

My paper does not indicate how foreign trade can be developed. That has been brought out by a number of gentlemen who have presented papers. It deals with the various features of that assistance which the Government may properly give manufacturers and producers who seek foreign markets for their products. This assistance may roughly fall into two categories. First—there is administrative, in which, as Secre-

tary Bryan pointed out at last night's banquet, the Executive is directly concerned, since the State Department is but the mouthpiece of the Executive. We know from the words of the Secretary of Commerce what interest that official takes in the export trade of this country. We had also, last night, a pronouncement from Secretary Bryan that was of very great significance and must cheer us up and encourage us as to the part which the State Department is prepared to take in the furtherance of our foreign trade. Therefore, from the heads of the two great departments that may powerfully influence our oversea trade we are certain of their sympathetic and helpful interest.

The second category into which Government assistance naturally falls is that with which the legislative body has most to do. A few months ago I had the privilege of making a few remarks before the American Manufacturers Export Association on the effect which certain bills then pending before Congress would have upon our foreign trade if enacted into law. It was pointed out that in this eventuality it would be a criminal act to conduct our export trade in a manner permitted to its citizens by every trading country of the globe. A voice of protest was raised against the unwise and even absurd provisions of these bills. What has been the result of that voice of protest from all parts of the country on the part of those who, like us, are interested in the export trade? The modified bills are practically free from these injurious clauses. In a congressional report on the Clayton Anti-trust Bill occurs the following, relating to price discrimination:

"It will be observed that the language used in this section is applicable only to domestic commerce, that, in other words, its application is restricted to commerce carried on in the United States or in places under the jurisdiction thereof, and, it has no references to commodities sold either in this country or abroad which are intended solely for our export trade."

That, gentlemen, is the result of your efforts.

Now, this bill is for the most part satisfactory as far as it relates to foreign trade. I want, however, to point out one provision in it which affects many of us. This pro-

posed Clayton bill covers our insular possessions—that is to say, the Philippines. The Philippines are, and are not, a part of the United States. That is to say, we have sovereignty over the Philippines, but they do not come within our Constitution. They have a different tariff, a tariff which operates slightly against the foreign exporter. It means that if this bill should become a law, American exporters would have to materially alter their methods of doing business in the Philippines. Those who maintain agencies in the Philippines, and make different prices in the Philippines from say Philadelphia or New York can do neither under this law. It means that the Philippine agencies of American firms must be given up with the possibility that these agents may turn to German or English manufacturers. I commend this point to you for your careful consideration.

The battle cry has been “equal opportunity,”—that is, equal opportunity in our own country. Gentlemen, our battle cry should be “Equal opportunity abroad.” There should be no provision tolerated in any measure which ties the hands of the American exporter while leaving the hands of his competitor free. (Applause.)

Finally, gentlemen, we say this relative to Government assistance in foreign trade: while we want Government assistance we do not want paternalism. We do not want assistance that is meddlesome. If we are to have regulation in foreign trade which is an open question, we do not want regulation that is a blight.

We must recognize that assistance of the Government cannot create trade, but can point out the way to private enterprise. And it is our citizens, it is our exporters, who must take up that burden and fulfill the promise of our country's resources and our geographical location. (Applause.)

(Mr. Oudin's paper follows.)



## GOVERNMENT ASSISTANCE IN FOREIGN TRADE.

BY

M. A. OUDIN

Manager Foreign Department,  
General Electric Co., Schenectady, N. Y.

A trained observer of our foreign trade once said that the greatest need of the American manufacturer was to convince himself that what he really needed was a foreign market, or, as a writer on the staff of the London Times put it:

"That in an indefinite way they (meaning the American people) would like to have a foreign trade is perhaps true, but for the reason that they have been so long accustomed to look to the home market it is impossible for them to take the steps that would give them any considerable show in foreign markets."

The practical men in the business, the men who are daily selling American products abroad, thereby doing the real work in the cause of foreign trade, are frequently hampered by this prevailing indifference and lack of knowledge of matters relating to that trade, and an ignorance of the factors that help or hinder it. This attitude and state of mind is not confined to those who market their commodities at home, but is shared in a measure by the public and their elected representatives at the seat of Government.

Paradoxical as it may seem, this indifference is often accompanied by a certain pride in the present state of our foreign trade and has led to an incorrect assumption as to our position and our abilities in the struggle for international trade. The result is that we too often rely on inspiration, good luck and the same business methods used at home to beat our rivals at their own game.

Ignorance of the conditions necessary for the favorable development of trade has adversely affected its relations

with Government. The state of indifference arises from the somewhat provincial way we have of viewing present conditions and future necessities, and also in the absorption of our business men in the greater interests of the home market. The feeling of pride is due to a misunderstanding of the nature and range of our exports.

When we compare our per capita exports with the exports of other nations, computed on the same basis, and when we examine the character and classification of our exports, we must conclude that much remains to be done before we should be satisfied with our position as an exporting nation.

Agriculture is said to be wealth, and nations may be wealthy and agriculturally great, but if their resources are thus limited they cannot be great nations. Nations are substantially rated to-day by the extent of their international sales of manufactured goods, in the production of which man exercises his highest faculties and in the exploitation of which he matches his wits and energy with those of his competitors. Figured in dollars and cents our total exports are prodigious. Analyze these figures and we find that the volume of exports of manufactured articles of complicated character is not altogether satisfactory. We are misled by the astonishing total of our exports and also by the classifications, in which we include manufactures of low form, products of the soil, mines and forest, on which comparatively little labor has been expended.

It is not intended to belittle in the least degree the magnitude and astonishing progress of our foreign commerce or the efforts, often self-sacrificing, of our exporters in extending American trade abroad. That, in view of the handicaps to that trade, many of them almost unsurmountable, we have done so well, gives us the right to indulge in a good deal of satisfaction and in an immense hope for the future. It is desired to emphasize this point that, great as our recent progress has been, the development of foreign trade along broad and comprehensive lines cannot be accomplished unless we bring our-

selves to a realization of the true situation of our foreign commerce and its needs.

Before that fast approaching time is reached when we shall need our natural products for our own use, we must acquire a better knowledge of the strategy and laws of trade. We must arouse a wide-spread interest in foreign commerce, such as exists in the great manufacturing countries of Europe. Then only will the present conditions be replaced by an intelligent understanding of foreign trade as a vocation and by a national policy of active assistance and helpful co-operation.

The chief competitors of the United States, in the order of their importance, England and Germany, surpass the United States in the extent and variety of their exports, especially manufactured goods. They should be considered as examples of what nations may do when the peculiar genius of their peoples is assisted by the most efficient use of their none too prolific resources, and is backed by the powerful influence of Government. The commercial supremacy of England is due to its splendid equipment for securing foreign trade, the main features of which are world-wide connections of many years' standing, not infrequently extending over a century, and an international reputation for the highest business integrity.

Germany, which in the last few years has surpassed the United States in the extent of its exports of manufactures, owes its position and the magnificent volume and character of its trade to the efficiency and discipline of its human working units, the resistless energy and intelligence of its manufacturers, and its ability to offer all peoples just what they wish and at a price within their means. A century of scientific training has produced a national aptitude which finds to-day its practical application in the aggressive and resourceful manufacturing, banking and business organizations of that country.

Both England and Germany are spurred to extend their trade for reasons which fortunately at the present time do not obtain in our case, but which some day we will have to reckon with. Without the sale abroad of goods

requiring the greater part of the capacity of their factories, these countries would find themselves unable to meet the constantly increasing burden of taxation.

The export business of these countries presents a most serious national problem. Both invest their surplus funds in foreign loans and foreign enterprises on the theory that "trade follows the loan." A forceful national policy has been adopted as a matter of course. These and other European countries consider that it is the first duty of a government to favor in every possible way the growth of commerce. World politics and foreign commerce are practically synonymous terms. Recent history presents a number of instances where war at times has seemed inevitable because of some strategic position unexpectedly taken by a commercial rival. Most of the recent disputes between European nations have had their origin in commercial rivalries—witness India, Morocco and China.

The progress of our foreign trade is beset with many difficulties in addition to those already mentioned. The lack of experience no doubt will be replaced in time by the knowledge of how to conduct that trade. An ultra-conservatism in the investment of surplus funds abroad may give place to the audacity characteristic of our home enterprises, particularly if capital, naturally timid, can be made to feel that it will have the moral and physical support of Government. Our immediate concern is with the attitude of Government towards those engaged in commerce with other countries. Unfortunately, Government assistance and Government co-operation in such matters have not yet become a part of our national policy. Until we are willing to adopt a policy with respect to the furtherance of our foreign trade—at least as aggressive and stimulating as that followed by our commercial rivals—we must not expect to equal them as international traders.

In our own case the new competitive conditions introduced by the latest tariff law have brought home to us more strongly than ever the need of acquiring an enlarged foreign market for our commodities. It is proper, therefore, to inquire what action is taken by other gov-

ernments and what our own Government can do to assist in bringing about the expansion of foreign markets.

The diplomatic history of the United States is marked by a series of treaties relating to commerce always of great benefit to the people and not infrequently negotiated with brilliant success. Beginning with a commercial treaty with France, negotiated by Franklin, in the second year of this republic, the United States has made similar treaties with all civilized countries.

Having in mind the extension of the trade of its nationals, this country has invariably insisted that they be granted no less advantages than were accorded the nationals of other countries. In the first years of the last century, the United States took a foremost stand in resisting unnatural and arbitrary restrictions upon its trade. The sharp and decisive conflict with the Barbary pirates won free passage through the Mediterranean for our merchant marine and that of other countries.

The United States added a new chapter to international law when it insisted that the people who lived along the upper waters of a river had a natural right to sail to the sea through the territory of other countries. In this way it secured for all the commercial benefits of the free navigation of the St. Lawrence, the River Platte and the Amazon in America; the Scheldt, the Rhine and the Danube in Europe; and in Africa, the Congo and the Nile.

Treaties of amity and friendship with all nations have been made by the United States, not alone as an expression of its desire to maintain peaceful relations with them, but in the belief that commerce between nations to attain its greatest success must have as its basis mutual regard and good understanding.

For the greater part of the last century, diplomatic efforts for the furtherance of foreign trade remained largely satisfied with the negotiation of agreements of a passive character. In recent years, the powers have not been content to let their efforts subside with the ratification of such treaties.

The foreign offices, ambassadors and ministers of the great commercial nations are now chiefly occupied in playing the great game of international trade. This diplomatic activity seeks to obtain Government contracts, concessions and participation in loans, to safeguard patent, commercial and other rights, and in countries of inferior civilization to prevent the repudiation of financial obligations and commercial contracts, or passage of laws unfavorable to the extension of trade or similar acts.

Germany presents the best example of what close co-operation between Government and trade may accomplish. The marvelous strides of its commerce at home and abroad have been quickened by the constant vigilance and well-directed efforts of its Foreign Office, the enactment of favorable legislation and the paternal attitude of the administrative branches of the Government. No international trade incident seems to be too insignificant for the attention of the Foreign Office. We know that the regulation of trade in Germany is intended to free trade and permit it to follow natural and economic laws. But it is startling to learn that to enable exporters to meet competition the Government will reduce freight tariffs on the State-owned railroad in these cases. By pressure or otherwise, steamships will give special rates and banks will grant unusual credits.

What has been said of Germany applies to other European countries. They all permit and encourage certain acts in the conduct of home and foreign trade that our laws do not permit. Their governments, without fear of criticism, from within or without, consider diplomacy the very basis and foundation of international trade. Soon after the announcement by a South American government of the award to American shipyards of an order for two battleships, the resident Minister from a certain European country was reprimanded by his government for permitting these contracts to go by his countrymen. The daily press, announcing recently a visit to South America of a royal Prince on one of his country's battleships, stated that his

mission was to secure for his country contracts for building docks and ships.

The commercial activities of our own people find to-day their most hearty support in one of the executive departments of the Government; namely, the Department of Commerce, a sub-division of which is the Bureau of foreign and domestic commerce, and which deals with affairs in which we as manufacturers, producers and exporters are deeply concerned. Unfortunately, the desire and ability of the Bureau to second the efforts of private enterprise are limited by the resources available. This point has been well brought out by the Secretary of Commerce in his last annual report, from which the following words are quoted:

"It certainly cannot be said that the Government has done much to foster this great and growing trade. The entire appropriation for the promotion of our foreign commerce has been \$60,000, much less than is annually spent for advertising by many a large retail establishment; nor has the Bureau of Foreign Trade and Domestic Commerce, which is supposed to have had this great trade under its fostering care, been equipped either with men or means or organization adequate for the work."

To place the Bureau on a footing commensurate with the greater ideas of usefulness in the mind of the Secretary of Commerce, he has recommended an enlargement of its scope. The proposed plan provides for the appointment of a higher grade of officials than consuls, to be known as Commercial Attachés and connected with our embassies and legations, and for an increase in the number of commercial agents, who so far have operated with excellent results, and finally that consuls on purely commercial matters shall co-ordinate with the attachés and report to the Department of Commerce.

The comparatively small sum necessary to put this admirable and far-seeing plan into operation surely should not be refused. The importance of this plan must be

realized by those who have given the subject due consideration and have in mind the desire that in this respect at least we shall not be out-distanced by our foreign commercial and industrial competitors.

It is suggested that appropriate action be taken by this Convention to insure by every means suitable service from the Government for the benefit of our export trade, particularly from that department which has shown a warm and sympathetic interest in the welfare of American exporters.

No one who looks at the facts honestly and squarely can deny that many of our largest concerns have been useful factors in the business life of this country. In extending the exports of American manufactures they have been most effective, particularly in those articles in which the use of steel and iron largely enter. Of products coming under this classification and which are exported approximately at the rate of one million dollars a day, I think it may be said that not less than one-third represent the output of the factories of large producers. For the most part the product of these factories require inventive, mechanical and engineering skill of the highest order in their manufacture.

Most prominent on our list of exports of this kind and first to be mentioned in any discussion of the subject, stand steel products, automobiles, agricultural implements, locomotives, electrical machinery, sewing-machines, cash registers and other articles, all of which are produced and marketed by manufacturing companies of very large size. These concerns have accumulated a foreign experience derived from a foreign trade extending in most cases over many years and in many lands. By the expenditure of vast sums of money in testing foreign markets, frequently with great financial loss and by methods of representation and of publicity, possible only to concerns of large resources, they have established the manufactures of the United States on a firm basis in many countries where American trade had been previously languishing or unknown. I know of a large corporation, manufacturers of



the highest class of technical machinery, which has for twenty years assiduously and successfully cultivated the market of a Far Eastern country. The sale of its goods in that market on a large scale has more than any one thing converted that country to American engineering practice with the result that, other things being equal, American machinery to-day is preferred there to that of all others. Here is a case where the success of a large enterprise has opened the door for the use of a host of small manufacturers, not only of similar but also of allied products.

For many years it has been the practice in Germany and more recently in America, for industrial concerns, especially those whose output is of a highly technical kind, to maintain practical research laboratories. The results of their operations must necessarily be entirely speculative and they are conducted on a scale more or less in accordance with the size and resources of the concern and the technical necessities of the business.

From these laboratories, possessing facilities for research and invention only possible because of the ability to pay for such service, have come innumerable inventions which have contributed to the advancement and welfare of all mankind. The experimental and development work going on in the shops of these corporations, involving the expenditure of millions of dollars, has incalculably advanced the science and art of engineering.

The scientific and experimental work of such American concerns has given American manufacturers of machinery and similar technical products a reputation in the world's market, which has done not a little to offset many handicaps. The results of the investigations of this character are measurably in proportion to the resources available. To the extent, therefore, that attacks are made upon American manufacturers because of their size, our foreign competitors are armed with an advantage denied ourselves, and a most serious blow is thus dealt to our own interests.

It must not be forgotten that, in dealing with foreign nations, individual and even special interests become na-

tional interests. Only a financially powerful group can purchase the obligations of a foreign government, or loan it money for the construction of railroads or other public improvements or for the development of its resources. The chief pioneers of American trade in the new fields are large corporations. Invariably, as a direct consequence, countless small manufacturers and merchants follow the capitalists who have risked their money and the large concerns who have blazed the way and find a wider and surer market for their goods.

Increase the business risk by removing all Government assistance and backing, and pioneer capital and trade become timid. In just those countries whose resources are the least developed and the opportunities for general trade and profit the greatest is Government help needed; for one will find there American capital least represented and American foreign trade at its lowest ebb.

There are many doors leading to the trade of over-sea countries. Some of them are partly opened. Some of them are locked to all but those who have the key of experience, but the main door is that which is opened by friendly intercourse and commercial treaties and which is kept open by the co-operation of Government. While other nations are crowding through the open doors which we, as well as they, have created, care should be taken lest we Americans be prevented from utilizing our hard-won advantages, or be handicapped in our freedom of action by ill-considered Government regulation.

Without in any way mitigating the law in its application to conditions within our own borders, and without in any way imperiling the interests of Americans competing with each other in foreign markets, something ought to be done to relieve the situation in respect to Americans selling American goods in foreign markets in competition with foreigners.

Much of the proposed anti-trust legislation now pending in Congress threatens great harm to the export trade. Some of the provisions, if enacted into law, would practically make it impossible to continue to do business abroad.

I take the liberty here of quoting from some remarks made by me several weeks ago at an informal meeting of the American Manufacturers Export Association:

"The proposed anti-trust legislation is mainly intended to regulate interstate trade, all of which is within the United States and all the competitors of which are, therefore, subject to the legislation of Congress. If passed, it will have the effect of an attempt to regulate also foreign trade, all of which is outside of the United States and all the competitors of which, except Americans engaged in such trade, are not subject to the legislation of Congress. This legislation will have the effect of protecting the foreign as well as the domestic purchaser and the former at the expense of the American manufacturer and producer. It is pertinent to inquire why we should be so solicitous about protecting the foreign purchaser against our home manufacturers. European nations have the habit of reversing this procedure. They protect their exporting firms, knowing that the foreign purchaser is pretty well able to look after his own interests. We are deliberately proposing to make laws which are fundamentally unjust, inasmuch as they put a heavy handicap upon the export trade of the United States through restrictions on the exporter of a kind not required of his foreign competitor.

"Not many disagree as to the need to-day of constructive legislation for improving the condition of our domestic commerce, but it is apparent from the reports of the hearings in Washington and articles recently appearing in the press that there exists the greatest divergence of views, not only among the public and our business men, but also among our legislators, as to how the best results sought can be obtained and as to what form the laws to be enacted should assume. In view of the immense importance to all business interests of the pending legislation, it would seem advisable to delay early action and to give the subject

further study and endeavor thereby to crystalize prevailing hazy ideas on it and for all concerned to come as near as may be to a common agreement.

"However, with respect to the proposed legislation in its relation to our foreign commerce, there can be no two views when all the facts are made known. It will be seen that laws applicable to that trade cannot possibly apply to domestic trade and vice versa, and that manufacturers, producers and distributors engaged in export trade operate in a sphere of activity which should make them the object of benevolent rather than hostile legislation."

Since these remarks were made, the Committee on Judiciary of the House of Representatives has reported a bill containing strict prohibitions against discriminations in prices and agreements for exclusive agencies, but providing that such prohibitions shall apply only in respect to commodities sold within the jurisdiction of the United States. This emphatic recognition of the distinction between domestic commerce and export commerce reflects the growing disposition of the Government to render sympathetic assistance to American exporters. Unfortunately, however, this distinction was not recognized when the Sherman Law was passed, so that all the prohibitions enacted in the Sherman Law with a single eye to domestic commerce now fall with blighting effect upon our entire export commerce. Until this situation is squarely faced, and the Sherman Law is supplemented with legislation, making it inapplicable to export commerce outside the borders of the United States, Americans will continue to be handicapped in selling American goods in foreign markets in competition with foreigners.

Since this convention represents all of the important organizations in the United States, whose object is the promotion and development of our foreign trade, it can do much to increase the sympathetic interest in our foreign trade which has been manifested, in increasing degree, by the legislative and executive branches of our Government.

Certain suggestions with respect to the attitude of the Government may appropriately be brought to the attention of this Convention. In order to increase co-operation between the legislative and executive branches of the Government, and to remove existing handicaps to foreign trade and commerce, this Convention may properly urge:

That funds be appropriated to put the Department of Commerce on footing of usefulness and importance recommended by the Secretary of Commerce;

That the commercial efficiency of our foreign diplomatic and consular service be strengthened in the manner suggested by the Secretary of Commerce; and finally,

That provision be made to remove the handicap which the existing law places upon American capital and American enterprise now engaged in the American export trade and to permit Americans a free hand while selling American goods in the markets of the world.

It is proper, while earnestly advocating these steps, to remember that Government assistance and regulation cannot create trade. They can only prepare the way for the private enterprise of our citizens, upon whom must fall the burden of fulfilling the promise held out by our resources, wealth and geographical position.

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THE PRESIDENT: In the absence of Secretary Douglass, who is busy with the Committee on Resolutions, I have not before me the notes of any discussion upon this paper. I should like to inquire whether any of the gentlemen here desire to present discussion.

(Mr. R. L. Kimbrough, representing the Tobacco Growing Interests of Lancaster County, Pa., was recognized.)

MR. KIMBROUGH: Gentlemen of the Convention: It seems to me that this Convention has come to the point of securing something definite along this line of the Government assisting the American export trade, and I have a paper here that gives a full discussion of definite plans by which that assistance can be secured, and when once secured on that basis it

will be permanent, perpetual, and never have to be discussed again, but remain settled as long as this nation shall stand. Now, that is something definite.

How can that be secured? The first requirement is that the corporations of this country that do the export business must be permitted to consolidate so as to carry on that business. Every business interest in this country whose business is done through corporations must be permitted in the end to consolidate. How can that consolidation be brought about? We found this morning that it was absolutely necessary that we have a cohesive co-operation, cohesive work along this line. The great financial interests of this country are not together to that extent, of that cohesive work, and they should be given permission and opportunity to get together and be encouraged along that line, and the bill now before the Senate is a bill with which that could be done.

Who is the American Government? It is not here in Washington, as our great President to-day has fully and always held up before the American people. Washington is not the American Government. But who is the American Government? It is the people at large. I come here representing the export element of the American people, that has been keeping up the balance of trade between this country and foreign countries—the farmers. I have come from the South, where I spent eight years with the cotton growers, getting them together in what is known as the Cotton Growers' Union. I spent several years in the West among the wheat growers. Now I am in Pennsylvania, in Lancaster County, where every farmer was an independent unit by himself, and in less than five months' time we have gotten them together in a cohesive corporation for their interests. We all have an axe to grind; I have found that out since I came here. Everybody has an axe to grind here.

