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DEPARTMENT OF COMMERCE

WASHINGTON

THE FOREIGN COMMERCE SERVICE

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SUMMARY

1. The Bureau of Foreign and Domestic Commerce has a long tradition of useful American service in the foreign trade field.
2. American business has given this specialized service its unqualified support.
3. A transfer of this service to the Department of State would be risky because:
  - (a) The Consular Service as now set up - or by a radical change - cannot perform this function satisfactorily.
  - (b) Establishment of a new Foreign Commerce Service under the State Department - independent of the Consular Service - would not function as well as the present service.
4. The Reciprocal Trade Agreement Program does not abolish the necessity for specialized work in business promotion by Commerce Department experts.
5. The transfer would be interpreted as an effort to divorce business from its position of contact with the Government.
6. Departmental coordination will solve the problem economically and effectively.

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THE FOREIGN COMMERCE SERVICE

Throughout the world today, and especially in Latin America, the foreign commerce of the United States is meeting a series of forceful, unremitting trade drives which are sponsored by the world's major producing countries. To foster, promote and develop the foreign commerce of the United States, therefore, is to strengthen the hand of democracy throughout the world.

This trade crisis is not problematical. It is upon us today and cannot be met squarely if the Government is entangled in departmental differences.

For twenty-three years the Bureau of Foreign and Domestic Commerce has provided a specialized foreign trade service for American business men. The practical usefulness of this service has been distinctively due to the specialization made possible by this setup.

In almost a quarter century of operations this Foreign Commerce Service:

- (1) has been free of serious complications either at home or abroad, and
- (2) has maintained a separate identity for American business contacts as contrasted to diplomatic, military or naval contacts.

Bureau services to American business have been valued highly, American business has given the Foreign Commerce Service of the Bureau of Foreign and Domestic Commerce its complete and well-considered confidence and cooperation.

In support of these statements and others to come, a glance at the history of the service, and the reasons originally prompting its establishment, is pertinent.

#### FOREIGN COMMERCE SERVICE BACKGROUND

The legal background of the Foreign Commerce Service of the Department of Commerce is found in the Act of Congress of February 14, 1903:

"It shall be the province and duty of said Department to foster, promote, and develop the foreign and domestic commerce of the United States."

By Congressional action of August 23, 1912, the Bureau of Foreign and Domestic Commerce was empowered to "foster, promote, and develop industries and markets for the same, at home and abroad, domestic and foreign, by gathering compiling, publishing, and supplying all available and useful information concerning such industries and such markets, and by such other means as may be prescribed by the Secretary of

Commerce or provided by law" - such, for example, as the Hoch Act of March 3, 1927, the organic law of the Foreign Commerce Service.

BUSINESS SUPPORT

The first Commercial Attaches were appointed in 1915 and were placed in the Department of Commerce upon the overwhelming recommendation of American business men. In the past twenty-three years American business has had full opportunity to weigh the service. It has not been found wanting.

A 1933 questionnaire sent by a "reorganization Committee", appointed by the Secretary of Commerce, to representative United States business firms interested in foreign trade brought 704 replies. Two of the questions and the answers will serve to indicate and emphasize the satisfaction of American business with the Foreign Commerce Service.

Q: "If you write direct to the Commercial Attaché or to the Consul, from whom do you obtain the most practical information?"

Of the persons answering this query, 65 PERCENT, or nearly two-thirds, said that they obtained the MOST PRACTICAL INFORMATION FROM THE COMMERCIAL ATTACHE. (The Consular Service maintains approximately 300 offices in foreign countries compared with 33 fixed posts of the Bureau of Foreign and Domestic Commerce.)

Q: "Which have you found most efficient and helpful - Department of Commerce or Consular officials or offices in foreign countries?"

Of the persons answering this query, more than 74 PERCENT replied that the Department of Commerce staff was the MORE EFFICIENT AND HELPFUL. (In many cases, executives of the firms answering this questionnaire took the trouble to write special expressions of opinion - frequently at considerable length.

In practically every instance, it was the firms doing a great export or import business which were most emphatic in favoring the Foreign Commerce Service over that of the Department of State.)

This questionnaire was not an isolated instance. In the same year, for example, fifteen foremost business organizations\* representing American foreign trade interests

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\* American Exporters and Importers Association, American Manufacturers Export Association, Brooklyn Chamber of Commerce, The Chamber of Commerce of the State of New York, Committee on Inter-American Relations, Export Managers Club of New York, Foreign Traders Association of Philadelphia, Joint Committee on Exchange Restrictions, Merchants Association of New York, National Association of Credit Men, National Council of American Importers & Traders, Inc., National Foreign Trade Council, Overseas Automotive Club, Technical Products Export Club, World Trade League of America.

endorsed the following statement:

"We are unanimously and emphatically opposed to the destruction of this agency (the Bureau of Foreign and Domestic Commerce), in its present relationship.

