

FOREIGN TRADE MARKETS AND METHODS

BY

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"THE BRAZILIANS AND THEIR COUNTRY," ETC.



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PREFACE

IN the following pages it has been attempted to present somewhat specifically "the how" and "the where" of foreign trade.

Attention has been given, moreover, not only to markets and methods, but also to the peoples themselves with whom we are dealing and with whom our international commercial relations are certain to be increasingly intimate as the years pass. H. G. Wells has said, "The last decision and the greatest decision lies in the hearts and wills of incalculable men." Success in overseas trade pivots upon the men who do the trading. The point of view, the temper, the general traits of the foreigner himself, our prospective customer or seller, are as necessary to know as the world's markets and the business procedure in shipping and merchandising a product overseas.

The means by which men may be prepared for international commerce have been emphasized also at some length, since no more vital subject now confronts us as a people than the fitting of our youth to meet the competitive requirements of commerce in South America, in Europe and in Africa and Asia. To discover and to train men for trade abroad is to-day one of the chief American tasks. We must have trained men to man our ships and to pioneer our banking activities abroad. There is need of trained merchants, trained technicians and mechanical experts, and well-equipped salesmen who have learned to adjust their abilities to the desires and even whims of foreign peoples, whose traits and business procedure are utterly diverse from our own.

These foreign trade representatives must be of a higher type than formerly—quality bulks big at present. World markets are not ours merely for the asking. These must be won by men prepared in a new school of business, men whose gentlemanhood, geographical knowledge, and the grasp of world politics and racial relationships are equal to their knowledge of particular lines of trade.

That some of our largest houses doing export business overseas, as well as our manufacturers and educational institutions, have recognized this fact and are now carrying on regular courses for training to fit men and also women for this new era in our commercial progress, is a sign of encouragement. Upon no other foundation than that of intelligence and adequate preparation can we as a nation expect to take our "place in the sun" in competition with the experienced nationals, whose progress for generations has depended upon their astute exploitation and successful retention of world markets.

CLAYTON SEDWICK COOPER.

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FOREIGN TRADE MARKETS AND METHODS

CHAPTER I

FOREIGN TRADE REQUIREMENTS

Trade is Peace.—*Ex-President Taft.*

Wars have had direct and far-reaching influence upon American foreign trade. It was during the Napoleonic wars, lasting upwards of twenty years, that young America obtained and accepted her first opportunity to enlarge her trade to world proportions, building up her mercantile sailing fleet until between the years 1800 and 1830 we carried in American ships upwards of 90 per cent of all our foreign trade products. The Civil War, or rather the sectional differences between the South and North preceding this war, were largely instrumental in demolishing the Government subsidies given to transatlantic shipping and in fettering northern shipbuilding and giving an open door to the competitive trade of foreign shippers in our markets. Our war with Spain not only gave us new interests in Cuba and the West Indies but it extended our trade responsibilities in the Orient and served as an entering wedge to new commercial adjustments with Asia. The European or World War, even more decidedly than any former conflict, has served to break the traditional geographical and industrial isolation of the United States, accomplishing in such lines as shipbuilding, finance and scientific industry, results that have amazed our own countrymen and placed us

under direct obligation and necessity for a greatly enlarged foreign commerce.

What years of propaganda, literary and political, have failed to accomplish in the way of building up a new merchant marine, the war has accomplished at a single stroke, and American ships again are found upon the "seven seas." Our country through the exigencies of war has become the creditor nation of the world and by reason of our characteristic material accomplishment in technical and industrial construction, together with our financial precedence, we have become involved responsibly in organizations intrusted with the reconstruction of large portions of Europe. Our greatly enlarged activities in Latin America during war time, and particularly in view of the greater shipping facilities utilized with our southern neighbors, have brought about a new era of trade opportunity on this continent, while in a manner never known before, the widening of the horizon of our people by reason of knowledge and experience, particularly in the European conflict, has brought us into new trade relationships with Africa and the Orient.

That foreign trade is absolutely essential to furnish a field for our growing manufactured products is vividly shown by a statement made recently by Mr. O. P. Austin, statistician of the National City Bank of New York:

United States manufacturers broke their own record and the world's record in the value of manufactures turned out in 1919. Preliminary figures of the 1920 census covering the value of all manufactures produced by the factories of the United States in the calendar year 1919 show a grand total of \$62,500,000,000, as the gross value of the 1919 output, against \$24,250,000,000 in 1914; \$20,500,000,000 in 1909; \$14,750,000,000 in 1904, and \$11,500,000,000 in 1899. The value of the 1919 output is two and one-half times as much as that of 1914, over three times that of 1909, four times that of 1905 and more than five times that of 1899, only twenty years earlier. The increase in the five-year-census period, 1914-1919, was 158 per cent against an average quinquennial increase of 28 per cent in the preceding five-year

periods represented by the census reports from 1899 to 1914. The highest percentage of gain in value of manufactures turned out in any of the preceding quinquennial periods was that of 1904-1909, in which the increase was 39.6 per cent as against 158.1 per cent in the quinquennium 1914-1919.

Not only is the value of our output of manufactures in this latest census record by far the "biggest ever," but it means that we are now producing a much larger share of world manufactures than ever before and at least twice as much as that of any other country of the world. Prior to the war, we were producing about 30 per cent of the factory output of the world, our total as shown by the 1909 census, having been \$20,000,000,000, the United Kingdom and Germany at that date estimated at \$9,000,000,000 each; France \$7,000,000,000, and the factory output of the remainder of the world \$20,000,000,000, making the estimated value of world factory output in 1910 at approximately \$65,000,000,000, of which we supplied \$20,000,000,000, or about 30 per cent of the total. Now our latest official record, covering the output of the year 1919, shows our own total at \$62,500,000,000, or nearly as great as that of the entire world a decade earlier, while the best estimates obtainable for the outturn of other countries suggest that our share of world output of manufactures in 1919, the year following the close of the war, was rather more than 40 per cent, as against 30 per cent in the period immediately preceding the war.