My purpose in coming here was to find out how we could increase our export trade for the Lancaster County leaf tobacco. I have not been able to find out anything definite along that line, because all discussions have gone back to the fundamental principle of all being dependent upon the Government, and in the end it is all dependent upon

you among the whole people, as to how that can be brought about. Now, how can it be brought about? Through a righteous co-operation of all corporations. The American people to-day are demanding righteousness as a basis of all corporations.

Why is this social unrest and public discontent to-day? It is because the corporations of this country did not give the American public an opportunity to come in and own a part of the corporations and thereby become interested in the works of the corporations of this country. Mr. Farrell here, the President of the United States Steel Corporation, has done that to a wonderful extent. Suppose that Mr. Ryan, suppose that the Standard Oil Company interests, suppose that the electrical interests, had organized on the basis of righteousness as the fundamental basis of their corporations; there would not be the condition to-day which we have now. Every citizen should be interested in these corporations which should do the great business of the country, but on account of their doing this crooked business they are reaping their wild oats that they sowed back in 1890 to 1905 and 1910. Now, that is the fundamental basis. Here is the basis on which it must be undone, reorganized and consolidated for the American public in order to secure what is necessary. Now, what is the simple rule for that? What is the basis of all this reformation that must take place? Here it is. You must make the basis of each state and federal chartered corporation include the righteous principles which the American people are demanding to-day, and give every American citizen, no matter who he is, an opportunity to own some stock in the corporation, everybody to be interested in the corporation, on the basis of the actual value of the property represented, and eliminate all the water from that corporation. That is a new development of this era, it is a new development of the age, and it is coming. If you stand upon the shore of the Atlantic Ocean, you will see the tide come in twice a day. No man can hinder the tide as it comes in. Just as irresistible, because it is represented by the American people, is the great tide of onward improvement. And it is going to use the corporations of the country through this revised charter regulation, for that purpose. It is very necessary that we should have an increased

ownership in all corporations by the American public, so that they will be interested therein, and they will furnish the necessary capital to do all this work.

Why do the railroads of the country have to go to New York City and sell their securities away below par, when they ought to be able to get from their employees all the necessary capital to make all the extensions and all the improvements? Why cannot the securities of this country be marketed at their par value, or better? It is because the corporations of the country have not taken the people into their confidence.

I want to lay this down here, that through this revised re-organization and consolidation of all American corporations, the American public coming in on it, the capital will be found which is necessary; and I want to say right here that I am not a Socialist. I am for increased individual ownership in all corporations. I thank you. (Applause.)

(The following is the paper submitted by Mr. Kimbrough.)

If, in an organized state through all these years of our rapidly increasing export trade, three departments of one important industry in our national life have maintained whatever balance of trade the government reports on the face show, what may be expected of all the departments of this one industry when it becomes efficiently organized for the one purpose of increasing its export trade in all its departments?

The efficient organization of the farmers is fast being perfected and correlated for the purpose of meeting the world supply, not only in grain, cotton and tobacco, but in all the departments of industry.

If a gold mine should be discovered in the South which would mine and put in circulation from \$200,000,000 to \$500,000,000 a year for ten years, the world would discuss it daily and seek to own its shares. That's exactly what the cotton farmers do every day—lift up out of Mother Earth that amount each year. Through its exportation the money is brought back here and put in circulation.

What is true of cotton is in a degree true as to grain and tobacco.



The Government, through its agricultural department and through the new Rural Credit Bill, will put the farmers in that long much-desired position of doubling the production and at the same time maintaining fair prices so that the farmers will reap the benefits of the increased production without increasing the high cost of living to the consumer.

It has developed at this Convention that the problems of securing increased export trade demand the permanent solution of many economic, political and social questions. All discussions lead to the ever-present question of business and government being inseparable, however much we may wish to separate business from politics. What shall be the permanent solution of these problems in the United States?

This Convention can secure such needed help from the Government to increase exports of manufactured products, if its members will stand together on righteous and permanent principles and work for the universal common good of all men by asking the federal government together with each state government to revise its corporation laws.

#### THE QUESTIONS.

Do you really want what Mr. Farrell calls for in his paper and are you going to work definitely for those things, and are you going to put into immediate operation his methods?

Do you really wish to know "where you are at," and dispel all business hesitation and doubt, as is suggested by Mr. Simmons' paper as interpreted by his son?

Do you really think that increased export trade begins in the shop, or field, as suggested by Secretary Redfield?

Do you really desire to put the United States in position to maintain itself in the world-wide battle to hold the world markets in the race, which "will, indeed, be to the swift and the battle to the strong," as suggested by Mr. Hill's paper?

Do you really mean to "leave no stone unturned in waging a successful campaign for the world's markets," as suggested by Boston's good ex-mayor?

Is it a real fact that "our mills exceed now the consumptive capacity of the home trade and every effort should be

made to extend our export trade in all productions and in all directions," as suggested by the President of the Illinois Manufacturers' Association?

Do you really desire to "get Congress to allow us to operate our ships under the Stars and Stripes," as is asked from Texas?

Do you really want an "American Merchant Marine," as suggested by "Ocean Transportation" papers?

Shall we have the consolidation of smaller corporations engaged in like trade into one large, efficient and prosperous unit, strong enough to make and hold foreign markets for all classes of American products, as suggested by Mr. Ryan's paper?

Do you really wish to bring about the universal common good of all men without private property and American business having to pass through the seemingly inevitable process of government ownership, and thence into socialism, as so many individuals and corporations now fear?

Shall we bring about business conditions in America so as to guarantee American labor permanent annual employment with good wages?

Shall we bring about conditions that will permit all factories to run on triple shifts with world-wide markets for their products at such a reduced cost that the problem of high cost of living will be settled, and all owners of the stocks and bonds of corporations will be guaranteed safety and a fair return on their investments?

Shall we bring about trade conditions which will guarantee all merchants constant markets with guaranteed reasonable profits?

Shall we bring about such general conditions that will keep the clearing-house class, such as clerks, stenographers, bankers, lawyers, doctors, teachers, ministers and all others, busy doing the clearing-house and professional work at good annual incomes?

Shall we bring about such a flood-tide of prosperity that all farmers and producers will be kept busy producing enough food supplies at good prices to feed the world at low costs?

Then organize, reorganize and consolidate all corporations under the following simple, equitable, permanent and righteous state and federal charter regulations:

First: The principles and teachings of the kingdom of God as the sole recognized rule and regulation of all business and of all government.

Second: The permanent employment of all men on the basis of a good annual income and under good sanitary conditions.

Third: The universal individual ownership of and profit sharing in all corporations by their employees and the public guaranteed under automatic state and federal regulations by means of an annual public report showing that the corporation is organized and operated on these principles, inflicting confiscation and imprisonment for any false statement, removing the statute of limitation.

#### EXPLANATORY.

That increased individual ownership and profit-sharing may be guaranteed to the employees of all corporations and to the public at large, who furnish the necessary public opinion to secure and enforce good laws to advance the national weal, the following details of the charter requirements are suggested:

1. All corporations to be required to issue only two classes of securities as follows:

(a) Two per cent. (2%) bonds, to be issued to all individuals or corporations who own more than one million dollars' worth of the corporation stocks.

(b) Full paid, full participating, and non-assessable stock to be authorized as follows:

(1) From one-third to one-half of the original amount of stock be held for and issued to the employees—assigning first the amounts subscribed by the smaller subscribers.

(2) From one-fourth to one-third, or the entire remainder, to be offered to the general public at public subscription, the smaller subscribers being assigned their amounts first.

(3) All future extension or improvement stock to be offered to the employees, assigning the smaller first as long as it lasts, and whatever remains be offered to the public and likewise assigned, the smaller subscribers first.

2. All corporation charters to specify that the employees shall have permanent employment on an annual income basis, whatever the business will pay, and the standard of life of the employee requires according to merit, and all under good sanitary conditions.

3. Automatic state and federal regulation to be developed through an annual report that the corporation is organized and efficiently operated under such a charter, making confiscation and imprisonment the penalty for any false statement and removing statute of limitation for all such reports.

#### RESULTS.

Keep all working men permanently employed on good annual incomes, then their purchasing power will be so enormously increased that all these corporations will be forced to run on triple shifts to meet the increased demands.

Then all merchants will have constant markets and good profits from the increased business.

Then all the professional and clearing-house classes will be busy and guaranteed good incomes.

Then all farmers will be kept busy producing enough food and raw material products at good prices to feed, clothe and shelter all other classes at a lowered net cost of living.

Then we shall have universal health, wealth and happiness of all men.

#### How?

By the simple little process of the revision of our state and federal corporation laws, which are the real and fundamental cause of all our social unrest and business depression. In short,—automatic state and federal charter regulations.

THE PRESIDENT: I will call upon Mr. Slechta, of the Lloyd Brasileiro Steamship Line of New York, formerly Vice-Consul General at Rio, for his discussion of this paper. (Applause.)

MR. J. J. SLECHTA: Gentlemen of the Foreign Trade Convention: One of the most significant facts yet referred to at this Convention was in the reference made yesterday to the fact that while Germany, for example, exports 45 per cent. of its production, the United States exports only about five per cent. of her entire production. Take away all of our foreign trade, and you would still have 95 per cent. of your markets left. Take away all of Germany's foreign trade, or of Great Britain's foreign trade, and they have lost one-half of their markets. Foreign trade to us, gentlemen, as we still regard it, is jam. To them it is bread and butter. That is why you do not work harder for it.

You will never actually want foreign trade until you come to a full realization of the indispensability of export trade to your continued existence as business institutions. That condition does not yet exist. The manufacturer who is anxiously seeking foreign fields is the exception and not the rule, I am sorry to say. We may deplore our relatively low share of foreign trade, but as a matter of fact, and *not* fancy, we have as large a share as is justified by our extraordinary domestic self-sufficiency.

This gathering in a splendid convention, and similar movements, are farther ahead of our times than any similar movement which has ever been undertaken in any country. Do you realize, gentlemen, that the great trading nations of Europe have for many decades depended for their prosperity more upon their foreign trade than upon any other circumstance? They have gone abroad with their money and their goods because they could invest the one and market the other in no other way. Take away from them any part of these investments or markets and you are tapping the source of their life blood.

Some of the producers represented here know only too well that they must fight as hard to hold the trade which they

have had abroad for fifty years as they do to get new business. We may adopt new expedients for increasing our foreign trade, but we will need them all to hold our own with Europe. They must, and will, have a Roland ready for every Oliver of ours.

It must be clear to every discerning and intelligent man who has read Mr. Conant's able paper that to expect, for instance, that American capitalists will make foreign investments abroad in competition with Europeans in a general way is highly grotesque. *Certainly* it would help our trade, but have *you* got any money that you are looking for chances to invest outside of North America? Only under most exceptional circumstances will American capital now go abroad. If you ask why, look to Europe for your answer. The aggregate investments of European capital in our own country are greater even now, with the slump in our stock markets, than the total of such capital invested in any other country in the world, or in any other two countries.

It is my conviction that every effort we can exert during the next decade will hardly suffice to obtain for us a share of the world's trade equal to that of our greatest competitor. We have not the incentive to get more. But the time will come when we must face the absolute necessity of getting foreign markets. The value of such a conference as this, therefore, lies in what it anticipates.

If anything were needed to prove that we really do not want foreign trade very seriously, the indifference with which we treat our consular service would be quite sufficient for the purpose. I challenge any man in this convention to say that he has ever remonstrated with his Senator or Representative to urge better appropriations and more adequate legislation for our consular service. There is a distinct tendency, all at once, to exaggerate the part which consular officers can play in getting trade, yet nothing is more certain than that the most profitable investment this country can make, against the time when it will actually be forced out of its provincial self-sufficiency, is a wholly efficient consular service.

An intelligent appreciation of Mr. Carr's able summary of a consul's functions and duties should convince you all that

this is so. Consuls cannot create foreign trade, they can at best only help you to get it if you earnestly try to help yourselves. Their advice is of no account to you unless you act upon it. This may sound like a truism, but to my personal knowledge, one of the large concerns represented at this convention persists in sending men to South America on salaries much below those which consuls have, after careful study, determined upon as the minimum for decent living.

We have not yet begun to understand the potential helpfulness of the consular service, much less to exhaust its possibilities. For a paltry \$300,000 additional per annum, the efficiency of the entire consular service, with its 300 posts, could probably be doubled, under the administration of such a man as Mr. Carr and the kind of a staff he ought to have assigned to him. Do you know that there are men of splendid ability and wonderful efficiency in the service to-day—men who are giving the best part of their lives to their country's service, some of them shortening their lives by long continued residence in the tropics, earning salaries of from \$4,000 to \$8,000 per annum, who are compelled to do their own typewriting, for the lack of sufficient clerk hire funds? An additional \$1,000 to \$1,800 in every such office would double and sometimes even treble its efficiency in matters that so greatly concern you.

There is not close enough co-operation between the men in the field and the State Department. The officer abroad works too much in the dark, although there is no reason why there should be anything inscrutable in the administration of the consular system. This difficulty could be very largely obviated by the assignment of three or four of the best men in the service abroad, with not less than five years of foreign experience, to work in Washington under the immediate direction of the Director of the consular service. This would require an additional appropriation of about \$20,000 per annum and would give Mr. Carr the support which he must have if men abroad are not to feel that their work is too much hampered by being handled by civil service clerks, with absolutely no appreciation of either the nature or the importance of the actual work to be done.

This government receives in consular fees an amount about equal to all that it appropriates for the entire consular service. Our consular service is therefore practically costing us nothing. Many of you men can testify as to its merits and some of you have taken frequent occasion to do so of late. Is it not worth your while to interest yourselves in a campaign looking to the effective utilization of this instrument which we already have at hand? An appropriation of \$250,000, additional for the first year, with a further increase each succeeding year of \$50,000 up to \$500,000 would constitute an insurance premium against losses in foreign trade which this country is otherwise certain to experience if we wait to put our foreign service on a fighting basis until we are forced by economic necessity to seek foreign trade extension.

If this convention wishes an opportunity to show its constructive usefulness, here is one not possible to improve upon. If the subject is to be covered properly in a resolution or memorial to Congress, there is still another feature to be considered. One of the weak points in our service abroad has been frequently referred to and deserves equal attention with the necessity for greater appropriations. The present system of appointments and promotions does not permit of proper efficiency because of inelasticity. Officers are designated to certain posts and can be promoted when they show themselves deserving only by being transferred. Transfers are undoubtedly necessary to the best interests of the service, but they should be made on considerations other than the desire to promote. Officers, both subordinate and principal, should be designated to grades in the service, and promoted from grade to grade, regardless of the posts they happen to occupy and for which they are best fitted. Frequently some of the best men in the service are lost because they cannot remain longer in an unhealthful climate and cannot be promoted because there is no post, of their own or a higher grade, vacant, in a temperate country.

Designations to grades, rather than to posts, would help to make the service a career, but the creation of a pension fund, following the practice of other countries, is equally essential. Congress should provide for the retirement of con-



suls on part pay as in the case of the army and navy, with the additional provision that a year of service in the tropics count as a year and a half or two years toward the retirement period.

It should be the sense of this convention that every individual, every separate commercial organization here represented, and this body as a whole, work together to the end that these pre-requisites of an efficient consular service should be provided for by Congress at the earliest possible date:

First: A greatly strengthened administrative organization.

Second: Larger appropriations for the maintenance of consular offices and for salaries.

Third: The amendment of existing legislation providing for the designation of officers to grades rather than to specified posts, and for retirement on reduced salary after a specified number of years in service.

Gentlemen, you say you want commercial attachés abroad, you want banks abroad, and you want Americans to make foreign investments. Those things you have not got. You *have* a consular service. Now, if you are going to treat those other things, if you get them, in the way that you allow this Government to treat its consular service, then God help them all. (Applause.)

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THE PRESIDENT: The meeting is now adjourned until half-past three.

(At 1:25 o'clock p. m. the Convention took a recess until 3:30 o'clock p. m.)

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(The delegates then proceeded to the White House where, in the East Room, they were received by the President, being individually introduced by Mr. Edward N. Hurley, Chairman of the Reception Committee. Addressing the delegates the President said):

"I had hoped that Secretary Redfield would put into my ear what I should say to you, for I cannot claim to be an expert on the subjects you are discussing. I am sure he expressed the feeling which I would wish to express, which is

the feeling of encouragement that is given by the gathering of a body like this for such a purpose. There is nothing in which I am more interested than the fullest development of the trade of this country and its righteous conquest of foreign markets.

"I think that you will realize from what Mr. Redfield has said to you that it is one of the things that we hold nearest to our heart that the government and you should co-operate in the most intimate manner in accomplishing our common object. One of your members just now said something in my ear about the merchant marine, and I am sure that I speak the conviction of all of you when I say that one of our chief needs is to have a merchant marine, because if we have to deliver our goods in other people's delivery wagons, their goods are delivered first and our goods are delivered incidentally on their routes. This is a matter I have had near my own heart for a great many years. It was only by authority of my parents that I was prevented from going to sea, and I only hope that it is not a universal regret that I did not.

"I hope this is only the first of a series of conferences of this sort with you gentlemen, and I thank you for this opportunity."

The President of the Convention, Mr. Alba B. Johnson, responded. He said:

"We realize the deep interest which this government takes in promoting legitimate foreign trade. Three organizations, all having their headquarters in New York City,—the American Manufacturers Export Association, made up largely of export merchants and manufacturers; the Pan American Society of the U. S., having for its purpose the creation of cordial goodwill of the Latin American countries; and the American Asiatic Association, having for its purpose the creation of cordial goodwill of the countries of the Orient—upon consultation each with the other, felt that this was peculiarly the time to inaugurate a forward movement for the export business of the United States. The completion of the Panama Canal, the reconstruction and rearrangement of trade relationships which must necessarily result from its completion, the enactment of

the new tariff, which we believe will open a door outward for our exports to the same extent that it opens inward for the imports of foreign countries, and, last of all, the fact that the time shall very shortly come when we must look to our exports as the means of adjusting the great financial balances between us and other nations, rather than the exportation of foodstuffs,—make the time ripe for this forward movement.

“We realize the fact, first of all, of the unquestioned patriotism, the desire to work for the best interests of the people of the United States, of every man connected with this administration, both here and in the Capitol. We realize the fact that the Government of this people is, in the final analysis, a government by public opinion, and therefore we have thought that it was wise at this time, planning as we do a more active campaign in the markets of the world, that we should come here and discuss one with the other the vital problems growing out of this great world business. Therefore, we feel that the echoes of what we are saying in the Raleigh Hotel will extend not only to the halls of Congress and to the White House, but throughout the whole country, and that the result cannot but be beneficial alike to the Government and the world.”

(The delegates thereupon returned to the Raleigh Hotel and resumed the proceedings of the Convention.)

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Afternoon session, June 28th, continued:

THE PRESIDENT: The next paper is that of Professor Jeremiah W. Jenks, of New York University, on “The Balance of Trade.”

PROFESSOR JENKS: One of the speakers, yesterday, a banker, laid emphasis upon the fact that the United States is a debtor country and seemed to imply that such a condition is unfortunate. I think we need not worry about the question of debtor or creditor nation in connection with our international trade. The situation is much the same as in the case

of a private corporation. If the creditor countries are willing to loan money at four or five per cent. and a debtor country is in a position to make a profit of from seven to eight per cent. or more, is it not to the advantage of the country where the rates of profit are higher to borrow money and make the profit? On the other hand, when a country has become older, more completely developed, with large sums of invested capital, and the rates of interest at home, on account of the plentiful supply of capital there, are low, is it not often more profitable for it to make its loans abroad than at home? The debtor country, the creditor country, each acts for its own advantage. Into which class it should be placed is dependent upon circumstances. This question is of slight importance in dealing with the question of the balance of trade, so far as the matter of prosperity is concerned.

Mr. Straight, yesterday, in speaking of the Chinese loan, very properly drew the distinction clearly between an industrial loan and a political loan,—one made for the purpose of developing railways, mines, etc., the other for the purpose of paying previous obligations, or paying running expenses of a Government, or for defense against hostile invasion.

On the other hand, in connection with the development of the export trade, it is desirable to keep in mind that a political loan may quite possibly be as advantageous as an industrial loan. The primary condition of all business is stability in government, order in the community, safety for life and property. If, therefore, a country is somewhat new, or if conditions have been disturbed through revolution or otherwise, it may well be that the political loan would do more to promote export trade than an industrial loan, because it would secure the favorable conditions of peace and order, not only for one industry or one line of industries, but for all.

I wish to emphasize somewhat the point that our balance of trade is affected materially by the money sent abroad by immigrants, because there is pending at the present time in Congress a bill that, if it passes and becomes a law, will affect materially the situation. A very large percentage of our late immigrants, from the South and East of Europe, do not come here to cast their lot in with Americans and become permanent

residents. They are here rather to earn as much as they can in a comparatively short time with the intention of sending all of their surplus earnings back to their home country for investment, then afterward to follow them, again making their home abroad. These immigrants, of course, give value received for the wages paid them; but when they send their savings abroad for investment, the returns on the investment do not come back to this country, as is the case with creditor countries. Rather, they themselves follow their investments and, in consequence, take both investment and its profits abroad. The condition is quite different with those immigrants who come here to make this their permanent home. They bring in their new labor force, they create the wealth here, they invest their wealth here. The bill in Congress providing the literacy test for immigrants will strike heavily this very large proportion of our present-day immigrants who come to carry their wealth out of the country rather than to invest it here. It is to be hoped that this bill will become a law since it will, in the long run, affect business conditions favorably. We should do what we can to help secure its signing by the President.