"We believe that there should continue to be a Bureau of Foreign and Domestic Commerce and that the Bureau should continue to be responsible to the Department of Commerce.

"We believe that it should continue to function, broadly speaking, as the only agency of the Government devoted to trade promotion and to the dissemination to American business men of the facts of our foreign commerce.

"We are convinced that the handing over of these duties to any other section of the Government would be tantamount to nullifying so large a part of the service they now provide, that the result would not be an economy, but would simply lead to further disorganization."

Few business men or government officials question the desirability of maintaining a federal trade promotion service, regardless of tariff policies or trade treaties. It also is generally agreed that every American exporter needs help to supplement and implement his own activities - not financial help but assistance in finding foreign markets.

The Foreign Commerce Service has a voluminous record of such aid to American business by its officials. A representative number of outstanding cases are cited in the attached Exhibit "A".

A PROPOSED TRANSFER

It has recently been proposed, however, that the Foreign Commerce Service of the Department of Commerce be transferred to the Department of State.

If this proposal arises from a fear that the activities of our Commercial Attaches may run counter to our diplomatic activities, let it be noted that these Commercial Attaches are accredited through the State Department and are a part of the Embassy or Legation staff.

It is our seriously considered belief that:

1. THE CONSULAR SERVICE OF THE STATE DEPARTMENT

AS NOW SET UP - OR BY A RADICAL CHANGE -

CANNOT PERFORM THIS FUNCTION SATISFACTORILY.

The present Foreign Commerce Service was established to create an agency of specialists selected for qualifications not generally held - nor desired - among consular officers.

THE COMMERCIAL ATTACHE

The Commercial Attache has a background of business experience.

His viewpoint is unhampered by problems outside his special field - trade promotion.

He discovers new markets abroad, new fields for American enterprise, and develops and fosters established trade channels.

His promotional activities are concentrated and the results are widely distributed to American business.

He performs his duties under the direction of a Bureau which is trade-minded, free of diplomatic responsibilities and not associated with past official entanglements or disputes.

He is a salesman and is so regarded.

THE CONSUL

A consul is trained for duties of a routine nature. His handling of them is inflexible.

Trade reporting is of secondary importance - especially under the interchangeability of Consuls and Diplomatic as introduced under the Rogers Act.

Simon Litman, accredited expert on this subject, has said: "It is not true that only men imbued with the ideas of the sovereignty of the state are competent to handle problems of international commercial relations. The truth is that many of these problems have been made unnecessarily complex because of their being handled by men trained in politics, law and statecraft, instead of by competent business men and men trained in economics."

For the State Department to substitute a new corps of trade consuls - or to give post-graduate training to present

consuls would supply no improvement to the business community and would create a hiatus in a vital service just when it is most needed.

We, therefore, feel assured that the consular service - though changed in major particulars - could not perform this trade promotion function as satisfactorily as does the Foreign Service of the Department of Commerce.

2. THE ESTABLISHMENT OF A NEW FOREIGN COMMERCE

SERVICE UNDER THE STATE DEPARTMENT -

INDEPENDENT OF THE CONSULAR SERVICE - WOULD

NOT FUNCTION AS WELL AS THE PRESENT SERVICE.

The trade promotion activities of the Bureau of Foreign and Domestic Commerce are divided into three closely-related branches:

1. Trade specialists, economists and statisticians in Washington - for research,

interpretation and advice.

2. District office representatives in the

United States - to ascertain business needs.

3. Foreign office representatives - to serve

ice these needs.

Full and efficient service to business depends on a closely coordinated functioning of these three branches and it is likewise clear that the success of the Foreign Commerce

Service representatives depends on the work of the two domestic branches.

The district representatives are available for American business men before and after visits abroad. Thus they can discuss foreign trade problems with a domestic representative of the Foreign Commerce Service at a nearby point. Transfer of the foreign commerce activity to the State Department would require American business men to go to Washington for discussion of problems too involved to be handled by correspondence or too urgent to allow an interchange of such correspondence, unless the State Department would use the facilities of the district offices of the Commerce Department or would take them over.

If the State Department seeks to annex the Foreign Commerce Service, should it not accordingly absorb the two other branches of the Bureau of Foreign and Domestic Commerce, which are so closely related to it? And then should it not demand the foreign service of Agriculture, Treasury, Tariff Commission, and Public Health?

Are all federal agents, regardless of the nature of their duties, to be transferred to the State Department the moment they leave our shores on government business?

Experience has proven that, whenever a smaller group is absorbed by a larger, the inevitable tendency is for the merged mass to seek the minimum level that may previously have prevailed in either. It seems indisputable that, in their capacity as business specialists, the members of the

Foreign Commerce Service are today performing a substantially higher grade of commercial work than are the Consuls. It would be unwise to take the risk of this work's being leveled down.