It is unnecessary to go further into a statement of our opportunities, or to emphasize the fact that this new after-war period is to furnish the arena in which the United States is to prove for many years to come whether she is to become a leading world factor in trade, or is to drop back to her original position of third or fourth or fifth place among nations in foreign business.

To-day our men of affairs, manufacturers, merchants, political leaders, financiers and mariners are becoming conscious of the fact that we are at the threshold of a great possible enterprise in American foreign trade. The ground has been cleared for action but the battle has not been won; indeed, it has hardly been begun. During the next decade the United States will be chal-

lenged to prove her ability to add to her achievement at home quite as great achievements in extending her genius and talents for trade and industry abroad.

In view of the momentous issues it is well to have in mind the essential requirements which we shall be called upon to meet to compete successfully with other foreign traders.

Whether a man be a manufacturer, a steamship man, an advertiser or a banker, a salesman or a manager in a foreign office, it is essential to remember that no ingenious methods or tactics of trade can possibly substitute for a broad knowledge of foreign peoples and an ability to adapt our plans to the requirements of business in these lands. This will require brain power as well as activity. We are inclined to emphasize in this country physical activity and hustle at the expense of ideas and mental leadership. It is possible to be ever so energetic and yet lose our customers because we fail to think in their terms.

Our geographical knowledge is lamentably scant. During a visit to South America not long ago we discovered an American automobile firm about to establish its central office for South America in Quito, Ecuador, under the apprehension by looking at the map, that this would be a suitable central place for reaching all parts of the West Coast. Another manufacturer cabled his agent at Buenos Aires to run up to Para, Brazil, *over the week-end* for the purpose of closing a business deal, thinking that the agent could easily get back to Buenos Aires by the middle of the next week. This somewhat juvenile ignorance of distances did not take into the reckoning the fact that the agent would consume ordinarily not less than ten days simply in travel one way between Buenos Aires and Para. This ignorance of places and distances was almost as impregnable as that of a certain young would-be trader who asked the writer a few years ago if Thibet was in Egypt.

A letter came to us not long ago from a man wishing to go to Brazil to engage in the chemical line. He stated

that he had a knowledge of Spanish and French but that he understood German was spoken to a considerable extent in Brazil, inquiring whether we thought he should master German before going to this country. Upon inquiring whether he knew Portuguese, which, of course, is the language of Brazil, we discovered that this subject had never occurred to him.

Furthermore, no trader is fitted to build up a business in a foreign country unless he has studied somewhat the historical background of that country. What is the temperament of the people due to racial or hereditary influences? What kind of methods and what sort of persons using these methods are acceptable in their eyes? What competition must be met? How about commercial treaties, social customs, methods of payment and political stability of the country? To lunge into foreign trade without such knowledge is suicidal. It would be like the manufacturer who sent a large shipment of pocket-knives to China only to learn later that the Chinese had no pockets in their clothes. An old college president once said to a prospective graduate about to engage in business:

Your first asset is the ability to get the point of view of your customer. Without that everything else is useless.

A first principle of successful business abroad is what Confucius used to call "mental hospitality"—the faculty of projecting your imagination into the viewpoint of the people with whom you are to deal. This means the doing away with preconceived prejudices and suggests the acquiring of what President Butler of Columbia University has called the "international mind." A generous hospitality of mind and spirit toward people with traditions and ideas quite different from our own, a striving to be *simpatico* as they say in Latin America—these are indispensable conditions of success in foreign enterprises.

There is something more required of the foreign merchant than the qualifications of a merchant at home. He must be more than a manufacturer or a banker, since this

merchant must have a wide knowledge of international business and be possessed of the faculty of foresight, and more than all, possess the ability of keeping the customer in mind. A banker's problems are comparatively easy, providing he holds to a conservative policy in granting credits. The foreign merchant, if he is an exporter, must keep in mind the man to whom he sells goods as the chief subject of his thought. He is dealing in exporting with individuals. In importing, on the other hand, it is a subject of merchandise, the goods, that the merchant must have foremost in his thoughts. In all of these matters, however, one of his first ideals must be the rendering of service. He is not carrying on a one-sided transaction. Foreign trade means something to sell and also something to buy.

An example of what is meant by service came to our notice recently from an experienced exporter. He cited a transaction with a large customer in Ecuador, who, among other items, ordered a number of cases containing porous plasters, but in giving contents of the cases stated boxes by the gross instead of by dozens. The man receiving the order concluded that the customer had ordered enough plasters to supply the whole of Ecuador for years, and feeling that there must be some mistake, shipped one-twelfth of the order, calling the attention of the customer to what was thought to be a mistake and stating that if the entire order was wanted the customer should cable at the exporter's expense. This act of consideration on the part of the exporting house so pleased the Ecuadorian customer that he became attached to this New York house permanently and, in fact, never bought goods from any one else after this act of consideration.

Trade is what the word signifies—a reciprocal process, importing as well as exporting. It has two sides and there are two parties involved: the rights and needs of both must be taken into consideration. The necessity of buying as well as selling was brought to attention vividly after the World War when our export trade balance piled up at the rate of four billions of dollars a year with all the