Again, much has been said with reference to the effect upon our balance of trade of a large merchant marine. If our American merchant marine were greatly increased, it would, naturally, just so far tend to put the item of freight to the advantage of the United States. The reason why our merchant marine is small is doubtless largely dependent upon our century old navigation laws by which Americans are forbidden to register ships under the American flag unless they are not merely owned, but also built in this country. Many ships are owned by Americans that sail under a foreign flag because of this provision, and, in consequence, this item in the balance of trade, although more covered up than in Great Britain, is not so unfavorable as it might appear. If we were to change our navigation laws, making them more like those of Great Britain, our merchant marine would be seen immediately to be much greater than it now is. Moreover, this would doubtless be to our advantage, because, while often too much emphasis is placed upon the cry: "The trade follows the

flag,"—the statement is nevertheless true within moderate limits, and this should be kept well in mind. This body could doubtless do much, if it wished, to present seriously to Congress the question of the revision of our navigation laws so as to promote registration under the American flag of ships owned by Americans, and to permit them also to be sailed under such conditions that they could compete with other countries whose costs of both building and sailing are distinctly lower than ours.

And, finally, the question of the development of a foreign trade is dependent to a considerable degree upon governmental policies that determine the reputation of our business men abroad and the activities of business men within our country itself. The building up of a foreign market in the face of the keen competition of the experienced manufacturers of the older countries where capital is relatively cheap, is difficult. Every effort should, therefore, be made to further and not to hinder the development of business. So far as possible, our Government, while insisting upon honesty, should not impose onerous conditions for business. Most of all, our Government should take pains not to discredit our business men abroad by so continual reference to the need of honesty that there is a strong implication of frequent dishonest practices on the part of our great business men who are developing our export trade. Anyone who knows these great business leaders knows that suspicions of that nature are unfounded and such implications are not only harmful, but most unjust. Any prosecutions by our Government that would not normally hold under foreign laws which are considered by the foreigners just, tend naturally to discredit in the eyes of the world our own industrial leaders; and this discredit, naturally, puts them at a disadvantage in international bargaining. The wise plan for the Government is, while seeing to it that honest practices are followed, to do everything possible to give our business men a free hand; to encourage them by giving them full information and courteous treatment and to sustain their credit through appreciation and promotion of their good reputations and their good business qualities. (Applause.)

(The full text of Professor Jenks' paper follows.)

## THE BALANCE OF TRADE.

BY

PROF. JEREMIAH W. JENKS  
New York University

### PRELIMINARY CONSIDERATIONS.

Considering the purpose of this Convention and the nature of the topics assigned to others, it is assumed that this discussion on The Balance of Trade ought not to be an academic dissertation explaining what is meant by the balance of trade and its nature, nor a discussion—as is usual under that topic—of the question of the exports and imports of gold and of exchange methods. Rather should the discussion deal with the chief influences that affect the relations between the quantities of commodities exported and those imported and the effect of these influences upon the welfare of the country.

It is, of course, understood, speaking broadly, that the old time mercantilistic view, regarding the accumulation of gold by a country as practically the sole means by which the wealth of the country is to be increased, has long since been abandoned, though the fact may be recognized that gold is a form of wealth of peculiar importance to a country under many circumstances and that its import and export will always be a matter of special interest. It is also understood that, in the long run, the imports of a country, or their equivalent in some form, must be balanced by the exports—otherwise we should have the merchants of foreign countries making us presents, or our merchants would be making them presents, neither practice, it seems hardly necessary to say, being common on a large scale.

A final assumption that may be made is that, whenever the conditions of international trade are such that gold is imported for a considerable length of time in rather large quantities, there is—other things equal—a strong likelihood that business men will have a cheerful mental attitude, because there will probably be a strengthening of bank reserves, which always gives bankers a feeling of comfort and confidence, and, likewise, there will be a tendency towards a rise in prices,

which is likely also to stimulate business and give a feeling of encouragement and welfare to manufacturers and dealers, even though circumstances may be such that the import of gold might not be a sign of permanent prosperity. On the other hand, the psychological effect of gold exports for any considerable length of time or in considerable quantities is likely to be just the opposite, although under business conditions at the time the export of gold may be the best thing possible to do.

Of course, there are many conditions of business which bring about in some countries, practically continuously for long periods of years, an excess of imports of merchandise over exports of merchandise, giving thus practically continuously what is considered an unfavorable balance of trade—a condition under which Great Britain seems to have flourished for a long period of years, and which the United States enjoyed during the period of new gold production in the fifties while its own demands for gold were relatively small. On the other hand, business conditions are such that other countries may have continuously for long series of years a so-called favorable balance of trade, and yet, during that period have suffered serious crises. Any important increase or diminution, however, of the trade balance within a relatively short period of time is something that demands serious consideration, for it clearly marks a change in trade relations which may be of decided importance—either favorable or unfavorable.

So far as the United States is concerned, probably the most important invisible factors in its trade relations with foreign countries that have had the same influence as imports of merchandise, in that they have called forth exports to meet the demands of foreign payments, are:

First, the payments of loans made to this country or of interests and dividends due on investments made here, amounting, substantially, on the average, according to the estimates of Mr. George Paish, editor of the *LONDON STATIST*, to a net sum of \$225,000,000, after deduction of a corresponding return to Americans of income on their capital invested abroad.

Second, the large amounts of money drawn on letters of credit and other forms of foreign drafts by Americans trav-



elling or residing abroad whose support comes from this country, amounting—according to the same authority—to a net sum of about \$170,000,000, after deduction of corresponding credits paid here.

Third, the large amounts of funds remitted abroad for investment there by immigrants residing in this country. The effects of these remittances, in the long run, are entirely different in the case of those immigrants whose money is sent merely to bring friends or members of their families here with the intention of making this country their permanent home, and those who are here merely temporarily and whose remittances abroad will be permanently invested there to be enjoyed afterward by the immigrant on his return to his home country. According to Mr. Paish, these remittances amount to a net sum of \$150,000,000. Other authorities are inclined to put this sum as high as \$250,000,000 or even to, at times, \$300,000,000.

And, fourth, sums remitted by American manufacturers and merchants for payment of freights shipped in foreign bottoms, estimated at a net sum, after deductions, of some \$25,000,000 per annum.

On the whole, therefore, it may be said that there is a steady annual average demand—other things equal—of something less than \$600,000,000 worth of products to be exported that we should not expect to be covered by goods imported. These figures correspond fairly with the statistical returns of the United States Government, although, of course, we should keep in mind that our imports being valued at the Custom-House at the foreign price would naturally appear less valuable than their selling price here.

Other factors of minor importance have effects similar to those mentioned, but for the purposes of this discussion it will not pay to take them up, excepting incidentally in connection with some special cases.

#### PERMANENT CONDITIONS.

Certain factors in connection with foreign trade become established after a series of years so that they may be looked

upon as permanent conditions. Other factors, again, during periods of transition, or on account of some temporary influence are felt for only short periods of time. It is probably desirable to consider these separately, as any action to be taken in order to influence conditions by either business men or governments depends to a considerable degree upon their consideration.

The one state of business that, perhaps more than any other, in the long run, seems to determine the so-called unfavorable balance of trade—in that the imports regularly exceed the exports in value—is that a country is a creditor country—that is, its citizens have loaned large sums abroad, the evidence of which they hold in the form of government bonds, railroad bonds or other similar securities on which they regularly draw interest. Or, its citizens have made large investments abroad, the evidence of which they hold in the form of certificates of stock or other evidences of ownership on which they regularly draw dividends, or from which they receive profits. Great Britain, Germany, Holland, France are such creditor countries, whose citizens are thus entitled to receive from year to year large returns which must be covered by the exportation from the debtor countries of merchandise in various forms. On the other hand, the citizens of the debtor countries have borrowed sums abroad, or the country has received investments of citizens of the creditor countries.

We are accustomed to using the words "debt" and "credit" in the ordinary minor transactions of life in such a way that the term "debtor" seems to be derogatory, and the term "creditor" to have a favorable meaning. And yet, of course, in these days of widely extended credit, it is a truism that in the private business of individuals and corporations which is carried on on a large scale, few active enterprises can afford not to be debtors, while, on the other hand, they possess the elements of credit and are in other matters creditors to an even greater extent. We, therefore, cannot argue from the fact that one country is a creditor country and the other a debtor, any difference in the degree of prosperity attaching to the different countries—the fact simply argues a difference in business conditions and, possibly, a certain amount of difference

in the degree of industrial and social development, although this is by no means always a fair assumption.

The fact, too, that one country is debtor with a favorable trade balance and the other creditor with an unfavorable balance on mercantile transactions does not imply that, on the whole, either has the advantage of the other in international dealings. It should be remembered that when we use the expressions: "Great Britain," "Germany," or the "United States," in connection with the question of international trade, we are not in reality thinking of a single abstract entity, the Government or the State, but rather of thousands of individual citizens of these different countries that are dealing with one another. It is fair to assume that in every international trade, speaking broadly, both parties profit, but it is not correct to assume that both profit equally. The party that is most anxious to deal, or on whom the necessity of either buying or selling—as the case may be—is the more imperative, is at a disadvantage in the trade; the larger profit going as a rule to the one less under the pressure of necessity. And these degrees of need shift frequently from manifold causes. At times the debtor country will have the advantage, at times the creditor. Each individual case needs to be analyzed before any definite statement can be made. To illustrate:—

A great industrial enterprise may be under no compulsion to borrow, but goes into debt because by paying, let us say, five per cent. interest upon part of the capital that it has invested, it is able more easily to earn a return of, let us say, eight or ten per cent. upon its entire investment, with a net return of three to five per cent. on the amount of its debt. So with the United States. Although we have probably a foreign standing indebtedness of some \$6,000,000,000, it is probably paying a much larger net return to this country than the \$300,000,000, say, of interest and dividends paid abroad for its use. Although these costs must be paid, still larger profits in practically all cases are being held here for re-investment. So long as the titles to the property located here remain in foreign hands we cannot say that the country is gaining directly from that property,—indirectly, it often gains largely. Directly, in the long run, it often gains, because such

foreign property becomes eventually American property either by the transference of the home of the owner or by sale at rates favorable to the American purchaser. Otherwise, not only must the interest be paid back, but, eventually, also the capital. When the capital is returned, the incident is closed, but it has probably earned for the United States indirectly more than for the foreign owner directly.

On the other hand, capitalists of older countries in which local competition is fierce and the rates of return on investments are lower than in the United States or Canada or Australia, find it distinctly more profitable to invest their surplus capital in foreign bonds at relatively low rates than to try to invest in active, productive enterprises within their own country. Each country acts for its own welfare whether debtor or creditor. We can by no means agree with the statement of M. Guyot that it is sufficient to know the names of the debtor and creditor countries to see that "the balance of trade is unfavorable to every prosperous country and favorable to the countries that are poor and in debt." (Article, "Balance du Commerce," Dictionnaire du Commerce, de l'Industrie et de la Banque.)

Debt is not always the mark of poverty with either individuals or nations.

#### TEMPORARY CONDITIONS.

(a) *Foreign Loans.* During the period that a creditor country is making its investments abroad and transferring thither its credits, the effect temporarily upon the balance of trade is, of course, just the opposite of that just mentioned, as it either sends directly in the form of exported machinery or materials, or other forms of exported goods, the wealth acquired by the borrower, or it sends abroad its credit paper which must be followed by exports of various kinds, in order that this credit paper may be satisfactorily met. It is only after these investments have been turned into the form of permanent establishments that are yielding net returns paid in the form of interest on bonds or of dividends or of profits that the creditor country receives imports on account of its foreign investments.

Under existing conditions in this country, if the exporters wish to see to it that their balance of trade becomes still more favorable, while at the same time presumably they may secure satisfactory profits, they might well encourage from our loaning interests, on satisfactory conditions, loans abroad, say, to China, or to other countries eager to secure capital. And these loans might well be accompanied, as they usually are on the part of European countries, by contracts for the sale of American materials and manufactured goods for the building of railroads and factories, the exploitation of mines and other natural resources and the equipment accompanying such enterprises. For the time being, any such enterprise, with or without substantial governmental support, would tend to improve the favorable balance of trade by stimulating our exports. Eventually, indeed, as these investments become profitable and yield net returns, the effect will be just the opposite of lessening our trade balance, but of bringing back to us in the form of imports the profits made.

Let me note in this connection that the stimulus that might well come to China from the rapid inflow of capital, unless it were properly handled and conservatively directed, might well lead to an overstimulation of business, speculation, and a crisis—as has happened in our own country and in others under similar circumstances.

(b) *The Influence of Monetary Systems.* Of course, the balance of trade as shown by the imports and exports of gold or by the relative importation of commodities as compared with their exportation is often affected materially by the monetary systems. So far as the dealings of the United States with Europe for some decades is concerned, all the countries being firmly established on the gold basis, this factor needs no further consideration. If the fears of some of the economists regarding the new currency system of the United States should prove well grounded, this factor would merit serious consideration. If it should prove that the issue of Federal Reserve notes leads to any material inflation of the currency, there will be a strong tendency toward a rise in prices here, a stimulus to importation of goods and, associated with that, an exportation of gold in large quantities. As this

question is discussed in another paper it need not be dwelt upon further.

Another aspect of the same question, however, is seen in the dealings of the United States with countries not on the gold basis, whether the currency be silver, copper or paper. The experience of Mexico while it was on the silver basis during the period of the rapid depreciation of silver indicates that whenever any country's monetary standard is depreciating over a considerable period of time, the effect is distinctly detrimental to that country in dealing with countries on the gold standard. This follows from the fact that, in order to pay for a given quantity of commodities imported from the gold country, there is likely to be demanded a steadily increasing quantity of the goods exported by the country with the depreciating standard. A depreciating standard was often advocated for China, Mexico and countries similarly situated, on the ground that it stimulated exports—the fact not being recognized that in return for this increase of exports, there was no corresponding increase in imports to pay for them, so that the country was gradually being drained of its resources.

Another factor of the trade of a country on a monetary basis like silver or paper in its dealing with the gold countries, is that prices and exchange are so continually fluctuating that, although the exchange banks may gain, business as carried on by the merchants assumes a highly speculative character, so that often the question of exchange assumes an importance greater than that of delivering goods of the right quality in the most businesslike way.

From what has just been said it may seem as if it were for the interest of the gold countries to deal with those having a depreciating monetary standard in order that more goods might be acquired from the low standard country to maintain the balance of trade, and that thereby the gold country would gain. Temporarily this might be the case. As soon, however, as the monetary standard ceased depreciating, trade would adjust itself to the new conditions on the lower standard, so that the effect would no longer be felt. Moreover, it is decidedly to the benefit, in the long run, of any country that the other countries with which it deals should flourish.

They thus become much better customers as purchasers and are likely also to be better producers from whom to buy. A system of exploitation never pays in the long run. If this principle is sound, the advocates of a silver standard for other countries—of whom there have been many at different times—are mistaken; and it would pay the exporters of this country—to make the case specific—to exert every possible effort to see to it that a country like China, for example, was given as soon as possible, a monetary standard on the gold basis. Not merely would the doing of business be simpler, but, in the long run, profits would be larger and the maintenance of the balance of trade by China under more favorable conditions, would redound to the benefit of both exporters and importers of other countries.

#### THE TARIFF.

Of course, I do not wish to discuss the question of the tariff except to note briefly its relations to the question of the balance of trade. Its effect in that connection is determined by the extent to which it may bring about or hasten a change in the direction of a country's industries from agriculture to manufacturing, and to further general effects that it might have upon business conditions.

A glance at any chart representing over a series of years the exports of the United States, such, for example, as one given in the "Annalist" of April 13, 1914, shows how much more fluctuating—by months as well as by years—are agricultural exports as compared with non-agricultural exports. Any action, therefore, that tends to turn capital in the direction of manufacture and to develop manufactured articles as a large percentage of our exported products, has a decided effect toward establishing a regularity of the trade balance.

The reasons for this distinction between agricultural and manufactured exports are not difficult to see:

It is impossible for the farmers to adapt the supply of their product to the demand: first, because, being numerous and being not well organized, they cannot readily forecast the probable demands and prices so as to adapt their supply

thereto; and, secondly, because their product is so largely dependent upon external causes, such as the weather, the rainfall and similar factors, that the output is largely beyond their control.

A very large harvest will result in greatly increased exports, so far at any rate as quantity is concerned, though rich harvests the world over might so lower prices that the value would not be greatly increased. Even though the value did not increase proportionately, the varying freight charges, interest and other factors connected therewith would affect the trade balance.

In the United States the relatively great increase in manufactures has brought into this problem of the trade balance this added element of regularity just mentioned, although it is often more than offset by other factors, such as an industrial depression or a war. It is, doubtless, highly desirable that this element be further increased, not only to increase certainty, but also because there is greater advantage, in the long run, in transforming our raw materials here than in sending them abroad to be transformed there into higher forms of product.

#### PERIODS OF DEPRESSION.

Any check upon the enterprise of manufacturers for export, whatever be its nature will, of course, affect unfavorably the trade balance.

1. The export business consists sometimes in disposing of a surplus of agricultural products as in the case of the rich harvests just mentioned, and at times in that of superfluous stocks of manufacturers who have not well calculated coming events. Whenever a surplus needs to be disposed of the price is also naturally affected, goods often, under these circumstances, being sold abroad—and justifiably so—at prices lower than those obtained at home. Even in that case, through the continuance of manufacture thus made possible and the regular employment of working men, which otherwise could not be maintained, the prices in the home country over a considerable period may not be higher than would otherwise have been the case.



2. The building up of a market abroad through new enterprises means, of course, always a fight against odds, and depression in business makes the struggle much more difficult. This is a fact always to be borne in mind by legislators or others whose acts may affect materially business conditions.

#### EXPENSES OF TRAVELLERS.

The effect upon the balance of trade of money remitted abroad to pay the expenses of travellers needs no special discussion. Of course, if the drafts are made upon foreign houses, in the long run exports must be sent to cover them and a certain amount of this country's wealth is transferred to the foreign country. The gain to this country secured by travellers whether in the form of added wealth, training, new ideas, or the gratification of personal tastes, is likely to be so intangible that it cannot be measured, though a net gain need not be questioned. We, however, can hardly estimate our final net gain—or loss—from the expenditure.

#### MONEY REMITTED BY IMMIGRANTS.

The money sent abroad by immigrants, however, which likewise affects the balance of trade to the extent of more than \$100,000,000, often \$300,000,000 in some years, is decidedly different. Those immigrants who are sending their money abroad to pay the passage hither of other members of their families are benefiting the country by such remittances—provided the incoming immigrants are needed and become active producers.

When, on the other hand, as is very frequently the case, the money earned here is sent abroad for investment, and the immigrant remains here only long enough to acquire a modest competence and then returns to his home country for the purpose of making that his permanent abiding place, the situation is entirely different. I do not question that in both cases the immigrant has earned his wages and that he has a perfect right to invest his savings abroad as well as here, but the effect upon the ultimate trade balance and upon this country

is entirely different. Whenever wealth is thus remitted for investment abroad and the immigrant himself then goes abroad to make that his permanent home, this country derives no benefit therefrom, either in the form of returning interest, or dividends, or eventually of repaid capital, for the investor himself follows his investment. At the present time a very large percentage of our immigrants are men of this type who come to remain only a short time, who are eager to accumulate as much as possible in the shortest time possible and whose aims in consequence tend both to lower the standard of living of our working men here and to transfer our wealth abroad with no corresponding offset to secure the trade balance. We send the goods abroad to meet the payments demanded to transfer his savings, the man leaving his payment here in the form of the results of labor expended. His savings are invested abroad.

The immigrant of the other type, besides leaving the results of his labor, leaves here also his savings in the form of investment, thus adding so much more to the wealth of the country. This element, therefore, of the invisible factor in the trade balance coming from the remittances of immigrants needs to be carefully analyzed if we are to determine its effects upon our country's prosperity. That prosperity would be decidedly increased if we were to check the immigration of the temporary type and substitute therefor—as our demands for labor required—the better and more continuous employment of working men already here, or the immigration of those whose desire is to make this country their permanent abode.

#### FREIGHTS.

As we have already seen, freights paid by American business to the owners of foreign ships form an important item in the trade balance. As long as our present laws regarding the registration of ships remain and the relative cost of building and sailing ships here and abroad remains as at present, this factor is not likely to change. So far as American capital is invested in ships registered abroad, this factor, counting as an import in the trade balance, comes eventually after all to

Americans. Even when it remains as a profit to foreigners, Americans have preferred that it should so remain, because they have other and better forms of investment. Doubtless, some slight changes in our navigation laws by which ships manufactured abroad, if owned by Americans, could be registered under the American flag, would tend to change somewhat this element in the trade balance. If it were further permitted to man American ships so that they could be handled as cheaply as the foreign, this factor would practically entirely disappear. This, however, is a question that seems to be outside of the range of practical politics to-day and need not be seriously considered here.

#### CONCLUSIONS.

The trade balance, we have seen, so far as the mere question of its effects upon the imports or exports of gold is of significance, good or bad, only as the causes determining the change may affect the country for good or ill, and those causes are so variable that they cannot be summed up in a single expression such as "favorable" or "unfavorable." While one can by no means agree with the general implication of the word that an excess of imports of merchandise is always really unfavorable to the interests of a country, or that, on the other hand, an excess of exports is always favorable; nor with the further dictum, previously quoted, from M. Guyot, that the debtor countries are always to be considered as the unfortunates, it still, I trust, has appeared from the preceding discussion that the question of the balance of trade, or of the relations of exports to imports, is, after all, one of prime consequence and that the Government of a country and its business men need to take heed to the policies adopted which will affect this balance. These policies may be, as already intimated, those affecting immigration, or the tariff, or the monetary system, or even the corresponding systems of foreign countries, but more important still, perhaps, are the policies that determine the reputation abroad and the activities of business men within our country itself.

The building up of a foreign market in the face of the keen competition of the experienced manufacturers of the older countries where capital is relatively cheap is so difficult, that every effort should be made to further and not hinder the work of the exporter. Mr. Whelpley in his interesting book on "The Trade of the World," has called attention to the fact that the announcement of the court decision of a fine of \$29,000,000 against the Standard Oil Company made a profound impression upon the Chinese traders, and that the ability of the company still to continue to conduct business after such a decision, even of a lower court, was one of the best advertisements that the company ever received in the Orient; while, on the other hand, the news some years later, that the company had been divided into its component parts, had a distinctly detrimental effect upon its reputation. This is but one of thousands of illustrations that might be given to show how sensitive our foreign trade may be to acts that seem to have little influence upon our business at home. The fact should not be lost sight of by either legislators or the Executive in this country, that the conditions of foreign trade are different from those at home and that, in consequence, the foreign trade needs to be considered independently, and even to be treated differently.