3. THE RECIPROCAL TRADE AGREEMENT PROGRAM DOES NOT ABOLISH THE NECESSITY FOR SPECIALIZED WORK IN BUSINESS PROMOTION BY COMMERCE DEPARTMENT EXPERTS.

It is argued that because of the State Department's activity in the reciprocal trade agreements program, its concern with foreign trade is all-inclusive and that hence - to eliminate embarrassing complications - all government agencies abroad dealing with foreign trade should be controlled and administered by the State Department.

This is not a logical deduction because the program of trade agreements falls largely within the field of policy-making and protective effort.

The workers toward Trade Agreements may justly be likened to the squads in warfare who perform a notable service by removing the barbed-wire entanglements. The men in the Foreign Commerce Service are the troops who - when the way is thus opened - advance and gain new terrain, and occupy and consolidate it.

We recognize the importance of the State Department having full access to all reports of Foreign Service agents because of their bearing on Reciprocal Trade Treaties, just

as it needs the records of the Customs Bureau. However, the State Department can and does secure this information from Commerce on one hand and from Treasury on the other, and would get little more if it supervised both services.

4. A BROAD MATTER OF GOVERNMENTAL ATTITUDE TO  
THE PARTICULAR DEPARTMENT REPRESENTING  
BUSINESS IS INVOLVED.

The Foreign Commerce Service, and the Bureau of Foreign and Domestic Commerce of which it is a part, are recognized as among the most efficient units of the Department of Commerce. If a transfer were made, despite this proved efficiency and record of satisfaction to American business, it might well be wrongly interpreted as some attempt to divorce business further from its justifiable position of contact with the Government.

In the line of other transfers of bureaus from the Department of Commerce, this is a contingency which it is necessarily important to guard against.

CONCLUSION

The proposal for the transfer of the Foreign Commerce Service to the State Department is fairly characterized in this manner:

The proposed plan contravenes the explicit intent of the Congress which established the Department of Commerce.

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It violates the will of the business

community - overwhelmingly expressed.

It goes counter to the lessons of experience.

It is inherently illogical.

It might well turn out to be immeasurably damaging.

The Department of Commerce is earnestly of the opinion that the interests of American business would be served if this proposal were now given a definite and final negative response.

The Bureau of Foreign and Domestic Commerce should continue as a separate and coordinated executive agency, maintaining its close contacts with American and foreign business and industry, disseminating trade and economic information among the business community and promoting American trade abroad.

**THE STATE DEPARTMENT SHOULD NOT DUPLICATE ANY SUCH FUNCTIONS IN ITS OWN ORGANIZATION.**

With good will on both sides, coordination can be perfected along logical lines through a committee of four men, two from each Department. Such coordination should give to the head of each diplomatic mission supervisory authority over all our Government representatives in his territory. But, under him, directive authority over the various phases of trade-promotive work should rest with the Foreign Commerce Service representatives, under the Department of Commerce.

Such a rational plan would be an invaluable contribution to the present well-being and the future success of the export and import trade of the United States, and would allay the unrest which is now upsetting the Foreign Commerce Service personnel throughout the world.

EXHIBIT "A"

THE DEPARTMENT OF COMMERCE AS A PROMOTER OF TRADE

Sample Accomplishments - this year.

CHILE - Through efforts of our Santiago Attaché orders for railway equipment valued at nearly \$600,000 were placed in the United States by the Chilean State Railways.

BRAZIL - A Brazilian railway is now on the point of signing contracts with American manufacturers of railway equipment for the supply of about \$7,000,000 worth of locomotives and freight cars -- and the interested American firms attribute the prospective obtaining of this business chiefly to the unremitting efforts of the Foreign Commerce office at Rio de Janeiro.

ARGENTINA - An unusual type of service in 1938 was one in which the Buenos Aires office's vouching for the integrity of a local firm made possible an order of \$90,000 for a new type of American steam boiler.

TURKEY - A New York firm which sold \$200,000 worth of wood pulp in Turkey acknowledged the substantial assistance of our attaché in Istanbul.

BATAVIA - During the year 20 American companies obtained satisfactory local representation and definite trial orders for varied lines of merchandise which previously had not been sold in the Netherland Indies.

In the settlement of trade disputes an outstanding instance was one in which the Batavia office persuaded one of two firms, both of which had through mischance been appointed exclusive representatives, to turn over its stocks to the second firm with no unfavorable repercussions as far as the sale of the product (an automobile) was concerned.

BELGIUM - In 1936 the reclassification of the Belgian tariff schedule placed Douglas fir plywood in a category under which an excessively high import duty was imposed. In response to the repeated representations by the Brussels Commercial Attaché a reconsideration was obtained under which the product was not only restored to its former tariff classification, but in which the scientific definition of American Douglas fir was recognized by the Belgian Government.