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THE PRESIDENT: We will now proceed with the discussion of Mr. Carr's paper, on the Diplomatic and Consular Service. I will call on Mr. J. T. Lenfestey, of the Lenfestey Milling Company, Chicago, and of the Chamber of Commerce of the United States.

MR. LENFESTEY: Mr. Chairman and Gentlemen of the Convention: My business does not require my being interested in foreign trade. Being somewhat of a traveler, on my way to South America in December, I was invited by Mr. Wilbur J. Carr, Director-General of the Consular Service, to make a report upon the consulates and legations of South America. That is my excuse for being here, because I have been requested by Mr. Carr to give you, as far as I am able, a word-

picture such as I gave him of my observations in South America. I returned March 15th. March 20th, "The Nation's Business," the publication of the Chamber of Commerce of the United States, published an article by Mr. Bryan, our honorable Secretary of State, in which he described the diplomatic and consular service, and made a summary of the cost of the service last year. My memory serves me up to the hundreds of thousands. It was a million, nine hundred seventy-odd thousand dollars it cost to maintain three hundred consulates, three hundred consuls, two hundred and sixty-six employees of the consuls and two hundred thirty-three consular agents, who are paid from fees of their offices. The cost was a million nine hundred odd thousand dollars, and the fees collected and paid into the United States Treasury by those agencies and consulates amounted to a million eight hundred and some odd thousand dollars (\$1,852,000), leaving the net cost of our consular service \$120,000 in round numbers, a remarkably small sum when you consider, if you divide up: the cost of rent approximately, I am told, is \$450,000; for service of the consular agents approximately \$130,000, and the residue is the cost of the consuls' service and their assistants. If you will figure it out, you will see it means only \$150 per head for 800 men representing our government in foreign countries, for one year, and, when you consider that the compensation of these men is based on gold here, and, when you consider that a man who receives \$4,500 for acting as consul in Buenos Ayres could live better in Chicago on a salary of \$1,500 than he can in Buenos Ayres on \$4,500—he could have more things to wear, better food to eat, better education for his children, and be far happier in every way—it seems ridiculous to have the salaries of such officials based on cost of living in this country. In other words, the men who are serving in these capacities are practically only \$1,500 men, from the basis we figure salaries in this country. My time being limited, I cannot go deeper into this subject, but if you want more enlightenment, and to see the absurdity of the compensations, join the American Embassy Association, New York City, and get acquainted with what our consular and diplomatic service is doing. Membership is free.

Now for the word-picture: You have heard of John Splan, of Kentucky, the horseman. He told me, "I sold a team of horses to Secretary Knox the other day." I said, "How could you sell them to Secretary Knox without his being present to see them?" He said, "My greatest success in selling horses is by word-pictures." He said, "I went to Mr. Knox and told him: 'I have a bay-horse,' and described him." He said, "Splan, go get another like that and I will give you \$20,000 for the team." And he said he went to the Chicago horse-market and bought it. Splan said, "I have the greatest success selling horses by word-picture. Mr. Knox did not see the horses at all until after he had paid for them."

The word-picture I would like to present to you, I am not able to do justice to, for the reason I cannot give you the atmosphere of these countries. The Panama Canal has increased the price of property on the West coast of South America. They are "daffy" about the values in Lima, Peru. In Lima our landlord has raised the rent from \$100 to \$125 a month for the Legation house, and we are tenants at will now, because we do not take a lease to pay the extra twenty-five dollars a month. The Legation house in Lima has two bed-rooms upstairs, and the Minister has a wife and one grown daughter. The Minister, when I called upon him, was out and I dismissed my cab, because I had to wait for him. When my business was finished, I asked him to have a cab called. "Oh," he said, "What do you take a cab for? Why don't you take a street car?" I said, "I want a cab." "Oh," he said, "the street car is just around the corner here; I use the street car." I did not; I went out and found a cab waiting for me, and went down-town. I saw him at the Jockey Club races; he came very late in a cheap cab. But the idea of the Minister of the United States coming to a public place like the Jockey Club on Christmas Day, a gala day, without observance of the amenities required in polite society in that city! I mention that as a little picture of Lima.

At Valparaiso, Chile, we have a very creditable consulate and consul, and a very nice office is kept. But I might describe it to you as a place that would make a good dentist's office in Chicago, on a second floor, and a dentist might have

one reception room and two operating rooms. The consul is very short of help—not very short, but he needs one or two more men, which he does not get. And he has to work overtime.

In Santiago, Chile, our ambassador is a most capable man, Mr. Fletcher. He is living in very fair quarters, but not at all the kind of quarters that our embassy is entitled to in Santiago. I want to compliment the administration on the retention of three ambassadors in South America, Mr. Fletcher in Santiago, Mr. Garrett in Buenos Ayres and Mr. Morgan in Rio de Janeiro. They are deserving of the highest commendation—I mean the ambassadors and the administration. Mr. Henry P. Fletcher is absolutely loved by the people of Santiago. It was my pleasure to be given a formal introduction to the Foreign Minister by Mr. Harvey, *Chargé d’Affaires*. When he introduced me, he said, “Mr. Minister, I have good news for you.” “What is that?” “Why, Mr. Fletcher is coming back; I received a cablegram this afternoon.” The Foreign Minister, Señor Enrique Villegast, was vastly pleased.

The export business from this country to Buenos Ayres amounted to \$55,000,000 last year. The consul’s residence is outside the centre of the city. He is on the fifth or sixth floor in a seven-room apartment, and, being a man of family, lives in three rooms with a wife and five small children, and four rooms are devoted to consular business. The salary at this post should be doubled to \$9,000 per year on basis of Chicago living.

Our ambassador in Argentina should have a \$300,000 house at his command for the embassy and residence instead of having to rent two establishments.

At Montevideo, Uruguay, our Minister is living in a second-floor apartment where a legation office and residence is maintained slightly better than our consul at same port. Neither are housed in a manner self-respecting to a nation like the United States of America. The consul at Santos, Brazil, has an office not good enough for a dentist in Kankakee, and this is an important office.

The Embassy at Rio de Janeiro, Brazil, is officed in an ordinary seven-room apartment. The former residence of Ambassador Morgan was rented from the estate of a bankrupt merchant, and was a very creditable embassy, but we had to move because the Republic of Uruguay having a population practically the same as Chicago purchased the place for the Uruguayan Minister.

The consulate is in an office building and fairly adequate but not in keeping with the importance of the country and Rio de Janeiro, Brazil. I thank you. (Applause.)

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THE PRESIDENT: I am very sorry to have had to cut short Mr. Lenfestey in his remarks, but I had already given him more time than I thought we could afford.

Mr. F. E. Drake, Vice-President of the American Chamber of Commerce of Paris, is leaving on an early train, and he will next be heard.

MR. DRAKE: Mr. Chairman and gentlemen: I regret exceedingly that Captain Frank H. Mason, ex-consul general of the United States in Paris, cannot be present to give you the advantage of his counsel and his long experience, covering something more than thirty years as consular officer in foreign countries. Unhappily, he met with a severe accident on Monday and he is confined to the hospital. I have agreed, and it is my delight, to present a few remarks, which will be merely headings, slight sketches of the ideas which were in his mind, and which would have been amplified in a manner that undoubtedly would have been of great benefit to this Convention.

(Captain Mason's paper follows:)

"The American export trade needs the services of a corps of expert commercial attachés, carefully selected, appointed and assigned to duty at the embassies and legations of the United States in foreign capitals. Such attachés should have diplomatic rank, and be therefore enabled to correspond with and make personal inquiries directly at the various ministries of the government to which they are accredited. Commercial



attachés of this class are employed in connection with their embassies and legations, viz.: Germany, Russia, France, and other leading commercial nations. Our consuls have done and are doing much for the development of foreign trade. But they are occupied with a maze of other important duties, which are increasing from year to year. Their consulates are in many cases inadequately manned and equipped for effective, up-to-date commercial service, and the commercial attaché, with diplomatic rank and prerogatives, is as essential to our foreign service as to those of other exporting countries.

The American export trade needs also a revised treaty of commerce with the French Government, which shall secure to products of the United States entry into France under the minimum tariff schedule that is accorded to the products of every European country, except Portugal, under treaties which secure to them the rights and privileges granted to the most favored nations.

It further needs organizations, similar in character and scope to the League of German Foreign Trade Associations and the more recent German Association of World Commerce. These should be organized and brought into activity with the moral support of the United States Government behind them and aiding them to the fullest extent that is consistent with American practice and traditions.

American banks and financial institutions of high credit and large resources should be encouraged to establish branch houses in South American and other countries where such American facilities are lacking, and to co-operate, both at home and abroad, in financing and supporting American export trade, as is done by the great national banking institutions of certain European countries.

American boards of trade and chambers of commerce should imitate the policy of similar organizations in European countries, by which young men of education, ability, and character, are encouraged and aided to secure positions and establish themselves in foreign countries where they may learn the language and master the needs, requirements and conditions of foreign markets and become, thereby, competent to represent ably and successfully one or more branches of

American export trade. Members of French chambers of commerce are specially recognized and decorated by their Government for services rendered in placing young Frenchmen ahead in commercial and financial positions.

American manufacturers as a whole should make up their minds that they really want a foreign trade that shall be permanent and progressive, and not simply a means of dumping their surplus products into foreign countries in time of depression and commercial stagnation at home. American producers of all kinds have the finest and greatest home market in the world, but it is not enough. Their productive capacity has reached a point in most industries at which there is a surplus which can only be profitably disposed of by export; and this surplus will continue to grow as the productive capacity of the country continues to develop.

The commercial methods and traditions of our country are admirably adapted to the home trade. In his own field the American manufacturer and merchant has no superior and need fear no rival.

But he should realize that in seeking a foreign trade—and this is especially true in European countries—he should recognize and adapt himself to the customs and practices which have long prevailed and are fully established in those countries. These include terms and conditions of payment, discounts, and especially the assistance which the foreign manufacturer is expected to give to his agent, as customers in France, for instance, in properly introducing and advertising a new article. In all this he must meet the direct competition of not only home manufacturers abroad, but of those in neighboring European countries, who watch every opportunity, and are ready with skilled salesmen, fluent in the local tongue, who are prepared to offer discounts and terms of payment which are unknown in the home trade of the United States.

Few foreign merchants will take the trouble to import and pay in advance for an American-made article or class of goods which is not standard and fully established in the European markets. He expects the goods to be offered by sample, at his own counting-room, and, when he seeks to start in a new line, and receives from the American manufacturer, in reply

to his inquiry for terms, the curt response: "Cash, F. O. B.," the transaction is usually terminated before it has begun."

MR. DRAKE: Those are the succinct remarks which Captain Mason would be pleased to have presented to you. One more word, Mr. Chairman, and that relates to the organization which I have the honor to represent, the American Chamber of Commerce in Paris, an organization of over 300 members, which has existed for practically twenty years. We may say that it is one of the pioneer commercial organizations outside of the confines of the United States. We have gone over many of these problems in our discussions, in our committee meetings, and have made many propositions for sending memorials and resolutions to Congress, to the President and to other organized bodies in the United States relative not only to the consular service, but also to the whole scope of importing and exporting. It is not only the export trade which we endeavor in our organization in Paris to follow, but it is also the import trade, and I am speaking from the American standpoint. We ask the privilege of aiding, assisting and augmenting the work of this Convention and any future conventions based thereon in the work in regard to foreign trade. (Applause.)

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THE PRESIDENT: This concludes the discussion with regard to this paper. I will now ask the Honorable Wilbur J. Carr, Director-General of the Consular Service, Washington, D. C., to say what he chooses supplementary to the discussion of his own paper upon the diplomatic and consular service. (Applause.)

MR. CARR: Mr. President and gentlemen: Last night you had the pleasure of listening to Mr. Bryan's outline of the policy of the Department of State in relation to foreign trade. I can only add to that a few brief details, most of which were embraced in the paper which I prepared for this Convention showing a number of the activities of the diplomatic and consular service. For many years the diplomatic service

has been much occupied in the negotiation of treaties having for their object the improvement of our international relations, because without satisfactory international relations, which are usually in large measure based upon intelligently negotiated treaties, we cannot expect to have commercial relations of a beneficial and lasting character. And oftentimes the success of our commercial relations depends upon the kind of commercial treaties we are able to negotiate. In order that more particular attention might be given to the preservation of good relations with other countries, and especially to the advancement and safeguarding of our commercial relations through the negotiation of commercial treaties and in other ways, the Department of State has been entirely reorganized within the past few years. Many commercial agreements were concluded under the provisions of the old tariff law, and under the authorization in the existing tariff law it may be possible to negotiate an entirely new series of commercial agreements of real value to the commercial interests of the country.

Another and more modern phase of diplomatic work is that of supporting the efforts of individuals who seek to market their products abroad. This is done by introductions, by representations to foreign governments, and in other ways; and I believe it to be a fact that our diplomatic service has within the past few years more than paid for itself by the actual results achieved for the benefit of American exporters and producers through its support of their efforts in specific directions.

Another function of the diplomatic service is the prevention and elimination of discrimination against American products entering foreign fields. All of you who export will at some time meet with discrimination against your products either in the way of tariff administrative regulation, or otherwise. It is part of the serious work of the Department to endeavor to remove those discriminations wherever they may be found; and the work of that character is constantly increasing. Already the subjects requiring study and treatment which have come before the Department make a long list.

In respect to the work of the consular service, I have already outlined in my paper the broad scope of the work that is being carried on. Too many business men fail to realize that the consular service is not wholly a commercial organization. Its work covers the whole range of American enterprise and interests abroad from the finding of lost Americans to the marketing of American products.

In the purely commercial field of the work of consuls, no effort is spared to make their reports of real value. We try to make them comprehensive and practical and we try to have them cover the subjects you gentlemen are interested in.

Another branch of work is that of responding to inquiries of business men in regard to tariffs, in regard to local markets and other matters. The consuls render real service in that direction. Their letters last year numbered, if I remember correctly, something like 17,000, addressed to various business men in this country.

While mentioning this subject I should like to urge you as business men, before calling upon consuls for specific information in regard to your own particular trade requirements, first to consult the Department of Commerce and get from it whatever information it may have accumulated on the subject in which you are interested. I say this because the consuls are gradually being overburdened with requests from individuals in this country. They are being required to duplicate matter, after considerable delay, which could be had probably upon request at the Department of Commerce in Washington. Whatever you may do towards expediting the work in that way will be a great help to the consuls and to our Department.

Our consuls are actively engaged in assisting individuals who seek to market their products, by making introductions of their agents abroad, by putting the agents in touch with local business men, and by offering advice and suggestions as to local customs and conditions. Individuals going abroad in the interest of the development of trade already established or for the purpose of seeking entirely new markets would do well to call upon and consult the consular officers for the districts in which they are interested.

We have sought to make the visits of consuls to this country of practical value by placing all officers under instructions when entering the ports of New York, San Francisco and New Orleans, to make their headquarters at the office of the Bureau of Foreign and Domestic Commerce and of the Department of Commerce, and to notify the public of their arrival and be prepared to discuss subjects in which business men are interested. We are carefully studying the results of those conferences, and we are placing the information which we gather in that way in the possession of the consuls, in order that they may intelligently prepare themselves to answer your questions when they come here. I hope that in the near future we may be able to have our consuls go over the country under the joint supervision of the State Department and the Department of Commerce, and confer more widely with business men; and I may say in that connection that there is a bill pending before Congress at the present moment which has the strong endorsement of the administration and which makes provision for the sending of consuls systematically to various centers of production and exportation in this country with a view to having them confer with business men, impart information, and at the same time gather information for use abroad.

In connection with all our work, both the diplomatic and consular, I wish the business men of this country would feel free to communicate to the Department of State and the Department of Commerce their criticisms and their suggestions in regard to the work that is being done. We should all of us like to know how far officers fail to meet the demands of commerce, and we should like to be able to improve the service in whatever direction it is found deficient.

I have outlined in the paper three things which I believe to be important in the future development of the diplomatic and consular services. Mr. Lenfestey touched upon the subject of pay. Our salary scale is far below what it should be. The salaries of our ambassadors are from one-half to one-third of those paid to the ambassadors of the principal countries of the world, the countries which are our commercial rivals. Our consuls, some of them, receive salaries which

you would not pay the chief clerk of your establishments, and we expect—at least the public expects—from the \$2,000 consul the same class of work that it expects from a \$5,000 man in this country. It is impossible to get that kind of service. I do not mean that salaries should be raised for the benefit of individuals; I mean that salaries should be sufficient so that the individual officers may live in a manner that you would approve of, and feel a certain freedom in going about their work and doing it efficiently, without having to look about to see where their next month's rent is coming from.

Another thing that I feel to be very important is the matter of housing our diplomatic and consular representatives, and this is especially true in the Orient, where external appearances mean so much. We have a few government-owned embassy and legation buildings. A bill has already been passed by the House of Representatives providing for three more. In the consular service we have very few buildings of any description, and most of them are unworthy of us. We could not do a better work than to put, say in the large port of Shanghai, a building worthy of this country, in which to house the consulate, the United States court and the other offices of the United States Government; and I believe such a building would pay large dividends on the investment in added prestige and influence, to say nothing of the advantage to our officers.

Much the same might be said in regard to other countries. We ought to put our service on a plane of equality with the best services of the other foreign governments if we expect to compete with them successfully.

Another important need, and I believe it to be the most important, is that of supplying our diplomatic and consular officers, particularly the latter, with an adequate number of capable assistants. The head of every large consulate should have at his right hand several capable young men, men trained in their profession, to gather information, to make the acquaintance of business men in the community, and in other ways to help him carry on his work. It is impossible to expect that the head of any office can run his office, attend to

the routine, which is very burdensome, and at the same time go out and make intelligent studies of the various commercial subjects in which you are interested.

Another need, which I have not mentioned but which I will mention now, is provided for in the bill that I referred to as now pending before Congress, and that is elasticity and mobility of the whole organization. You may be surprised to know that under the present system, if through some chance the living expenses at a certain place were increased out of all proportion to the income of the officer, we should nevertheless have to get along until such time as legislation could be obtained. We could not raise the compensation, nor could we put another officer of a higher grade in the place. We could not, to meet a pressing emergency, take our best man in a field and put him into the particular post where he might be needed, except by reducing his compensation to that assigned by law to the post.

The bill which is now before Congress, and which I wish might have your earnest support, proposes to give the Department the power to put the man of the requisite ability in the place where his ability can be utilized to the best advantage, and in general to adopt the service to the ever-changing demands of commerce.

These are some of the things which we need to make the service what it ought to be; and, in closing, I wish to assure you that it is the earnest purpose and sincere ambition of everybody connected with the State Department to make both branches of the foreign service, the diplomatic and the consular, an organization that we can be proud of, that all of you can approve of, and that will render a maximum of benefit to the commercial interests of the country. (Applause.)

(The full text of Mr. Carr's paper follows.)



## THE DIPLOMATIC AND CONSULAR SERVICE.

BY

The Hon. WILBUR J. CARR

Director General, Consular Service, Washington, D. C.

The diplomatic branch of the foreign service has long occupied itself with problems of foreign trade. Originally its activities were directed mainly to the negotiation of treaties having for their object the clearing away of obstacles to freedom of trade and opening up of closed fields upon terms of equality with other nations. It is an interesting fact that the first treaty to be signed by this Government was that of the treaty of commerce concluded with France on the 6th of February 1778. Since that time, the diplomatic service under the direction of the Department of State has placed to its credit more than two hundred treaties or agreements relating in some way to commerce, and it is to be remembered that these treaties are not mere historical documents, but a large number of them continue to regulate the commercial intercourse of the United States with the nations of the world and to safeguard and protect the products of this country which seek a market abroad.

During recent years there has grown up a realization of the need of commercial agreements with foreign nations based upon the principle of mutual concessions as aids in the further development of our foreign commerce. The general tariff of 1890 contained a limited authorization of such agreements, and succeeding acts have contained similar clauses. The existing tariff act contains provisions empowering the President, for the purpose of readjusting the present duties upon importations into the United States and at the same time to encourage the export trade of this country, to negotiate trade agreements with foreign nations wherein mutual concessions are made looking toward greater freedom of trade relations and further reciprocal expansion of trade and commerce. No agreements have so far been negotiated under this act, but, when negotiations

are once undertaken, diplomatic officers will have an opportunity to render service of inestimable value to commerce.

The protection and furtherance of our commerce through diplomatic intercession is peculiarly a function of the Department of State. The greater the number of our products that seek to find their way into foreign markets, the greater will be the number and variety of questions requiring treatment by the Department of State and the foreign service in a legal, diplomatic or administrative manner. Already the list is surprisingly large. The action which a diplomatic or consular officer may be directed to take in a given case, if it is to prove successful, is in a great degree dependent upon the condition of our political relations with foreign States. Therefore, a prerequisite to successful commercial diplomacy is a body of specialists who can, by constant study and watchfulness, be prepared to present any given problems at the proper time and in the manner most likely to bring about a result advantageous to the United States. To meet this need there were established in the Department of State, a few years ago, divisions of Latin-American, Far Eastern, Near Eastern and Western European Affairs, the Division of Information, and the office of Foreign Trade Advisers, for the purpose of specializing under the direction of trained men, in the questions peculiar to the respective foreign fields. There was nothing essentially new in this plan. It merely followed the best modern business practice and, in general, the form of organization which the great commercial nations of the world had found indispensable in discharging efficiently the duties growing out of their international political and commercial relations. The result is that the Department of State is now giving systematic attention to subjects of discriminations against our commerce by law or administrative regulation, to unjust tariff classifications, the actual or proposed exclusion of specific American products from foreign markets upon one pretext or another, and in general to all questions affecting the present and future welfare of our foreign trade.

In fact it is the earnest purpose and consistent practice of the Department of State to utilize the diplomatic service and other agencies under its control to the fullest extent in promoting commerce and close commercial relationships with other countries. So far as it is possible to do so, it is sought to obtain for reputable Americans equality of opportunity in the markets of the world; to secure for them the same facilities in the competition for governmental contracts abroad that are employed by their foreign competitors; and in short to employ every proper method within the jurisdiction of the Department of State and the diplomatic and consular service for the extension and safeguarding of American commerce and enterprise, so far as that can be done without favoritism to any particular interest over another, and without assuming responsibility for or in any way guaranteeing the ability or standing of any individual concerned.

A review of the functions of the consular service as that service is now organized shows that there is perhaps no branch of the public service at home or abroad which renders services so diversified and comprehensive as those demanded of our consuls, and it seems desirable, in the interest of a better understanding of that service, to outline briefly some of the more important functions outside the field of commercial promotion.

Consuls are directed to ascertain and report to the Treasury Department the correct value of foreign merchandise imported into this country. These values are set forth in consular invoices which are required for all shipments exceeding one hundred dollars in value. Undervaluations by shippers frequently result in a great loss of revenue to this country and when it is remembered that most of our governmental revenue is derived from import duties on foreign merchandise, much of which is subject to an ad valorem rate of duty, the work of our consuls in detecting and reporting undervaluations will be appreciated.

Consuls are required to safeguard the public health by watching and reporting the prevalence of diseases in

foreign countries, by the issuance of bills of health to vessels bound for American ports, and by regular reports on the sanitary conditions in their respective districts.

For the Department of Agriculture, consuls transmit reports upon a great variety of subjects embracing crops, plant and insect pests, farming methods, irrigation projects, pure food legislation, forestry and allied topics. Much valuable assistance is rendered by the introduction of foreign plants which can profitably be cultivated in this country as well as by a comparative study of agricultural methods in foreign countries.

For the Department of Labor, reports on immigration, labor conditions, wages paid in various industries, unemployment and its causes, old age pension systems, and many kindred subjects are transmitted.

For the Post-Office Department, consuls transmit reports on foreign postal conventions and regulations, and parcels post.

For the Department of Interior, consuls perform indispensable services in connection with pensions paid to Americans residing in foreign countries; applications for pensions and patents; and they report on such matters as education, mines and mining, reclamation projects, and conservation of natural resources.

For the Navy Department, the consular service furnishes accurate information regarding rivers and harbors, light-houses, wireless telegraph stations, and they collect data for the hydrographic charts issued by that department.

This multitude of duties, naturally more extensive for some departments than for others, extends to every branch of the Government and likewise to private individuals. Consuls are called upon to assist in finding lost relatives and escaped criminals; to settle the estates of American citizens dying abroad; to investigate inheritances; to render notarial services; to supervise the shipping and discharge of American seamen; to relieve destitute seamen; to protect American interests from discrimination, and, in general, to safeguard and promote all American interests abroad.

In the non-Christian countries, such as China and Turkey, consuls are empowered to exercise extraterritorial functions and are invested with judicial authority as regards American citizens and property. In some countries and under certain conditions, the commercial duties of consuls must necessarily occupy a secondary position, since the greater part of the time of those officers must be given to the protection of Americans and their property.

There are numerous ways in which the consular service is being utilized in the development of our export trade. All consular officers are instructed that one of their first duties upon taking charge of a new office is to acquire an intimate knowledge of the resources, industries, commerce and people of the territory embraced in their district.

It is considered to be of the highest importance that they make lucid and critical analyses of the import and export trade of their district, with special reference to the possibilities of supplying the demands with American products. The results of their investigations are embodied in commercial reports and letters. The principle of mutuality of trade interests and the broad proposition that we cannot expect to sell everything and buy little or nothing in return are expressed through the reports of consular officers upon the possibilities of exporting from their districts to the United States non-competitive raw or partially manufactured materials which may be used by American manufacturers.

Firms desiring to know the possibilities of introducing products into the foreign markets request information regarding the local markets from American consular officers. These inquiries are answered by letters indicating conditions of the local markets, the proper method of introducing particular products, and are often accompanied with lists of local dealers who might be interested in the products. And it might be interpolated here that if business men seeking information from the consular service should first obtain from the Department of Commerce such information as that Department may have available, they would greatly assist in systematizing the work of supplying

commercial information and thus relieve consuls of the labor of supplying the same information to a number of individuals or commercial organizations.

When acquiring information with which to answer commercial inquiries, consular officers watch carefully for specific opportunities to sell American products and very often are able to transmit comprehensive reports which lead directly to sales or contracts.

Construction work of all kinds is given careful attention, not only for the possibilities of American contractors competing, but also for the introduction of machinery, appliances, and fittings which have materially aided in the development of the present high standard of efficiency of American construction work.

Voluntary reports resulting from the initiative of the consular officers constitute a considerable portion of the commercial reports received. These reports set forth local conditions, point out the possibilities of extending American trade and indicate the proper methods to be pursued.

These reports, or others especially compiled, indicate the language used locally, the terms used to express weights, measures, and money, the methods of shipping, kind of credits given, and the other points necessary to the American business man in his study of the possibilities of foreign fields. The Department of State is kept promptly informed regarding proposed or enacted tariff legislation and customs regulations. Such information is often accompanied with statements regarding the probable effect of such legislation or regulations upon trade conditions. All of this information is available for the public through the Bureau of Foreign and Domestic Commerce of the Department of Commerce.

There is now being developed in a limited way a system of crop reporting which will enable the American producer to know of unusual conditions prevailing in certain sections or affecting certain crops.

Two of the essentials which are being brought to the attention of consular officers is the necessity of making their reports timely and comprehensive. Not only does

the Department of State ask that consular officers maintain that intimate touch with current events which will enable them to report prospective opportunities for investigation and participation by Americans, but there is urged the necessity for the inclusion in all reports of pertinent details in their relation to the trade under consideration, such as selling methods, credits, collections, banking facilities, reliable lists of possible purchasers of merchandise, communications and freight rates, packing and marking goods, tariffs, customs regulations and surcharges, storage facilities, and local requirements and prejudices.

By a system of careful inspection of consular reports and letters and by instructions to consular officers regarding improvement in the preparation of such letters and reports, the Department of State has materially raised the standard, and in this work it is receiving the cordial co-operation of the Department of Commerce.

In connection with reports, and especially those relating to concrete opportunities for the marketing of articles of American production, business men can render assistance of great value by communicating to the Department of State or of Commerce intelligent criticism and helpful suggestions. The consul many miles from home, may have a general understanding of the manner in which the American exporter carries on his export work, but he cannot be expected without at least occasional suggestion, to convey information either as fully or covering as many of the material points as the needs of the exporter may require. Therefore, the development of both the diplomatic and consular service would be greatly facilitated by closer co-operation of the commercial interests of the country with the Department of State and Commerce.

Both diplomatic and consular officers are giving much attention to lending their individual aid to representatives of American firms endeavoring to effect sales or business connections in the foreign field. This aid is given through introductions, information and advice and in other ways. That their efforts in this direction have been attended with much success is attested by the testimony of persons

who have voluntarily informed the Department of the aid they have received and of the successful results attained. It is, therefore, desirable that representatives of reputable American firms when visiting a foreign field should call upon the American consular officer and enlist his support.

The foregoing gives a brief outline of the work of the foreign service in the foreign field. Its activities are not, however, confined to the work beyond the seas. A standing regulation requires that all consuls when in the United States on leave of absence shall call at the Chamber of Commerce or Board of Trade, in the cities which they may visit when at home, and give such information as may be useful. A specific regulation names the great seaports of New York, San Francisco and New Orleans as consulting points for all officers who enter the United States at those ports. Coincident with the establishment of branch offices of the Department of Commerce in those cities, all consular officers were directed to make the branch offices their headquarters when in the United States on leave of absence, and through the press or otherwise to give due notice of their presence and readiness to consult with exporters or others in regard to foreign trade problems. These branch offices have advance notice of the arrival of consular officers and are thus prepared to arrange for interviews. A careful study of the results of these conferences has been gratifying in the interest which business men have taken in them and also because of their value to the consular officers themselves, all of whom have cordially welcomed the opportunity to come into personal contact with manufacturers and exporters and to receive as well as to impart information. They have returned to their posts with more enthusiasm and with a better knowledge of the work which is expected of them.

The results of these conferences have led to the issuance of general instructions to consuls directing them to prepare in advance of their visits to the United States to discuss such questions in relation to their districts as the local production of articles consumed, the sources of supply of imports, with prices; the trade extension methods



which have been or may be found practicable in the introduction of new imports; local conditions of climate, prejudice, and customs; prospective construction work or other projects offering possibilities for the sale of material or other articles from this country; terms, banking facilities, customs requirements; delivery facilities and costs; and names of reputable importers. It is confidently expected that future conferences in this country will prove much more useful and satisfactory than any of those held heretofore.

It is to be hoped that it will soon become a fixed policy to require consuls from time to time to visit in a systematic manner the important industrial and exporting districts of this country, not only for the purpose of giving informaton, but also in order that they may acquire fuller knowledge of current conditions that affect the up-building of our trade abroad and thus be enabled to perform their part in the advancement of our commerce with more intelligence and with greater practical effectiveness.

From the foregoing outline of the activities of the Department of State and the two branches of the foreign service, it will be apparent that a much higher standard of efficiency will be reached if we continue steadily to advance in the directions in which present activities are tending. But if we are to meet satisfactorily the rapidly growing demands of our commercial interests and render the maximum of service, additional legislative assistance will be necessary. Without touching upon topics which lie within the realm of political controversy, it would appear appropriate to point out what are believed to be some of the essentials to the future advancement of the efficiency and general usefulness of both the diplomatic and consular service.

Although progressive in many directions, the United States is one of the most backward of nations in the treatment of its diplomatic and consular agents. The official compensation of the ambassadors of most of the great powers is from twice to three times that of an ambassador of the United States, and in addition a residence is usually

supplied. Yet we expect our diplomatic representatives to maintain themselves upon a plane of equality with their foreign colleagues and to be a little more efficient than they. Likewise our consuls are expected to discharge promptly and efficiently the duties which I have outlined, and many more, and to maintain themselves in such a manner as to compare favorably with the consuls of the principal nations of the world, while a majority of them receive compensation but little greater than that of a chief clerk in a large firm in this country. Then, to provide for assistance in the performance of their work, both diplomatic and consular officers are supplied with meager allowances which in most cases are entirely inadequate for the employment of suitable aid. Also, with few exceptions, the housing of our diplomatic and consular offices is below the standard maintained by most of the great nations. These are, in a general way, some of the weaknesses that need to be remedied before the foreign service can be developed to its full capacity as an agency for the promotion and safeguarding of both the political and commercial interests of the United States. Already most of these subjects are receiving either legislative or administrative attention, and it is to be hoped that in the near future the way may be open to the development of the entire foreign service organization to a standard of efficiency and usefulness that has hitherto been impracticable.

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THE PRESIDENT: I am sure that we all realize the truth of Mr. Carr's very interesting remarks upon the consular service, the difficulties and the disabilities under which the Department is working. I am sure that the influence of this Convention, so far as it goes, will be exerted in the direction which he has indicated.

There is one more paper remaining for discussion, and that is entitled: "The Department of Commerce: (a) What it is doing for foreign trade; (b) Proposal to establish com-

mercial attachés," by Hon. A. H. Baldwin, Chief of the Bureau of Foreign & Domestic Commerce, Washington, D. C.

MR. BALDWIN: Gentlemen of the Foreign Trade Convention: I know that I shall acquire merit in your eyes if I make my remarks very brief. My subject is so large a one that in my paper I could only touch upon the baldest outlines of it. I might say that it is a pleasure to me as a government officer to be able, although briefly, to point out to business men the vast system that is established in the Government service, not for the restriction or regulation of trade, or to harass business men, but a great service that is intended to be helpful to you, that is meant to promote and to develop commerce. This system, so far as foreign trade promotion is concerned, has, in a way, its center in the office over which I have the honor to preside. I have pointed out in my paper the essential character of our work. It is a publicity service, pure and simple. We collect trade information, we analyze it here in Washington, and we distribute it to the commercial public.

I have been very much interested in the comments that have been made by many of these speakers, on the details of this work, and I will simply reiterate Mr. Carr's statement by saying that I know that there is an earnest and sincere desire, all along the line, on the part of the consuls, on the part of our commercial agents, on the part of the customs officers, by all our officers, to render a practical and efficient service within the legitimate boundaries of activity by the Federal Government. I cannot tell you how much I am gratified to find that, in spite of this very warm weather that we have now, so many of you have been willing to come here and make personal sacrifices to support that part of our work which meets with your approval.

My paper carried one subhead, "Commercial attachés." Other gentlemen have pointed out the relation of those proposed officers to the work of general trade promotion in foreign fields. If commercial attachés were to be established at the expense of the consular service I should be the first to declare that we do not care to have any commercial attachés.

The consular service needs support, as you know, in many of its branches. Consuls need better salaries, they need more liberal contingent allowances, they need more clerk hire allowances, and they need, most of all, a sincere interest on the part of business men in the service and the results of their work.

The Department of Commerce, however, also needs, at times, perhaps all the time, a representative in each foreign country who is available to send immediately if necessary on any commercial investigation. It is to carry out that idea and to supplement the consul's work that we are proposing to Congress to have this addition to our service. I am sure that the Department of State and the Department of Commerce will establish that service under such regulations that there will be no duplication of work, that the State Department will not be embarrassed by our officers, and that the United States will be provided with another powerful instrument of trade promotion.

I thank you very much for your attention. (Applause.)

(The full text of Mr. Baldwin's paper follows.)

## THE DEPARTMENT OF COMMERCE.

BY

Hon. A. H. BALDWIN

Chief of the Bureau of Foreign and Domestic Commerce.

Under the broad general function which the law assigns to the Department of Commerce, "to promote commerce abroad" as well as in the United States, there has been built up by the Federal Government a service for the promotion of our foreign commerce that is already effective and that possesses great possibilities of further extension, both through the strengthening of the present facilities and by more intensive service in many fields. A brief statement of the facts of this existing Government system for the development of foreign trade will make clear the framework of the service, the relation of its parts, its character

and purposes, and will indicate the opportunity before the commercial public to aid to make it more practical and effective.

The central ganglion of our system of trade development may fairly be said to be placed in the Bureau of Foreign and Domestic Commerce of the Department of Commerce. To that Bureau is assigned the primary duty, "to promote commerce at home and abroad." From that office issue instructions for commercial investigations and reports on trade matters, and from that center are distributed the results of the work of Government observers of commercial facts in all parts of the world. Within the Bureau center all the thousand threads of our national trade promotion system, these threads leading out not only to every Government agent in every foreign country but also to all the agencies in the United States, whence may come to the Bureau practical knowledge of the needs of its clients—business firms and manufacturers, and through which agencies may be delivered to those clients more effectively the useful information which flows in from so many foreign sources.

There is, I know, an impression abroad that there lies in much of the work of the Federal Government an element of unwarranted intrusion into fields which, it is thought by some, ought to be developed by private enterprise alone. What would be thought, however, of the business acumen of our Government officers if, with a splendid corps of trained representatives stationed in every important commercial center in the world, we failed to use these efficient men to help our citizens in their efforts to develop international trade? These foreign agents have current duties which have no very close relation to commerce, but not to use these men day by day for aiding American business would be to assign to inaction a splendid instrument of service.

#### THE CONSULS.

Our consular officers, who constitute the main source of trade information from foreign countries, are now send-

ing in commercial reports better in character, greater in number, more specific and practical in their relation to trade, than ever before. They are receiving, through the established system of direct and unbroken communication with practical business interests in the United States, instructions based on a definite knowledge of the special matters about which manufacturers and exporters desire information. Although not equipped as they should be with clerk-assistants, or contingent funds, they manage to cover the current trade history of their districts in a way to command the admiration of rival commercial nations. As "correspondents on the spot" they serve our foreign trade so efficiently as to justify generous support from home and to deserve a full understanding of their work and of the difficulties under which they serve.

The Department of Commerce relies on the consular service, through the State Department, for most of the current record of foreign trade matters. Consuls report on the condition of general business, of special industries located in their districts, new trade projects of interest to our commerce, plans for construction of every kind, railroads, telephone systems, street trams, port works, great buildings, government expenditures, in fact all the "trade opportunities" which may be collected by an alert observer.

#### COMMERCIAL AGENTS.

Where intensive studies of special trade subjects in foreign countries by experts seem desirable, we use our own commercial agents, who are under the direct control of the Bureau. We have had many such investigations made, of markets for cotton textiles, shoes and leather, machinery, cottonseed oil, and other products. We have also made special studies of foreign tariffs, of credits and banking, of commercial organizations and laws abroad.

#### TRADE STATISTICS.

We watch the currents of our foreign trade through our home ports in the custom-houses, and publish each

month the record of imports and exports by articles and countries. Here the threads of our foreign trade promotion system reach the Treasury Department, and its agents, the custom officers; and here too lies an opportunity to strengthen and extend the service in a way to give a clearer knowledge of the details of our export trade, through added classifications and by greater promptness in giving publicity to these records.

In the Bureau in Washington is established a clearing-house for all the information on foreign trade which flows in from so many sources. There its editors, foreign tariff experts, translators, and statisticians prepare the material for distribution. There originate plans for foreign trade investigations to be made by consular officers or commercial agents, and thence is distributed, in the pages of the Daily Consular and Trade Reports, the Monthly Summary of Commerce, in special bulletins, by letter, or through branch offices in other cities, the information on trade matters which reaches it day by day. All the work that precedes this distribution is rendered ineffective unless we get publicity, prompt and intelligent publicity, for our reports. This we try to accomplish by collecting accurate knowledge of the public we serve, and by employing every ally we can use, every trade paper, every Chamber of Commerce, commercial or manufacturers' organization, every agency which will spread this information about foreign trade before the eyes of the man for whom it is intended—the exporting manufacturer or business man. We have listed in our office the exporting manufacturers of the United States, classified by the products they sell, and we have some eleven thousand of them on our lists now. So the news about automobiles abroad goes to the automobile manufacturer; the facts about shoes to Lynn, or St. Louis, or Brockton; the facts about markets for cotton textiles to New York, or to the Southern and New England mills.

Briefly, then, to aid foreign trade we maintain a clearing-house of facts, we maintain a system of collecting these

facts, a system of distributing them, and in this service we use every legitimate agency which we can command or whose aid is so freely offered to us. And, further, we try to realize clearly our function as a Federal office, and merely develop the efficient use of these agencies within proper limits, and do not endeavor to enter territory which it is the function of private enterprise to care for. It is our earnest desire to use this vast and far-reaching system for the collection of useful trade information to its fullest capacity of effective service for American commerce, while remaining scrupulously at all times within the legitimate boundaries of Federal activity.

Most of my readers must be familiar with the various bulletins by means of which we make public our foreign trade facts. The Daily Consular Reports carry over 6,000 pages a year of such copy; our statistical publications appear monthly, quarterly, and annually; our special monographs cover the whole range of foreign markets; our foreign tariff division keeps the commercial public currently advised of important tariff changes in all countries; our foreign trade directories give the names of prospective agents and buyers. Methods of handling this foreign trade have been treated in such pamphlets as "Packing for Export," "Factors in Foreign Trade," "Commercial Travellers Abroad," and "Foreign Credits." Our confidential bulletins in regard to special trade opportunities reach hundreds of thousands of merchants and manufacturers every year, and we know that business has resulted from a satisfactory percentage of these circulars. Further, we think that we are extending the effectiveness of the distribution of this information through the branch offices which we have established in large commercial centers in the United States. The inquiries about foreign trade which reach our New York office and other offices, for example, number hundreds every month; and we believe that the commercial public appreciates the action of the Department in placing our service in closer touch with actual business.



## COMMERCIAL ATTACHÉS.

A word in regard to a plan which has been presented to Congress to strengthen one branch of our service,—the collection of foreign trade information.

There is a point in the development of a Government Department, as in a private business, when a service which has heretofore been carried on through agents of another department becomes important enough to justify the establishment of its own branches in certain localities, these branches entirely under the control of the home Department. We feel that this is now the case with the Department of Commerce in foreign trade. We have been admirably served by the consular officers of the State Department in the reporting of the current trade development of their districts. These officers, however, have many other important duties which occupy their time and which prevent an uninterrupted study or observation of commercial problems, especially when these problems require absence from the consulate. A consul is a Government officer to whom come requests from all the branches of the Government service, and it is the function of the Department of State to direct his service primarily and to instruct him as to the relative importance of the many demands upon his time. The result is that each Department must wait its turn, and, in questions where promptitude is important, it is sometimes impracticable for a consul to take up a trade investigation at once.

The opportunity to command at short notice one of our own commercial agents in a foreign land and to direct him to report on a trade matter without delay is daily becoming more necessary to the Department of Commerce. For this reason an agent free from other duties and able to obey our instructions without delay is required. Hence, it is proposed to establish in certain embassies in foreign countries a representative of the Department of Commerce, "a commercial attaché," whose whole training and service

shall be in the field of commercial promotion. This commercial attaché should, of course, hold such relations with the representatives of the Department of State as will fully protect the important interests of that Department in the field of foreign relations. He should not, in any event, be permitted to become a source of embarrassment in that field, and he should of course not duplicate the commercial work of any consular officer. He should be in such close and helpful relations with that branch of the service that the general function of rendering trade reports on foreign commerce would be materially strengthened, and the Department of Commerce would be provided with another efficient source of trade news from overseas.

Cities which have been recommended by the Secretary of Commerce for these posts are London, Paris, Berlin, Vienna, Rome, St. Petersburg, Melbourne, Johannesburg, Tokio, Peking, Rio, Buenos Aires, Lima, and Santiago. The Appropriation Committee of the House of Representatives recommended a grant of \$100,000 for this work, but the item was stricken out on a point of order when the bill reached the House. This appropriation would have provided for eight or nine commercial attachés, with their clerks, and would have given our Department a splendid instrument for the further development of our foreign commercial promotion service. It is hoped that there is still a chance that favorable action will be taken by Congress on this item as the deliberations on the Legislative Bill reach their conclusion and the act is finally passed.

These commercial attachés, if they are men of the right type, trained in the task of observing significant trade facts, able to write clear, practical commercial reports, to speak fluently the language of the country in which they are stationed, and with the necessary culture and address, cannot fail to reinforce our foreign service very materially. Other great manufacturing nations, Germany, France, Italy, Russia, have this weapon in their arsenal for aggressive attack in the world battle for trade supremacy; our nation cannot afford not to be equipped at least as well as our active and progressive rivals.

Another point to which attention might be invited is the fact that a commercial attaché would be expected to remain permanently at his post and would become more and more useful as years went by. Not subject to the frequent changes which are involved in promotions in the consular service, his knowledge of trade matters in the country to which he is assigned would grow with his work and would render his service more and more valuable.