A supplemental quota of 200 kilos, 33-1/3% over the quantity allotted in the trade agreement, was obtained for the importation of ladies' dresses.

For the Four-Wheel Drive Company, Clintonville, Wisconsin, the Brussels office asked the Belgian Government to extend the final date for certain trials in order that the Company might participate. As a result of this intercession, the Wisconsin Company received an order for trucks amounting to \$500,000.

INDIA - This office assisted an American manufacturer (Baker Ice Machine Company, Omaha, Nebraska) of ice machines in reaching a sales agreement with a Calcutta firm with estimated annual sales approximating not less than \$20,000.

At the result of a trade opportunity for transformer sheeting submitted by the Calcutta office, Machine Tools (India) Limited, Calcutta, has placed orders with the Allegheny Steel Company for approximately eight to ten tons of transformer sheetings a month, which will sell at about \$7.05 cwt., cif., Calcutta.

As the result of an agency placed by the Calcutta office, the Cummins Diesel Engine Company, Columbus, Ohio, has established business which the company estimates will amount to from 25 to \$35,000 a year.

DENMARK - Through the initiative of this office, the Valuta office was persuaded to put certain American dried fruits (prunes particularly) on the free list. Several hundred thousand dollars worth of business is expected.

The admission of American apples and American citrus fruits on a temporary basis was also secured through the efforts of this office.

CUBA - As a direct result of the informal representations of the Commercial Attaché the Cuban Treasury Department authorized the entry at the lower rate of duty in effect prior to January 1, 1938, of 24,500 bags of American rice which had been short-shipped at Houston, Texas, due to inclement weather conditions and which therefore did not leave the port of shipment in the United States prior to the December 31, 1937 deadline. Since local importers would not have taken delivery had this concession not been obtained, the resulting saving to American rice sellers was a substantial one.

The Cuban Department of Sanitation was prevailed upon to squash the issuance of a proposed decree which would have required the registration of all pharmaceutical products sold in Cuba and which would have cost American manufacturers and exporters thousands of dollars in notarial fees and other expenses.

HOLLAND - As a result of the Commercial Attaché's representations, complete utilization of the American quota for salted horse meat was effected with the result that the Hill Packing Company, Topeka, Kansas, was able to collect \$45,000 owed by a former agent.

PERU - Thirty-eight known cases of assistance rendered to American exporters in which actual sales aggregated over \$205,000 were voluntarily reported to us.

PHILIPPINES - Secured modifications of proposed legislation which would have hampered American business established in the Islands or hindered the sale of American goods.

Was instrumental in securing for American firms the Manila Railroad contract for electric light bulbs despite attractive discounts from other foreign countries; arranged for the establishment of a large number of agencies for American firms.

FRANCE - Secured clearance of shipment of electric machines despite closed quota. Obtained import license for 25,000 tons of nitrate of soda valued at \$750,000. Furnished information to American exporter that resulted in sale of 25,000 tons of sulphur.

ITALY - Assisted numerous American firms in obtaining import permits and releases of foreign exchange, thus broadening the market for American goods. Specific cases: American Phosphate Export Association; A Milan firm representing several exporters of American machinery; National Cash Register Company; Carl Fisher Musical Instrument Company, New York.

Secured the fulfillment of contract by a client of the Hercules Powder Company for 1600 tons of cotton linters pulp, involving an amount in excess of \$200,000.

The Bureau of Foreign and Domestic Commerce made possible the free entry into Mexico of 30,000 tons of American wheat -- the entry of \$140,000 worth of American machinery into Greece -- the clearance of American apples into Egypt in shipments ranging up to 10,000 boxes.

Similar instances are available in profusion from the records of these and other offices of the Foreign Commerce Service.

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Excerpts from a Report on International Trade, prepared by "Political and Economic Planning", a voluntary non-partisan body of prominent British economists, professors and industrialists, published in London, May, 1937.

"The services of the Department of Overseas Trade compares particularly badly with those of the United States Bureau of Foreign and Domestic Commerce in the matter of the information on foreign production and manufacturing activities which is published by the latter.

"Other countries maintain similar organizations, and the services provided by the D.O.T. have often been compared unfavorably to those provided abroad - especially those provided by its opposite number in America - the Bureau of Foreign and Domestic Commerce of the American Department of Commerce.

"Great Britain is now spending slightly more than the United States on the promotion of overseas trade, whereas before the slump American expenditure on this item was nearly double the expenditure of the D.O.T.

"The flow of business information from overseas countries maintained by the American service is in several respects more complete and effective than that provided by the D.O.T. In particular, the American service sets out to provide valuable information on raw material and industrial development throughout the world which is of importance to a considerably wider circle of business interests than export trades alone."