In conclusion, I feel justified in suggesting to this audience,—an audience of men with a very special interest in foreign commerce, plainly enough shown by the sacrifices made to gather here at this time,—that all the varied activities of the Federal Government for the benefit of foreign trade deserve a much closer study of their details by business men themselves than is usually received. There are many points where it is clear enough to those of us who are within the service that greater efficiency could be secured by certain changes, changes often simple enough to make provided the law did not forbid any modification of present conditions. There is a great inertia, as you know, in the “existing thing” in Government systems, and improvement from within, unaided by powerful public interest from without, is at times almost impossible. There is a certain lack of flexibility in our work which we deplore, but which we find it very difficult to overcome. This convention gives those of us who feel a very deep interest in the practical success of our work an opportunity which we welcome heartily. We can call attention to these matters, and solicit your cordial support for our efforts, when these efforts meet with your approval, and further call upon you for your active aid and interest in correcting the defects in our organization and in strengthening the weak places which we ourselves know exist here and there.

The Federal Department of Commerce is not an organization set apart from the commercial public as an independent entity engaged in an enterprise of its own. It is your own particular instrument of service. It has little excuse for existence unless it really serves

you in a practical way. It can be successful only when its work is of a character which you heartily approve. You have indeed, to a very large extent, a right to designate the sort of activities which should be developed by that Department. You are essentially a partner in the service. It is sometimes, in part, the fault of the silent partner—the business public—if this service fails to reach the high standards which we are all agreed should be maintained. It is your task to learn the details in which the service falls short, and to aid us in establishing the best methods for strengthening the system.

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THE PRESIDENT: Notice has been given that Mr. Baldwin's paper will be discussed by Mr. Garrard Harris, of Mobile, Alabama. (Applause.)

MR. HARRIS: Mr. Chairman and gentlemen of the Convention: I have been sent up here from Mobile, representing the Chamber of Commerce of that city, an organization of 1,600 business men, to tell you gentlemen that we are interested in the foreign trade, and particularly to tell you our judgment on the policy of the Department of Commerce in creating commercial attachés.

Mobile was the second city in the United States to send out a Trade Commission of representative business men to cultivate closer relations with the countries of South and Central America, Boston being the first.

From the observations of that trip, from study of the situation, and the workings of the various consulates, we conclude that if the United States is to obtain that share of business to which we are entitled, we must adopt the same methods our rivals have adopted. Other nations, close competitors of the United States, have commercial attachés and have found them most effective adjuncts to the forces working to obtain commercial advantage for their countries.

No one could possibly minimize the effectiveness of the consular service especially in recent years, nor fail to note

the considerable improvement in efficiency that is manifest therein; but the consulates general at the more important trade centers have so much routine to attend to, that it is not possible to give to commercial matters that specialization which is now demanded. Consequently, through no fault of the consular department as constituted, the business men of the United States are not as well informed as they should be; nor as well informed as their rivals in certain other countries which employ the system of commercial attachés.

These men would be specialists in collecting information; men of a high degree of ability; capable on short notice of investigating any branch of business or any opportunity, and presenting the whole question to the home government ready to be transmitted to the line of industry interested. These attachés are commercial envoys, so to speak. They can be sent out on short notice to investigate certain phases of business, or of opportunity for the folks back home—they are the minute men of the army of commercial advance overseas.

The commercial attachés fill a place that cannot be filled by the consuls, because the principal reason for having a consul is to have a business representative at a certain place at all times. To send him away from his headquarters is to invite confusion. Nor can the work of the commercial attaché be done by the members of the legation, for obvious reasons.

To have a force of specially qualified men, filling that fourth dimension between the consul and the diplomat, being a good deal of both to a certain extent, capable of undertaking an investigation of business moment on short notice and getting the information desired, putting it in proper shape and making it immediately available for the business interests of the country appears highly desirable and, in so far as the business interests of my section of the country see it, vitally necessary if we are to keep pace with our rivals.

To arrange for the information to be transmitted quickly so that the beneficiaries of it may not be delayed in making their plans is also essential. The matter now being before the House and Senate, the Department can be depended upon to utilize the opportunity to the fullest and to give the

service to the business interests of the country that is now a real necessity.

Too much credit cannot be given our Department of Commerce for its good work, for its foresight and efficiency. In this proposal to have the staff of commercial attachés, we have merely another example of that initiative and keen insight into the needs of the business interests of the country that characterizes it under the leadership of one of the real business men of the country, Secretary Redfield.

Mr. Chairman, the merchants and manufacturers of the Gulf states have had ample evidence of the necessity for this force of commercial attachés, and we endorse the proposal of the Department of Commerce most heartily to create this valuable force which will have much weight in the constructive forces at work in this government to-day.

I will not detain you longer, because other people have more to say than I have. (Applause.)

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THE PRESIDENT: The paper of Mr. Baldwin will be further discussed by Mr. Ralph M. Odell, of the Bureau of Foreign and Domestic Commerce.

MR. ODELL: Mr. Chairman and gentlemen: In order that you may better understand just the character of the work which the Department of Commerce is doing to promote foreign trade, I have thought that you might be interested in knowing just what the commercial agent system is, which Mr. Baldwin has referred to and which Secretary Redfield referred to yesterday. This is work in which a certain number of men are sent out on special lines, travelling all over the world, confining their activities wholly to the one subject in which they are engaged.

I have been engaged in that service during the past three years, my subject of study being cotton textiles, the total world's trade in which amounts to the huge sum of over \$1,000,000,000 annually. Cotton manufacturing is one of the most important industries in the United States to-day, ranking

third in the value of products. Before I entered upon this work I had been actively engaged in the industry for several years and my experience, therefore, enabled me to bring to the subject a practical and technical knowledge which is essential to the value of the service.

In my travels I have visited Portugal, Spain, Italy, Russia, the Balkan States, Turkey, Egypt, Sudan, Arabia, Abyssinia, East Africa and South Africa. I have met with very hearty co-operation from the American consuls stationed abroad and I have particularly made it a point to remain in each country long enough, usually from one to three months, to make a thorough study of the prevailing conditions and the possibilities of introducing or increasing the sales of American cotton goods. In my reports which are published from time to time in monograph form and distributed among the manufacturers and exporters, I describe in detail the exact kind of goods which are in demand, the value of that trade and the countries which share in it; I also give the customs duties, the freight rates from America, the language currency, weights and measures which are in use, the methods of buying and selling, including the credit terms that obtain and I suggest what seem to me to be the best means for increasing our trade in cotton textiles. In addition to furnishing reports I have collected nearly one thousand samples of the most important kinds of cloth which are in demand in the various markets. These samples are forwarded to Washington, where they can be obtained on loan by any manufacturer who is interested and desires to produce similar goods. I also furnish carefully compiled lists of the principal cotton goods importers abroad with whom it is possible for American firms to establish connection. At certain intervals I return to the United States where I meet with the cotton manufacturers individually or collectively in all parts of the country in order to furnish them with any additional information or suggestions which they may desire.

My constant purpose is to infuse a very decided practical spirit into the work to the end that it may be of real value to those who are seeking an outlet abroad for their products.

I endeavor to impress upon the men who are engaged in this industry that I am, to a very considerable extent, their own representative and that, up to the point of actually selling their goods, they can use me as they would an agent from their own firm. The intense and growing interest that has been shown in the work, the active and earnest efforts that are being made to take advantage of this opportunity of securing practically without cost first-hand information about trade conditions in foreign countries in their own particular line and to follow up that information, is sufficient evidence of the practical value of this branch of the service which the Department of Commerce is endeavoring to render to a large and important American industry. (Applause.)

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THE PRESIDENT: I wish to say that Mr. Howard M. Hooker, delegate from the Cincinnati Chamber of Commerce, desires to occupy a moment or two before the Convention to present the question of establishing permanent governmental exhibitions of American manufactures in China, in accordance with the bills now pending before Congress.

MR. HOOKER: Mr. President and gentlemen: The subject of foreign trade is of intense interest to a large membership in the Cincinnati Chamber of Commerce by reason that it has developed an extended and growing market for a diversity of Cincinnati products in a permanent and widespread distribution.

Oriental trade in particular has received more than usual consideration and study, and, therefore, it seems proper that at this first National Foreign Trade Convention your attention should be called to a matter now before Congress at the instance of the Cincinnati chamber, and one particularly adapted to the manufacturer of moderate size to whom individual representation in the Orient and an individual canvass for business is beyond question. Through the Department of Commerce and otherwise, it has been made manifest that the



Standard Oil Company, the Remington Typewriter Company, and the American Tobacco Company have found in China a highly profitable field, this by direct relations.

The measure to which I refer is known as H. J. No. 183, introduced in the Senate by the Hon. Atlee Pomerene, and in the House by the Hon. Stanley E. Bowdle, both of Ohio, the fourth largest manufacturing state in the Union. In its present shape it calls for a modest appropriation of \$20,000 for the purpose of sending to China a commission of not to exceed three business men for the purpose of determining a location there for the establishment of a permanent governmental exhibition of American manufactures, which commission is to be selected by the Secretary of Commerce.

The conclusion that a permanent exhibition would offer the simplest and readiest means of reaching the trade of China was not reached hastily. It was submitted as an idea to Secretary Redfield and fully discussed with him before the measure was introduced, and its approval by him is a matter of record. The State Department is fully apprized and sympathetic.

Those in touch with Chinese commercial conditions will promptly recognize the appeal that such an exhibition will make to that peculiar characteristic of the Chinese; the desire actually to see what they purpose buying. The plan does not anticipate the advocacy of a mere museum, full of inanimate exhibits, but of machinery and mechanical appliances suited to the Chinese trade as well, and such machinery in a condition to be demonstrated.

Your attention is called to what promises to be a highly constructive era in the new Republic. Certainly in its 400,000,000 population there is as much potential business for the American manufacturer as can be found anywhere on the globe. Great Britain and Germany are bending every effort to make further secure their commercial prestige in China, for instance, by erecting splendid consular buildings. Lacking paternal backing to enterprise in China some aggressive method must be devised by us to secure our share of this commerce. Furthermore, such an exhibition, once established, can in all

reason be made self-sustaining through a modest scale of rentals for space.

We hear much of what may be expected from the Panama Canal by the American manufacturer in South America and the Orient. The Departments of State and Commerce have shown you how they will care for your interests in South America. That is one way, but the trade of China must be cultivated and built up with due regard to *its* local conditions.

The bill mentioned has been approved in Committee in the Senate. Hearings have been held on it in the House Committee, and it is there looked upon with favor. The matter, therefore, seems one that is entirely proper to present to your attention at the present time and to command your interest. (Applause.)

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THE PRESIDENT: Gentlemen, I desire to make an explanation on behalf of Secretary of Commerce Redfield. He had expected to be present with us at the White House to personally present us to the President, and, in accordance with his engagement, he was waiting for us in the Executive Offices while we were admitted at the other end of the building. It is only fair to Secretary Redfield to make this explanation, that whilst we were being received by the President, he was in the offices, waiting for us to come.

I will now call upon the Committee on Resolutions for their report. Mr. Schieren (Chairman).

MR. CHARLES A. SCHIEREN, JR.: The report of the Committee on Resolutions is in the hands of the Secretary, and I request that it be read by him.

THE PRESIDENT: Will Mr. Douglass present the report of the Committee?

## RESOLUTIONS.

THE SECRETARY (reading) :

### NATIONAL FOREIGN TRADE COUNCIL.

WHEREAS, The development of the United States makes it essential to the best interest of the Nation that the Government and the industrial, commercial, transportation and financial interests should co-operate in an endeavor to extend our foreign trade; and

WHEREAS, This Convention, having been called to consider the means by which this purpose may best be served, deems it desirable that some organization be effected which shall endeavor to co-ordinate the foreign trade activities of the Nation; therefore, be it

RESOLVED, That the delegates assembled at this, the first National Foreign Trade Convention, approve the purposes for which this Convention has been called and pledge themselves to use their best efforts to secure the co-operation of the interests which they represent in a national effort to extend our foreign trade; be it

RESOLVED further, That the President of the Convention appoint a Council to be nationally representative in character and to be composed of thirty members to be known as "The National Foreign Trade Council"; and, be it

RESOLVED further, That such National Foreign Trade Council is hereby authorized to call a second National Foreign Trade Convention at such time and place as it may deem advisable; and, be it

RESOLVED further, That this Convention authorize the Chairman of such Council to request the Chamber of Commerce of the United States of America to appoint a Committee which shall meet with the National Foreign Trade Council, or a sub-committee appointed thereby, to discuss a plan by which the National Foreign Trade Council may collaborate with the Chamber of Commerce of the United States of America.

MR. E. A. S. CLARKE: I move the adoption of the resolution.

MR. W. H. MARSHALL: I have the honor to second that motion.

(The question was put and the resolution was unanimously adopted.)

THE SECRETARY (reading):

REORGANIZATION OF THE BUREAU OF FOREIGN AND DOMESTIC  
COMMERCE.

WHEREAS, The export trade of the United States has, during the year 1913, reached the total of \$2,484,000,000; and

WHEREAS, The entire Government appropriation for the current year for promoting this trade through the Bureau of Foreign and Domestic Commerce has been only \$60,000, a sum which is wholly inadequate in view of the organization and expenditures of other Governments for similar purposes, and of the importance of expanding our export trade for the benefit of American producers, manufacturers and workmen; now, therefore, be it

RESOLVED, by the National Foreign Trade Convention, assembled in Washington, D. C., May 27-28th, 1914, representing upwards of one hundred of the leading commercial associations, Boards of Trade and Chambers of Commerce throughout the United States whose names are appended hereto,

That we heartily commend the Secretary of Commerce of the United States for his wise appreciation of the duty and opportunity confronting the Bureau of Foreign and Domestic Commerce; and

That we endorse his plan to reorganize the Bureau and to create a staff of commercial attachés accredited to our foreign embassies and legations but reporting to the Department of Commerce; to increase the usefulness of the Consular Service by keeping a record of the commercial efficiency of the Consuls; and to increase the number of commercial agents to investigate special commercial conditions in foreign markets; and

That we endorse his statement, "that the above marks a turning point in American policy toward the great world of commerce and industry abroad, and that it must be reflected in increased prosperity to our capital and labor at home"; and

That we urge Congress, in the appropriations for the fiscal year 1915, to provide for this plan by the increased appropriation requested by the Secretary of Commerce for that purpose, in the confident belief that an adequate appropriation annually available for expenditure will yield important returns in developing and expanding foreign markets for the products of American workmen and American enterprise. We call attention to the fact that an appropriation of \$250,000—double the amount asked for by the Secretary of Commerce for the fiscal year 1914-15—would equal but 1/100 of 1% of the value of our exports for 1913, or \$1.00 to each \$10,000.

PROFESSOR GOODE: Mr. Chairman, I move the adoption of this resolution.

(The motion was seconded.)

THE PRESIDENT: You have heard the motion. What is your pleasure?

(The question being put, the motion was agreed to.)

THE PRESIDENT: It is unanimously adopted.

THE SECRETARY (reading):

#### CO-OPERATION FOR THE DEVELOPMENT OF FOREIGN TRADE.

WHEREAS, Throughout the markets of the world combinations of our competitors are encouraged by their Governments; and

WHEREAS, In consequence, American exporters are confronted by combinations of foreign rivals equipped to resist American competition and are often obliged to sell to combinations of foreign buyers; and

WHEREAS, Our anti-trust laws, though powerless to forbid foreign combinations against us, nevertheless, purport to regulate foreign commerce and apparently forbid American exporters to co-operate in the development of our foreign trade; now, therefore, be it

RESOLVED, by the National Foreign Trade Convention, a non-political, non-partisan gathering, representing in the aggregate millions of Americans, both employers and workmen, throughout the United States, whose welfare depends upon the successful competition of American exporters abroad,

That we urge Congress to take such action as will facilitate the development of American export trade by removing such disadvantages as may be now imposed by our anti-trust laws, to the end that American exporters, while selling the products of American workmen and American enterprise abroad, and in competition with other nations, in the markets of the world, may be free to utilize all the advantages of co-operative action in coping with combinations of foreign rivals, united to resist American competition, and combinations of foreign buyers equipped to depress the prices of American goods.

MR. MUCHNIC: I move the adoption of the resolution.

(The motion was seconded.)

MR. R. L. KIMBROUGH: Mr. President, is this resolution open to discussion?

THE PRESIDENT: The Chair rules that discussion is out of order.

(The question was put and the motion was unanimously agreed to.)

THE PRESIDENT: The resolution is unanimously adopted.

THE SECRETARY (reading) :

COMMERCIAL TREATIES.

WHEREAS, In the enactment of several of our recent tariff laws, and in the enactment of the present tariff law our Government has recognized the principle of reciprocity in some form, although no fixed policy has ever been established; and

WHEREAS, A substantial measure of reciprocity has been established by law between the United States and Cuba; and

WHEREAS, The Republic of Brazil has also granted tariff concessions to a limited number of the products of the United States in recognition of the generous tariff treatment extended by our laws to Brazilian products; and

WHEREAS, Similar reciprocal tariff treatment of our products would be conducive to the development and expansion of our export trade; be it

RESOLVED, That it is the sense of this Convention that the President, and the Honorable the Secretary of State, be urged to exert their best efforts to negotiate treaties or trade agreements under existing law which will secure to American producers the advantages to which they are entitled in oversea markets by reason of the large volume of trade which those markets enjoy with us; and be it further

RESOLVED, That our Senators and Representatives in Congress be requested to support the President and the Secretary of State by such legislation as will accomplish this result.

MR. STRAIGHT: I move that the resolution be adopted.

(The motion was seconded, and the question being put, the resolution was unanimously adopted.)

THE SECRETARY (reading) :

MANUFACTURERS' CENSUS.

RESOLVED, That this Convention recognizes the importance of the census of the manufacturing industries of the United States which the Federal Bureau of the Census is required to take for the year 1914. The Convention recommends to all manufacturers that they co-operate earnestly with the Director of the Census, and furnish information required to make the statistics of our domestic manufactures full and accurate.

MR. HURLEY: I move the adoption of the resolution.

(The motion was seconded, and the question being put, the resolution was unanimously adopted.)

THE SECRETARY (reading):

DIPLOMATIC AND CONSULAR SERVICES.

BE IT RESOLVED, That this Convention realizes the importance and appreciates the benefits which have accrued to the commercial manufacturing and business interests of this country through the capable and efficient services rendered by our diplomatic and consular officers and we pledge our support to the measures now proposed which we believe to be calculated to place these services on a higher plane of efficiency.

MR. FARRELL: I move the adoption of the resolution.

REAR-ADMIRAL CHESTER: I second the motion.

(The question being put, the resolution was unanimously adopted.)

THE SECRETARY (reading):

AMERICAN MERCHANT MARINE.

RESOLVED, That this Convention strongly favors the upbuilding of an American Merchant Marine for its foreign trade.

CAPTAIN DOLLAR: Mr. Chairman, I have pleasure in moving the adoption of that resolution.

(The question being put, the resolution was unanimously adopted.)

THE SECRETARY (reading):

RESOLUTIONS TO THE EXECUTIVE AND LEGISLATIVE BRANCHES  
OF THE GOVERNMENT.

RESOLVED, That copies of these resolutions be transmitted to the President of the United States, all members of the Cabinet, and all members of the Senate and House of Representatives.

MR. E. P. THOMAS: I move the adoption of the resolution

(The motion was seconded, and the question being put, the resolution was unanimously adopted.)

THE SECRETARY (reading):

DEFERRED RESOLUTIONS.

Your Committee has the honor to report that many important resolutions have been presented for its consideration, all of which are worthy of the attention of this Convention and which should be considered by an assemblage of this character.

Since this is the first National Foreign Trade Convention, we have felt it unwise to attempt too much and have therefore deemed it desirable that the most important points brought out in these discussions should be emphasized. Therefore, without in any way minimizing the value of the other resolutions which have been submitted, we have confined ourselves to presenting to you for your approval the resolutions upon which you have now acted. We would state, however, that those resolutions which have not been submitted to this Convention, will be referred to the National Foreign Trade Council, with a recommendation that they be given early and serious consideration.

MR. E. A. S. CLARKE: Mr. President, I move the adoption of the report of the Committee.

(The motion was seconded.)

THE PRESIDENT: The adoption of the report of the Committee as a whole has been moved and seconded.

(The question was put and the motion was unanimously agreed to.)

THE PRESIDENT: The report of the Committee is unanimously accepted. Is there any further business?

MR. E. A. S. CLARKE: Mr. President, before this Convention adjourns I should like to offer a resolution expressing the thanks of the Convention to Mr. Alba B. Johnson for the dignified, able and impartial way in which he has presided over the deliberations of our Convention, and especially for his very happy remarks in reply to the address of President Wilson; and also to our able Secretary, Mr. E. V. Douglass, to whose untiring energy and devotion are due the comfort and convenience of the arrangements for these meetings.



In order to relieve the President of embarrassment, I will put the motion, if it is seconded, to the Convention.

(The motion was seconded, and the question being taken, the motion was unanimously agreed to amid great applause.)

THE PRESIDENT: Gentlemen, speaking for Mr. Douglass and myself, all that I can say is that we appreciate most heartily your good-will.

The Chair will, in due course, announce the appointment of the National Foreign Trade Council. The first National Foreign Trade Convention now stands adjourned.

(At 5 o'clock p. m. the Convention adjourned *sine die*.)

## NATIONAL FOREIGN TRADE COUNCIL.

In accordance with the direction of the Convention, contained within the first resolution, the President of the Convention appointed the National Foreign Trade Council. Its membership may later be increased. The members are:

- CHAIRMAN: JAMES A. FARRELL, President, United States Steel Corporation, New York.
- SAM D. CAPEN, President, Business Men's League, St. Louis Missouri.
- J. A. G. CARSON, Vice-President, Savannah Board of Trade, Savannah, Georgia.
- E. A. S. CLARKE, President, Lackawanna Steel Company, New York.
- WALTER L. CLARK, Vice-President, Niles-Bement-Pond Company, New York.
- SAMUEL P. COLT, President, United States Rubber Company, Providence.
- MAURICE COSTER, Foreign Manager, Westinghouse Electric & Manufacturing Company, New York.
- ROBERT DOLLAR, President, Robert Dollar Steamship Company, San Francisco.
- JOHN F. FITZGERALD, Chairman, Foreign Trade Committee, Boston Chamber of Commerce, Boston.
- P. A. S. FRANKLIN, Vice-President, International Mercantile Marine, New York.
- HON. LLOYD C. GRISCOM, New York.
- FAIRFAIX HARRISON, President, Southern Railway, Washington, D. C.
- H. G. HERGET, President, Illinois Manufacturers' Association, Chicago.
- JAMES J. HILL, Chairman of the Board, Great Northern Railway, St. Paul.
- E. N. HURLEY, President, Hurley Machine Company, Chicago.
- CHAS E. JENNINGS, President, American Manufacturers Export Association, New York.
- ALBA B. JOHNSON, President, Baldwin Locomotive Works, Philadelphia.
- D. W. KEMPNER, Galveston Cotton Exchange, Galveston.
- CYRUS H. MCCORMICK, President, International Harvester Corporation, Chicago.
- BARTON MEYERS, President, Chamber of Commerce, Norfolk.
- CHAS M. MUCHNIC, Foreign Manager, American Locomotive Company, New York.
- A. H. MULLIKEN JR., President, Pettibone-Mulliken Company, Chicago.
- M. A. OUDIN, Foreign Manager, General Electric Company, Schenectady, N. Y.

WILLIAM PIGOTT, Vice-President, Seattle Car & Foundry Company,  
Seattle.

Continental and Commercial National Bank, Chicago.

GEO. M. REYNOLDS, President, ~~First National Bank, Chicago.~~

WELDING RING, Former President, New York Produce Exchange,  
New York.

JOHN D. RYAN, President, Amalgamated Copper Company, New York.

W. L. SAUNDERS, President, Ingersoll-Rand Company, New York.

CHARLES A. SCHIEREN, JR., President, Charles A. Schieren Company,  
New York.

W. D. SIMMONS, President, Simmons Hardware Company, St. Louis.

ELLISON A. SMYTH, President, Pelzer Cotton Mills, Greenville, S. C.

WILLARD STRAIGHT, President, American Asiatic Association, New York.

STEWART K. TAYLOR, Mobile Chamber of Commerce, Mobile.

E. P. THOMAS, President, United States Steel Products Company,  
New York.

F. A. VANDERLIP, President, National City Bank, New York.

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Secretary of the Council, ROBERT H. PATCHIN.

# ORGANIZATIONS REPRESENTED

## AT THE

### NATIONAL FOREIGN TRADE CONVENTION

**With Names of Official Delegates.**

- Anderson, S. C.....Chamber of Commerce:  
     J. D. Hammett,      B. B. Gossett,      R. E. Ligon.
- Baltimore, Md.....Merchants' and Manufacturers' Association:  
     E. A. Slack,      Paul G. L. Hilken,      Fr. Bergner,  
     C. C. Buckman,      H. G. Skinner,      Robt. J. Beachman.
- Baltimore, Md.....American Hardware Manufacturers Association:  
     Chas. E. Falconer.
- Boston, Mass.....Chamber of Commerce:  
     Hon. John F. Fitzgerald,      Hon. A. J. Peters,      S. F. King,  
     Geo. C. Vedder,      Geo. A. Sagendorph,      Aiden M. Wright.
- Boston, Mass.....National Cotton Manufacturers Association:  
     Chas. T. Plunkett,      W. E. Hooper,      Wm. L. Lyall.
- Boston, Mass.....Arkwright Club:  
     Wm. F. Garcelon.
- Birmingham, Ala.....Chamber of Commerce:  
     P. G. Shook.
- Buffalo, N. Y.....Chamber of Commerce:  
     A. W. Bayard.
- Chicago, Ill.....Illinois Manufacturers Association:  
     E. N. Hurley,      E. G. Herget,      S. M. Hastings,  
     A. H. Mulliken,      G. P. Blow,      Geo. D. Roper,  
     Paul Schulze,      E. J. Buffington,      M. C. Atwood,  
     P. J. Milliken,      H. C. Ackhoff,      W. C. Hughes,  
     J. P. Seeburg,      G. L. Walters,      B. A. Eckhart,  
     M. Rosenbach,      A. R. Erskine,      W. M. Gladding.
- Chicago, Ill.....Association of Commerce:  
     John J. Arnold,      H. G. P. Deans,      J. F. Nickerson,  
     M. Rosenbach,      H. F. Miller,      W. B. Templeton,  
     H. W. Ackhoff,      P. J. Goode,      B. F. Montgomery.
- Chicago, Ill.....American Association of Products from Corn:  
     A. H. Kersting,      Geo. S. Mahana.
- Chicago, Ill.....National Implement and Vehicle Association:  
     E. W. McCullough.
- Chicago, Ill.....National Business League:  
     Chas. F. Quincy.
- Cincinnati, Ohio.....Chamber of Commerce:  
     B. Freudenstein,      W. B. Campbell,      C. Louis Coffin.

- Cincinnati, Ohio.....Business Men's Club:  
 James B. Doan, Chas. Meininger, Jr. Jas. C. Hobart,  
 William Bahmann, Arthur R. Morgan, Robt. W. Hochstetter,  
 J. C. Endebrock, Albert Morsbach, Lazard Kahn,  
 William H. Muench, Emil Pollak, Chester F. Korn,  
 G. D. Myers, Wm. Cooper Proctor, Irwin M. Krohn,  
 Harry Allyn, Howard E. Wurlitzer, E. H. Lunken,  
 E. Z. Blagg, Julius Fleischmann, George Puchta,  
 Windell B. Campbell, J. B. Foraker, Leonard S. Smith,  
 Charles J. Christie, Maurice J. Freiberg, August H. Tuechter,  
 George D. Crabbs, Fred A. Geier, C. Wood Walter,  
 Ernest DuBrul, James A. Green, Charles Wiedemann,  
 Thos. P. Egan, W. H. Harrison, H. C. Yeiser,  
 S. M. Fechheimer, R. L. Higley, George M. Verity.
- Charlotte, N. C.....American Cotton Manufacturers Association:  
 Capt. Ellison A. Smyth, Stuart W. Cramer, Henry P. Meikleham,  
 V. M. Montgomery, George A. Draper, T. I. Hickman,  
 James D. Hammett,
- Cleveland, Ohio.....Chamber of Commerce:  
 Howard Mansfield, T. C. Wellsted.
- Columbus, Ohio.....Ohio Manufacturers Association:  
 J. W. Jeffrey, I. D. McGrath, L. D. Woodbrough  
 M. D. Jeffrey, F. M. Shipley, L. J. Lewery.  
 J. J. Dauch, T. R. Barnes,
- Dallas, Tex.....Interstate Cotton Seed Crushers' Association:  
 Jas. R. Watson.
- Duluth, Minn.....Commercial Club:  
 C. E. Richardson.
- Greenville, S. C.....Chamber of Commerce:  
 Capt. E. A. Smyth, W. E. Beattie, J. M. Geer.
- Greenville, S. C.....Cotton Manufacturers' Association of S. C.:  
 Capt. Ellison A. Smyth.
- Los Angeles, Cal....Chamber of Commerce:  
 C. Woodland Gates, Walter M. Campbell.
- Mobile, Ala.....Mobile Chamber of Commerce:  
 Garrard Harris.
- Memphis, Tenn.....Business Men's Club:  
 J. A. Fox.
- Nashville, Tenn.....Commercial Club:  
 E. M. Kelly, J. B. McLemore.
- Nashville, Tenn.....Tennessee Manufacturers Association:  
 C. C. Gilbert, Secretary.
- Newark, N. J.....Board of Trade:  
 D. F. O'Brien, B. F. Blood, F. L. Eberhardt.
- New Orleans, La....Association of Commerce:  
 Louis S. Goldstein.
- New York City.....American Hardware Manufacturers Association:  
 Wm. H. Matthai.
- New York City.....Board of Trade and Transportation:  
 E. J. Tarof, C. A. Green, Chas. A. Schieren, Jr.,
- New York City.....New York Fruit Exchange:  
 Antonio Zucca, V. L. Zorn, Giole Bertolli.  
 H. M. Jones,

- New York City.....Merchants Association of New York:  
 Paul Fuller, Jr., Thos. F. Downing, C. F. Gregory,  
 Hon. Wm. H. Dou- Lucius R. Eastman, S. C. Mead, Sec.  
 glass,
- New York City.....National Association of Manufacturers:  
 Stanley J. Flagg, Jr., Wm. M. Benny, George K. Parsons.  
 Steven de Csesznak, Major A. W. Feuss,
- New York City.....Philippine Society:  
 Wm. H. Myers, Charles A. Steyn, R. E. Forrest.
- New York City.....Chamber of Commerce of the State of New York:  
 Welding Ring, George A. Zabriskie.
- New York City.....American Exporters' and Importers' Association:  
 Charles D. Barry, Wm. E. Peck, C. A. Richards.
- New York City.....American Asiatic Association:  
 Willard Straight, L. H. Nutting, James P. Gossett,  
 E. P. Thomas, Edward H. Fallows, I. H. Milliken,  
 A. G. Mills, J. R. Patterson, M. F. Loewenstein,  
 J. W. T. Nichols, Busk & Daniels, C. T. Briggs,  
 Chas. A. Conant, H. McHarding, General Electric Co.  
 Geo. C. Allen, W. H. Taylor, Alba B. Johnson,  
 Martin Egan, J. P. Stevens, John Foord,  
 Laurus Loomis, C. W. Bailey, Edward W. Deakin,  
 J. Ashley Sparks, J. Bramhall, D. M. Baldwin.  
 W. A. Burns, Arthur Wiggins,
- New York City.....Pan-American Society of the U. S.  
 C. A. Green, Wm. Harris Douglas, B. Olney Hough,  
 Chauncey E. Richard- Thomas H. Downing, Joseph J. Slechta,  
 son, Fred Lavis, Paul F. Gerhard,  
 Harrison C. Lewis, E. D. Mills, Victor M. Berthold,  
 James M. Motley, Thomas A. Eddy, H. R. A. Grieser,  
 S. Christy Mead, Franklin Johnston, Frederic Brown.
- New York City.....American Manufacturers Export Association:  
 Charles E. Jennings, W. L. Saunders, Eugene P. Thomas,  
 Charles M. Muchnic, E. C. Sherman, Waldo H. Marshall,  
 James A. Farrell, E. St. Phalle, M. Aviles,  
 James McNaughton, Geo. M. Verity, E. A. Baldwin,  
 José Ma Menendez, Earl Wheeler, M. H. Beaumont,  
 W. D. Blood, Eliot Armstrong, E. A. S. Clarke,  
 J. F. Burt, F. D. Waterman, L. L. Coudert,  
 W. J. Clark, H. G. Clopper, E. A. Dodd,  
 C. W. Crouse, W. M. Gladding, R. B. Fuller,  
 P. K. Condict, Cyrus H. McCormick, O. O. Gallup,  
 W. S. Comly, F. N. Beegle, E. H. Hart,  
 E. W. Deakin, D. M. Baldwin, E. S. Harris,  
 D. W. Frazen, Theo. Bach, G. H. Jantz,  
 Francis B. Griffin, I. B. Bonner, W. G. Kaylor,  
 Geo. P. Hart, Frank V. Burton, A. W. Little,  
 M. D. Howell, E. A. St. Geo. Bed- G. N. Lingham,  
 A. N. Hargrove, brook, Geo. S. Mahana,  
 J. W. Kellogg, A. P. Brooks, Arthur E. Nye,  
 L. J. Lewery, W. C. Benbow, R. R. Pelton,  
 H. C. Lewis, S. M. Curwen, F. K. Rhines,  
 I. E. McCall, John H. Clark, G. H. Richards,  
 M. A. Oudin, Maurice Coster, J. H. K. Shannahan,  
 R. H. Page, Charles A. Schieren, Jr.,  
 I. S. Betts, Jr., Fred. H. Stevens,

New York City.....American Manufacturers Export Association:  
(Continued)

L. S. Smith,	A. R. Erskine,	Geo. E. Long,
Jas. R. Vanduyck,	F. W. Gullette,	E. D. Mills,
Geo. H. Charls,	B. A. Hawley,	Chas. P. Montgomery,
W. H. Woodin,	E. M. Herr,	Wm. H. Muench,
L. W. Williams,	John Hughes,	J. P. Roberts,
Edw. C. Wallace,	Edwin Heina,	J. L. Replogle,
D. L. Sterling,	Alba B. Johnson,	T. W. Siemon,
H. J. Clark,	K. Knox	W. L. Saunders,
C. A. Dunlavy,	E. R. Leonard,	Fred. B. Whitney,
R. M. Derby,	R. G. Lane,	H. J. Watt.

New York City.....American Institute of Mining Engineers:  
W. L. Saunders.

New York City.....American Society of Civil Engineers:  
W. L. Saunders.

New York City.....New York State Bankers' Association:  
John E. Gardin.

New York City.....National Merchants Marine Association:  
James L. Ewell.

Norfolk, Va.....Chamber of Commerce:  
C. F. Burrough, Charles H. Freeman.

Oakland, Cal.....Chamber of Commerce:  
Charles L. Trabert, Director.

Paris, France.....American Chamber of Commerce in Paris:  
Capt. Frank H. Mason, Francis E. Drake.

Philadelphia, Pa.....Chamber of Commerce:  
Alba B. Johnson, Samuel M. Curwen, David P. Leas.

Philadelphia, Pa.....Commercial Museum:  
W. S. Harvey, Pres. Dr. W. P. Wilson, Dudley Bartlett.  
W. H. Schoff, Sec.

Philadelphia, Pa.....Merchants' and Manufacturers' Association:  
Alba B. Johnson.

Portland, Me.....Board of Trade:  
Michel A. Fruh.

Providence, R. I.....Chamber of Commerce:  
M. J. Karpeles, H. O. Brigham.

Providence, R. I.....Manufacturers Jewelers' Board of Trade:  
M. J. Karpeles.

Providence, R. I.....R. I. State Harbor Improvement Commission:  
Henry M. Barry.

Rochester, N. Y.....Chamber of Commerce:  
John W. Thomas.

Rochester, N. Y.....National Boot and Shoe Manufacturers' Assn.:  
Hon. A. S. Kreider, Wm. H. Duling, Frank J. Bradley.

San Francisco, Cal...Chamber of Commerce:  
Capt. Robert Dollar, A. T. DeForrest.

Schenectady, N. Y...Board of Trade:  
Hon. J. Teller Schoolcraft, H. W. Peck, C. W. Jefferson,  
Wm. H. Corser, I. R. Parker.

Seattle, Wash.....Pacific Coast Shippers Association:  
Fred A. England, F. A. Wick, L. D. Carpenter.  
L. R. Fifer,

- Seattle, Wash.....Chamber of Commerce:  
Ashmun Brown.
- St. Joseph, Mo.....Commercial Club:  
Hon. Chas. F. Booher.
- St. Louis, Mo.....Business Men's League:  
Sam. D. Capen, Pres., T. W. Van Wallace, J. A. Troy, Sec.  
Charles Sutter, D. Simmons,
- St. Paul, Minn.....Lake Superior and Miss. River Canal Commission:  
F. N. Stacy.
- Terre Haute, Ind....Chamber of Commerce:  
Wilbur Topping, Carl D. Fischer, Fred. B. Smith.
- Youngstown, Ohio...Chamber of Commerce:  
F. K. Rhines.
- Washington, D. C....Board of Trade:  
C. J. Gockeler, Sec.
- Washington, D. C....Chamber of Commerce:  
Wm. F. Gude, Pres., Thomas Grant, Sec.
- Washington, D. C....Chamber of Commerce of the U. S. A.:  
Alfred H. Mulliken, Eliot H. Goodwin, Louis S. Goldstein,  
John Joy Edson, Wm. Harris Douglas, C. Grover Dawe.
- Washington, D. C....Southern Commercial Congress:  
Hon. D. U. Fletcher, H. S. Stabler, Robt. E. Daniel,  
Clarence J. Owens, J. S. Tait, Winfield Jones,  
M. B. Burton, A. B. Brooks, Wm. A. Reid,  
Chas. Carroll, C. N. Bennett, Wm. H. Saunders.  
Chas. G. Maphis,
- Washington, D. C....Soc. of Naval Architects and Marine Engineers:  
Col. Robt. M. Thompson.
- Washington, D. C....National Marine League:  
P. H. W. Ross.
- Washington, D. C....Pan-American Union:  
Hon. John Barrett.
- Wilmington, Del....Chamber of Commerce:  
Stirling H. Thomas, C. D. Garretson, S. K. Smith.  
George W. Sparks,





**DELEGATES REGISTERED**  
**AT THE**  
**NATIONAL FOREIGN TRADE CONVENTION**

**May 27-28, 1914**

<i>Individual</i>	<i>Representing</i>	<i>Address</i>
Atwood, M. C.....	Western Wheeled Scraper Co., Illinois Manufacturers' Assn.,	Aurora, Ill. Chicago, Ill.
Alexander, W. M....	Washington Loose Leaf Co.,	Washington, D. C.
Armstrong, Eliot....	Lackawanna Steel Co., American Mfrs. Export Assn.,	Buffalo, N. Y. New York.
Aviles, M.....	Orr & Sembower, American Mfrs. Export Assn.,	New York. New York.
Allen, Andrew H....	Walter A. Wood M. & R. Co.,	Hoosick Falls, N. Y.
Allen, Wing B.....	"The South American,"	New York.
Ackhoff, H. W.....	Geo. W. Sheldon & Co., Illinois Manufacturers' Assn.,	Chicago, Ill. Chicago, Ill.
Arnold, John J.....	Chicago Assn. of Commerce,	Chicago, Ill.
Anderson, J. M.....	The Draper Company,	Mexico City.
Beegle, F. N.....	Union Drawn Steel Co., American Mfrs. Export Assn.,	Beaver Falls, Pa. New York.
Blood, W. D.....	Hendee Mfg. Company, American Mfrs. Export Assn.,	Springfield, Mass. New York.
Baldwin, E. A.....	General Electric Co., American Mfrs. Export Assn.,	Schenectady, N.Y. New York.
Burt, J. F.....	Standard Varnish Works,	Port Richmond, N.Y.
Baldwin, D. M.....	American Mfrs. Export Assn., Otis Elevator Co., American Mfrs. Export Assn.,	New York. New York. New York.
Beaumont, M. H....	Troy Laundry Machinery Co., American Mfrs. Export Assn.,	New York. New York.
Bach, Theo.....	Regina Company, American Mfrs. Export Assn.,	New York. New York.
Betts, I. S.....	Remington Arms U-M-C Co., American Mfrs. Export Assn.,	New York. New York.
Bonner, J. B.....	U. S. Steel Products Co., American Mfrs. Export Assn.,	Philadelphia, Pa. New York.
Burton, Frank V....	Bryant Electric Co., American Mfrs. Export Assn.,	Bridgeport, Conn. New York.
Brown, Theron.....	Lloyd Brasileiro,	New York.
Bartlett, Dudley....	Philadelphia Com'l. Museum,	Philadelphia, Pa.
Brown, Ashmun....	Seattle Chamber of Commerce,	Seattle, Wash.
Bedbrook, E. A. St.		
Geo. ....	Midvale Steel Co., American Mfrs. Export Assn.,	Philadelphia, Pa. New York.

<i>Individual</i>	<i>Representing</i>	<i>Address</i>
Benney, W. M.....	National Assn. of Mfrs.,	New York.
Bartling, Capt. W....	North German Lloyd S.S. Co.,	Bremen, Germany.
Brooks, A. B.....	Martinsburg, W. Va., Southern Commercial Congress,	Washington, D. C.
Barry, Henry M.....	R. I. State Harbor Commission,	Washington, D. C.
Barry, Chas. D.....	Hy. W. Peabody & Co., American Exporters' and Im- porters' Association,	New York.
Burn, W. H.....	Illinois Manufacturers' Assn., Sturges & Burn Mfg. Co.,	Chicago, Ill. New York.
Berman, Hy.....	American Russian Sales Co.,	New York.
Raiz, Geo.....	Allis-Chalmers Mfg. Co.,	New York.
Burns, W. A.....	Shewan Tomes & Co., American Asiatic Association,	New York. New York.
Berthold, Dr. V. M...	Pan-American Society, U. S.,	New York.
Blow, G. P.....	Western Clock Co., Illinois Manufacturers' Assn.,	La Salle, Ill. Chicago, Ill.
Baldwin, Hon. A. H..	Chief, Bureau of Foreign and Domestic Commerce, Depart- ment of Commerce,	Washington, D. C.
Brand, E. A.....	Ass't. Chief, Bureau of Foreign and Domestic Commerce, De- partment of Commerce,	Washington, D. C.
Bailey, R. O.....	National City Bank,	New York.
Barrett, Hon. John..	Pan-American Union,	Washington, D. C.
Brooks, A. Palmer..	Hammond Typewriter Co., American Mfrs. Export Assn.,	New York. New York.
Baily, Chas. W.....	Joshua L. Baily & Co.,	Philadelphia, Pa.
Burton, M. B.....	Southern Commercial Congress,	Washington, D. C.
Bennett, C. N.....	Southern Commercial Congress,	Washington, D. C.
Bayard, A. V.....	La Hacienda Company,	Buffalo, N. Y.
Bertolli, Giole.....	Rome, Italy, New York Fruit Exchange,	New York.
Briggs, C. T.....	Pacific Commercial Co., American Asiatic Association,	New York. New York.
Brigham, H. O.....	Providence Chamber of Com- merce,	Providence, R. I.
Bramhall, J.....	Amory, Browne & Co., American Asiatic Association,	New York. New York.
Roohar, Hon. Chas. F.	Commerce Club,	St. Joseph, Mo.
Benbow, W. C.....	Ford Motor Co., American Mfrs. Export Assn.,	Mexico City. New York.
Buckman, C. C.....	Merchants and Mfrs. Assn.,	Baltimore, Md.
Bayard, A. W.....	Buffalo Chamber of Commerce,	Buffalo, N. Y.
Parnes, L. E.....	Benedick Mfg. Co.,	Syracuse, N. Y.
Blount, W. E.....	The Blount Plough Works,	Evansville, Ind.
Brown, Frederic....	Pan-American Society,	New York.
Clarke, E. A. S.....	Lackawanna Steel Co., American Mfrs. Export Assn.,	New York. New York.
Charles, G. H.....	American Rolling Mills Co., American Mfrs. Export Assn.,	Middletown, Ohio. New York.
Curwen, S. M.....	The J. G. Brill Co., Philadelphia Chamber of Com- merce,	Philadelphia, Pa. Philadelphia, Pa.
Clark, John H.....	American Mfrs. Export Assn., United States Rubber Co., American Mfrs. Export Assn.,	New York. New York. New York.

<i>Individual</i>	<i>Representing</i>	<i>Address</i>
Condict, P. K.....	Western Electric Co., American Mfrs. Export Assn.,	New York. New York.
Crouse, C. W.....	John A. Roebling's Sons Co., American Mfrs. Export Assn.,	New York. New York.
Coster, Maurice.....	Westinghouse Electric & Mfg. Co., American Mfrs. Export Assn.,	New York. New York.
Coudert, L. L.....	American Bank Note Co., American Mfrs. Export Assn.,	New York. New York.
Clopper, H. G.....	New Jersey Zinc Co., American Mfrs. Export Assn.,	New York. New York.
Clark, H. J.....	General Electric Co., American Mfrs. Export Assn.,	Schenectady, N.Y. New York.
Comly, W. S.....	Russell, Burdsall & Ward Bolt & Nut Co., American Mfrs. Export Assn.,	Port Chester, N.Y. New York.
Camp, W. Guy.....	The Kretol Co.,	Washington, D. C.
Chenay, A. A.....	"Dry Goods Economist,"	New York.
Coe, G. H.....	W. R. Grace & Co.,	New York.
Chopp, Chas. S.....	The Glidden Varnish Co.,	Cleveland, Ohio.
Conant, Hon. Chas. A. Banker,		New York.
Czesznak, de Steven.....	Nat'l. Assn. of Mfrs., N. Y., Export American Industries,	New York. New York.
Campbell, W. M.....	Los Angeles Chamber of Com- merce,	Los Angeles, Cal.
Cowles, James L.....	The World Postal League,	Washington, D. C.
Clark, W. A. Graham.	Department of Commerce,	Washington, D. C.
Chandler, Chas. Lyon.	Southern Ry. & Allied Lines,	Washington, D. C.
Cary, Austin.....	Forest Service,	Washington, D. C.
Carroll, Chas.....	Ellicott City, Md., Southern Commercial Congress,	Washington, D. C.
Curry, S. L.....		Boston, Mass.
Cone, John J.....	Robert W. Hunt & Co.,	Chicago, Ill.
Conner, J. E.....		St. Petersburg, Russia.
de Saulles, Hon. John L. ....	U. S. Minister to Uruguay,	
Duling, W. S.....	Laird, Schober & Co., Nat'l. Boot & Shoe Mfrs. Assn.	Philadelphia, Pa. Rochester, N. Y.
Dunlavy, C. Arthur..	Broderick & Bascom Rope Co., American Mfrs. Export Assn.,	New York. New York.
Dodd, E. A.....	Cleveland Foundry Co., American Mfrs. Export Assn.,	Cleveland, Ohio. New York.
Derby, R. M.....	Niles-Bement-Pond Co., American Mfrs. Export Assn.,	New York. New York.
Deakin, E. W.....	Otis Elevator Co., American Mfrs. Export Assn.,	Washington, D. C. New York.
Dyer, F. J.....	Los Angeles Times and The Oregon Daily Journal,	Washington, D. C.
Devereux, H. J.....	Gould Lines,	Chicago, Ill.
Dawe, C. Grover.....	Chamb. of Commerce of U.S.A.,	Washington, D. C.
Dollar, Capt. Robt..	Robt. Dollar S. S. Co., San Francisco Chamber of Com- merce,	San Francisco, Cal. San Francisco, Cal.
Daniel, Robert E....	Southern Commercial Congress,	Washington, D. C.
Deans, H. G. P.....	Chicago Assn. of Commerce,	Chicago, Ill.
Delgado, D. E.....	Eastman Kodak Co.,	Rochester, N. Y.

<i>Individual</i>	<i>Representing</i>	<i>Address</i>
Douglas, Wm. H....	Merchants' Assn. of N. Y., Chamb. of Commerce of U.S.A.,	New York. Washington, D. C.
Daniels, Lorenzo....	Pan-American Society, U. S.,	New York.
Darville, Edw. H....	"The Hardware Age,"	New York.
Dunn, Geo. H.....	Bureau of Foreign and Do- mestic Commerce,	New York.
Downing, Thos. H....	The Merchants' Assn. of N. Y.,	New York.
Dalzell, W. A. P....	Fosteria Glass Co.,	Moundsville, Pa.
Dinkus, H. C.....	Mo. Pac. Ry. Co.,	New Orleans, La.
Donalds, C. S.....	Department of Commerce,	Washington, D. C.
Drake, Francis E....	American Chamber of Com- merce in Paris,	Paris, France.
Douglass, E. V.....	Secy., American Mfrs. Export Assn.,	New York.
Erskine, A. R.....	Studebaker Corporation, American Mfrs. Export Assn.,	South Bend, Ind. New York.
Ewell, Jas. L.....	Nat'l. Merchants Marine Assn.,	New York.
Eddy, Thos. A.....	American Trading Co., Pan-American Society, U. S.,	New York. New York.
Farrell, James A....	U. S. Steel Corporation, American Mfrs. Export Assn.,	New York. New York.
Fuller, R. B.....	Carborundum Co., American Mfrs. Export Assn.,	New York. New York.
Frazer, D. W.....	Swift & Co., American Mfrs. Export Assn.,	Jersey City, N. J. New York.
Fitzgerald, Hon. John F.....	Boston Chamber of Commerce,	Boston, Mass.
Franklin, P. A. S....	Int'l. Mercantile Marine,	New York.
Ford, C. T.....	H. Mueller Mfg. Co.,	Decatur, Ill.
Farrell, John J.....	Norton, Lilly & Co.,	New York.
Fox, J. A.....	Business Men's Club,	Memphis, Tenn.
Fawcett, W. L.....	Business Equipment Journal,	Washington, D. C.
Falconer, Chas. E....	Merchants and Mfrs. Assn.,	Baltimore, Md.
Fletcher, Hon. D. U..	Jacksonville, Fla., Southern Commercial Congress,	Washington, D. C.
Flagg, Stanley G., Jr..	Stanley G. Flagg & Co., Phila., Pa., National Assn. of Mfrs.,	Philadelphia, Pa. New York.
Feuss, Major Andrew W.....	J. A. Fay & Egan Co., National Assn. of Mfrs.,	Cincinnati, Ohio. New York.
Fowle, C. W.....		Boston, Mass.
Forrest, R. E.....	Philippine Society,	New York.
Food, John.....	American Asiatic Association,	New York.
Geddes, F. B.....	Lehigh Portland Cement Co., American Mfrs. Export Assn.,	New York. New York.
Griffin, F. B.....	C. E. Jennings & Co., American Mfrs. Export Assn.,	New York. New York.
Gullette, F. W.....	American Bank Note Co., American Mfrs. Export Assn.,	New York. New York.
Gallup, O. O.....	Simonds Mfg. Co., American Mfrs. Export Assn.,	New York. New York.
Gossett, J. P.....	Williamston Mills,	Williamston, S. C.
Garcelon, W. F.....	Arkwright Club,	Boston, Mass.
Gladding, W. M.....	Borden's Condensed Milk Co., Illinois Manufacturers' Assn., American Mfrs. Export Assn.,	New York. Chicago, Ill. New York.

<i>Individual</i>	<i>Representing</i>	<i>Address</i>
Goldstein, L. S.....	New Orleans Assn. of Commerce,	New Orleans, La.
Gardin, John E.....	National City Bank, N. Y. State Bankers' Assn.,	New York. New York.
Green, C. A.....	Board of Trade and Transportation of New York,	New York.
Geisler, Carl V.....	American Vulcanized Fibre Co.,	Wilmington, Del.
Goode, J. P.....	Chicago Assn. of Commerce,	Chicago, Ill.
Glenn, John M.....	Illinois Manufacturers' Assn.,	Chicago, Ill.
Gates, R. W.....	Los Angeles Chamber of Commerce,	Los Angeles, Cal.
Gockeler, C. J.....	Washington Board of Trade,	Washington, D. C.
Golding, J. F.....		Washington, D. C.
Goodwin, Elliot H....	Chamber of Commerce, U.S.A.,	Washington, D. C.
Grieser, H. R. A....	Pan-American Society, U. S.,	New York.
Gerhard, P. F.....	Pan-American Society,	
Gregory, C. F.....	Merchants' Assn. of N. Y.,	New York.
Gest, G. M.....	Conduit Engineer & Contractor,	New York.
Hart, E. H.....	Stanley Works,	New York.
	American Mfrs. Export Assn.,	New York.
Hart, Geo. P.....	Stanley Works,	New York.
	American Mfrs. Export Assn.,	New York.
Harris, E. S.....	Midvale Steel Co.,	Philadelphia, Pa.
	American Mfrs. Export Assn.,	New York.
Hawley, B. A.....	Russell-Erwin Mfg. Co.,	New Britain, Conn.
	American Mfrs. Export Assn.,	New York.
Herr, E. M.....	Westinghouse Elec. & Mfg. Co.,	Pittsburg, Pa.
	American Mfrs. Export Assn.,	New York.
Harris, Garrard.....	Mobile Chamber of Commerce,	Mobile, Ala.
Hurley, E. N.....	Hurley Machine Co.,	Chicago, Ill.
	Illinois Manufacturers' Assn.,	Chicago, Ill.
Hilken, P. G. L.....	Merchants and Mfrs. Assn.,	Baltimore, Md.
	North German Lloyd S.S. Co.,	Baltimore, Md.
Herget, H. G.....	Pekin Wagon Co.,	Pekin, Ill.
	Illinois Manufacturers' Assn.,	Chicago, Ill.
Hughes, W. C.....	National Candy Co.,	Chicago, Ill.
	Illinois Manufacturers' Assn.,	Chicago, Ill.
Hutchinson, E. J....	Union Pacific System,	Philadelphia, Pa.
Hrdlicka, Ales.....	National Museum,	Washington, D. C.
Hallam, H. C.....	Hibbs Bldg.,	Washington, D. C.
Hart, A. I.....	"El Comercio,"	Baltimore, Md.
Hoermann, A. E.....	Curtis Mfg. Co.,	New York.
Hatfield, C. F.....	Panama-Pacific Exposition,	San Francisco, Cal.
Hooker, H. M.....	Cincinnati Chamber of Commerce,	Cincinnati, Ohio.
Hopper, A. M.....	American Philippine Co.,	New York.
Howell, M. D.....	Montgomery, Ward & Co.,	Chicago, Ill.
	American Mfrs. Export Assn.,	New York.
Hughes, John.....	U. S. Steel Corporation,	New York.
	American Mfrs. Export Assn.,	New York.
Heina, Edwin.....	Cleveland Foundry Co.,	Cleveland, Ohio.
	American Mfrs. Export Assn.,	New York.
Hargrove, A. N.....	The J. G. Brill Co.,	Philadelphia, Pa.
	American Mfrs. Export Assn.,	New York.
Henry, P. W.....	Consulting Engineer,	New York.
Hoit, L. B.....		Cleveland, Ohio.
Hough, B. Olney....	American Exporter,	New York.

<i>Individual</i>	<i>Representing</i>	<i>Address</i>
Jennings, Chas. E....	American Mfrs. Export Assn., C. E. Jennings & Co.,	New York. New York.
Johnson, Alba B....	Baldwin Locomotive Works, Chamber of Commerce, Merchants and Mfrs. Assn.	Philadelphia, Pa. Philadelphia, Pa. Philadelphia, Pa.
Jantz, G. H.....	American Mfrs. Export Assn., American Wringer Co.,	New York. New York.
Johnston, Franklin...	American Exporter, Pan-American Society, U. S.	New York. New York.
Jeffrey, M. D.....	Jeffrey Mfg. Co.,	Columbus, Ohio.
Jenks, Prof. J. W....	N. Y. University,	New York.
Jones, Winfield.....	Southern Commercial Congress,	Washington, D. C.
Jones, E. F.....	Morgan Spring Co.,	Worcester, Mass.
Kellogg, J. W.....	General Electric Co., American Mfrs. Export Assn.,	Schenectady, N.Y. New York.
Knox, K.....	H. K. Mulford Co., American Mfrs. Export Assn.,	Philadelphia, Pa. New York.
Kaylor, W. G.....	Westinghouse Air Brake Co., American Mfrs. Export Assn.,	New York. New York.
Keegan, Joseph.....	American Trade Tour Co.,	New York.
Karpeles, Maurice...	Providence Chamber of Com- merce, Mfrs. Jewelers' Board of Trade,	Providence, R. I. Providence, R. I.
King, S. F.....	Chamber of Commerce,	Boston, Mass.
Kelly, R. W.....		New York.
Key, W. P.....		Washington, D. C.
Kreider, Hon. A. S..	A. S. Kreider Shoe Co., Nat'l. Boot & Shoe Mfrs. Assn.,	Annnville, Pa. Rochester, N. Y.
Kimbrough, R. L....	Seed Leaf Tobacco Growers Co.,	Lancaster, Pa.
Kepler, Geo. W.....	Mfr. of Computing Machines,	Dayton, Ohio.
Lewery, L. J.....	American Rolling Mills Co., American Mfrs. Export Assn.,	Middletown, Ohio. New York.
Lingham, G. N.....	National Cash Register Co., American Mfrs. Export Assn.,	Dayton, Ohio. New York.
Leonard, E. R.....	Bethlehem Steel Co., American Mfrs. Export Assn.,	So. Bethlehem, Pa. New York.
Lane, R. G.....	Mosaic Tile Co., American Mfrs. Export Assn.,	New York. New York.
Little, A. W.....	Stetson Shoe Co., American Mfrs. Export Assn.,	New York. New York.
Long, Geo. E.....	Joseph Dixon Crucible Co., American Mfrs. Export Assn.,	Jersey City, N. J. New York.
Lewis, H. C.....	National Paper & Type Co., American Mfrs. Export Assn., Pan-American Society, U. S.	New York. New York. New York.
Lavis, Fred.....	Consulting Engineer,	New York.
Leas, D. P.....	Philadelphia Chamber of Com- merce,	Philadelphia, Pa.
Lewis, A. R.....	American & Cuban S.S. Line,	New York.
Lenfestey, John T....	Lenfestey Milling Co.,	Chicago, Ill.
Locklin, P. H., Jr....	Gerhart & Hay,	New York.
Lowenstein, M. F....	Pacific Commercial Co., American Asiatic Association,	New York. New York.
Loomis, Lauris.....	American Asiatic Association,	New York.
Luthi, Frederick C...	Swiss Legation,	Washington, D. C.

<i>Individual</i>	<i>Representing</i>	<i>Address</i>
McCormick, Cyrus H.	International Harvester Corp.,	Chicago, Ill.
	American Mfrs. Export Assn.,	New York.
McCall, J. E.	Borden's Condensed Milk Co.,	New York.
	American Mfrs. Export Assn.,	New York.
McCaffery, E. V.	McCaffery File Co.,	Philadelphia, Pa.
McCullough	Nat'l. Implement & Vehicle Co.,	Chicago, Ill.
McCleary, Hon. Jas.		
T.	American Iron & Steel Institute,	New York.
McLanahan, Geo. X.	American Philippine Society,	New York.
McNaughton, James.	American Mfrs. Export Assn.,	New York.
	American Locomotive Co.,	New York.
Menendez, José Ma.	H. B. Claflin Co.,	New York.
	American Mfrs. Export Assn.,	New York.
Muchnic, Chas. M.	American Locomotive Co.,	New York.
	American Mfrs. Export Assn.,	New York.
Marshall, Waldo H.	American Locomotive Co.,	New York.
	American Mfrs. Export Assn.,	New York.
Mills, E. D.	Westinghouse Electric Mfg. Co.,	New York.
	American Mfrs. Export Assn.,	New York.
Montgomery, Chas. P.	American Sugar Refining Co.,	New York.
	American Mfrs. Export Assn.,	New York.
Mahana, Geo. S.	Corn Products Refining Co.,	New York.
	American Assn. of Products	
	from Corn,	Chicago, Ill.
	American Mfrs. Export Assn.,	New York.
Mead, S. C.	The Merchants' Assn. of N. Y.,	New York.
Millikin, P. J.	Union Iron Works,	Decatun, Ill.
	Illinois Manufacturers' Assn.,	Chicago, Ill.
Matthews, R. E.	The Christian Science Monitor,	Boston, Mass.
Matthai, Wm. H.	Amer. Hardware Mfrs. Assn.,	New York.
Maphis, Chas. G.	Southern Commercial Congress,	Washington, D. C.
Moffett, L. W.	Daily Iron Trade Review,	Cleveland, Ohio.
Miller, H. F.	Chicago Assn. of Commerce,	Chicago, Ill.
Metz, Herman A.	A. J. Metz & Co.,	New York.
Myers, Wm. H.	Philippine Society,	New York.
Mulliken, A. H.	Pettibone, Mulliken Co.,	Chicago, Ill.
	Illinois Manufacturers' Assn.,	Chicago, Ill.
Muench, Wm. H.	Lunkenheimer Co.,	Cincinnati, Ohio.
	Cincinnati Business Men's Club,	Cincinnati, Ohio.
	American Mfrs. Export Assn.,	New York.
Martin, Col. John I.	Chamber of Commerce, U.S.A.,	Washington, D. C.
Mathews, James.	National City Bank,	New York.
Malone, Hon. Dudley		
Field	Collector of the Port of N. Y.,	New York.
Norton, S. S.	Norton-Lilly & Co.,	New York.
Neese, E. H.	The Pusey & Jones Mfg. Co.,	Wilmington, Del.
Nickerson, J. F.	Chicago Assn. of Commerce,	Chicago, Ill.
Nye, Arthur E.	J. Russell, Marble & Co.,	Worcester, Mass.
Nichols, J. W. T.	American Asiatic Association,	New York.
Nicholson, S.		Washington, D. C.
Oudin, M. A.	General Electric Co.,	Schenectady, N.Y.
	American Mfrs. Export Assn.,	New York.
Owens, Dr. C. J.	Southern Commercial Congress,	Washington, D. C.
Odell, Ralph M.	Bureau of Foreign and Domes-	
	tic Commerce,	Washington, D. C.
O'Reilly, John B.	Norton, Lilly & Co.,	New York.
Osborn, A. E.	Union Bag & Paper Co.,	New York.



<i>Individual</i>	<i>Representing</i>	<i>Address</i>
Pelton, R. R.....	Welch Grape Juice Co., American Mfrs. Export Assn.,	Westfield, N. Y. New York.
Page, R. H.....	Trussed Concrete Steel Co., American Mfrs. Export Assn.,	Detroit, Mich. New York.
Phillips, E. S.....		Juliet, Ill.
Peck, Wm. E.....	Wm. E. Peck & Co., American Exp. and Imp. Assn.,	New York. New York.
Patterson, J. R.....	Arnold, Karberg & Co., American Asiatic Assn.,	New York. New York.
Parsons, Geo. K.....	American Vulcanized Fibre Co., National Assn. of Mfrs.,	Wilmington, Del. New York.
Penny, D. H. G.....	Irving National Bank,	New York.
Pearsons, A. C.....	"Dry Goods Economist,"	New York.
Redfield, Hon. Wm. C.	Secretary of Commerce,	Washington, D. C.
Richards, Geo. H.....	Remington Typewriter Co., American Mfrs. Export Assn.,	New York. New York.
Rhines, F. K.....	General Fireproofing Co., American Mfrs. Export Assn., Youngstown Chamber of Com- merce,	New York. New York. Youngstown, Ohio.
Roberts, J. P.....	Studebaker Corporation, American Mfrs. Export Assn.,	New York. New York.
Replogle, J. L.....	Cambria Steel Co., American Mfrs. Export Assn.,	Johnstown, Pa. New York.
Ray, D. M.....	Show-Case Co.,	Grand Rapids, Mich.
Richardson, C. E.....	Fisher Flouring Mills Co.,	Seattle, Wash.
Rockwell, H. P.....	Yawman & Erbe Mfg. Co.,	Rochester, N. Y.
Rovensky, J. E.....	National Bank of Commerce,	New York.
Ruth, W. W.....	B. & O. R. R.	Baltimore, Md.
Richardson, C. E.....	Commercial Club of Duluth,	Duluth, Minn.
Rosenbach, M.....	Chicago Assn. of Commerce,	Chicago, Ill.
Reid, Wm. A.....	Southern Commercial Congress,	Washington, D. C.
Reibold, L. E.....	American Book Co.,	New York.
Ring, Welding.....	New York Chamber of Com- merce,	New York.
Ross, P. H. W.....	National Marine League,	Washington, D. C.
Schieren, Chas. A., Jr.	Chas. A. Schieren Co., American Mfrs. Export Assn.,	New York. New York.
Siemon, T. W.....	Westinghouse Electric & Mfg. Co., American Mfrs. Export Assn.,	New York. New York. New York.
Straight, Willard....	American Asiatic Assn.	New York.
Shannhan, J. H. K., Jr.	Maryland Steel Co.,	Sparrows Point, Md.
	American Mfrs. Export Assn.,	New York.
St. Phalle, F. de....	Baldwin Locomotive Works,	Philadelphia, Pa.
	American Mfrs. Export Assn.,	New York.
Saunders, W. L.....	Ingersoll-Rand Co., American Mfrs. Export Assn., American Society of Civil Eng., American Inst. of Mining Eng.,	New York. New York. New York. New York.
Sterling, D. L.....	Borden's Condensed Milk Co., American Mfrs. Export Assn.,	New York. New York.
Sherman, E. C.....	Ford Motor Co., American Mfrs. Export Assn.,	New York. New York.

<i>Individual</i>	<i>Representing</i>	<i>Address</i>
Smith, L. S.....	American Laundry Machin. Co., Cincinnati, Ohio. Cincinnati Business Men's Club, Cincinnati, Ohio. American Mfrs. Export Assn., New York.	Cincinnati, Ohio. Cincinnati, Ohio. New York.
Smyth, Capt. E. A....	Cotton Mfrs. Assn. of S. C., Greenville, S. C.	Greenville, S. C.
Stevens, Fred. H....	American Locomotive Co., Buffalo, N. Y. American Mfrs. Export Assn., New York.	Buffalo, N. Y. New York.
Smith, Wm. F.....	Hale Co., New York.	New York.
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