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Role of the New Orleans International Trade Mart

THE contribution that a well-balanced international trade can make toward full production and employment throughout the nation is receiving growing recognition in the Sixth Federal Reserve District, one of the sections that would be most strongly affected. In addition, because of the District's proximity to Latin America, attention is being focused upon the role that an expanded trade with that area may play in the South's economic future.

The importance of foreign trade as a source of employment and income is readily apparent where ships dock and unload cargo brought from foreign countries and reload with American goods, as they do at such District ports as Mobile, New Orleans, Savannah, Jacksonville, Tampa, and Miami; where the arrival of planes bringing passengers from all parts of Latin America is a regular occurrence, as it is at such Sixth District cities as Miami, New Orleans, and Tampa; and where ship-repair facilities are kept in operation by the needs of vessels engaged in foreign trade. Furthermore a lively interest in the possibilities of foreign trade is demonstrated in inland sections of the District as well. In the Atlanta area, for example, a survey conducted by the Foreign Trade Council of the chamber of commerce reveals that approximately 150 firms have expressed a desire to expand their markets through foreign trade. The current industrial expansion in the South, it is hoped, will be paralleled by a growth in trade with Latin America.

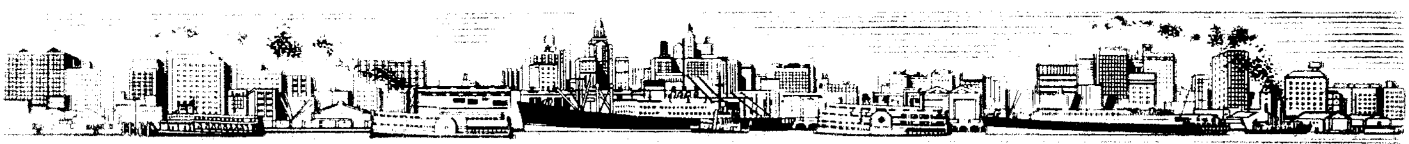
The recent announcement that the newly organized International Trade Mart will begin operation at New Orleans on June 7, 1947, is therefore of outstanding interest. As it is planned, the mart will assist materially in removing some of the obstacles to a permanent development of United States trade with Latin America. Since, in addition to being the District's largest port, New Orleans serves the entire Mississippi Valley area, a development such as that of the International Trade Mart has significance to the growth of foreign trade not only in the District but also in the rest of the nation. The New Orleans experiment may point the way toward overcoming many of the difficulties that have hampered trade with Latin America.

As a general rule in the past, except for its major national firms American business has not exhibited its present degree of interest in foreign markets. Foreign trade is a new venture for many firms. For an individual concern the decision to enter that field becomes a practical problem removed from abstract generalities into the realm of ordinary day-to-day business transactions. These firms realize that although trade agreements, financial agreements, the International Monetary Fund and Bank, and trade treaties are all important matters bearing upon the future course of international trade, the immediate problem of the individual firm is one of mastering practical details.

Like domestic sales transactions, foreign trade involves practical details of demand creation, finding a buyer, negotiating terms of sale, and transferring the title. Also involved are the practical details of transportation, storage, and finance. Furthermore, in international transactions many of these details become more complex. There are customs and shipping regulations. Sometimes certain special types of packaging are required. There are problems of foreign exchange and finance. Foreign-trade documents appear to be exceedingly complex to those persons accustomed to domestic trade only. A lack of uniformity in laws and commercial practices and numerous other problems add their complications. Many of these factors can be overcome by utilizing the facilities of the foreign-trade departments of commercial banks and the services of export-import firms specializing in the handling of foreign-trade transactions.

Even more fundamental perhaps are the problems that buyers and sellers have in getting together and that buyers have in determining the fitness to their needs of the goods available. In order to meet them, large American corporations have developed special foreign-trade departments. They have representatives in the foreign markets and branch offices in the principal cities where American goods are displayed. Contact is made directly between buyer and seller, the sale is arranged, and other details completed. For the smaller firm, however, such a course of action is impractical, both because of the lack of experience and because of the great cost involved.

Within the United States the problem of bringing the buyer and seller together and that of making it possible for the buyer to determine what goods are available and which of them are suitable to his needs have been met by the development of specialized markets. Over the course of many years centers have grown up in certain cities where buyers may view the merchandise of many competing firms and where they



may complete the details involved in the transaction. Retailers, for example, regularly visit the garment centers, the furniture markets, and other centers. It is unnecessary for them to search the entire country to find the goods they want. Transactions can be completed in a minimum of time. In addition to the specialized type of market, certain centers have been developed at which a variety of goods are displayed and sold. The most notable of these is the Merchandise Mart in Chicago.

The establishment of such markets for international trade is not a new development, although it is new to the United States. In Medieval Europe the beginnings of international trade were fostered primarily through the great international fairs. One of the most notable was the cycle of fairs at Champagne, France, which succeeded one another so rapidly as to become almost one continuous fair. At Champagne were assembled on the greatest possible scale all the export raw materials and maufactures of Europe and the Mediterranean region.

With the development of improved means of communication and modern industrial operations the character of the great fairs changed. Though certain important fairs have continued, they have done so on a changed basis. The sellers' practice of bringing a store of goods for immediate sale was changed to one of displaying samples, on the basis of which sales were consummated. Serving as a sort of permanent exposition where orders might be placed, the Leipzig fair became an important instrument in the expansion of Germany's international trade. During and after World War I a number of fairs, which were chiefly sample expositions, were developed in other nations. There were about 150 such fairs in Europe prior to World War II. The extensive staffs both provided the technical management and conducted publicity campaigns throughout the world. Many of them utilized modern advertising methods and maintained foreign offices. A resumption of many of these European fairs has recently been announced.

Trade growth in the United States failed to lead to the development of such fairs on the European scale. Perhaps one of the chief reasons was that early American exports were for the most part standardized raw materials. Sale by description and sample was relatively easy. Then many of the manufactured goods that the United States later began to export were industrial goods or consumer durable goods of large unit cost, such as automobiles. The sale of these goods required less individual contact between buyers and sellers than the sale of other types of merchandise needed. Furthermore, the firms selling them were able to support foreign-trade departments.

If hopes for a continuing growth of Latin-American trade at the scale now contemplated are to be realized, however, greater emphasis must be placed on the sale of consumer goods and on a large number of sales of goods of small unit value. Moreover, the recognition that trade is a two-way proposition requiring increased purchases of Latin-American goods by citizens of the United States is becoming apparent. This type of trade will demand more and more personal contacts and more and more of the facilities for determining which goods are suitable to the needs of the buyers of both this nation and Latin America.

The 20 Latin American republics, with a population estimated at approximately 134 million, constitute a great potential market for American goods. According to the United States Department of Commerce, the oontinent of South America with its 92 million inhabitants is the fastest growing continent in the world. Prospects for future growth in population are favored by the high rate of natural increase and the further reduction in mortality that is expected.

A large and growing population, to be sure, does not in itself create a demand for American goods unless it has purchasing power. At present the income per capita in most of the 20 Latin-American republics is comparatively low, ranging from the highest of $200 a year down to $20, with an average of $101. The greater industrialization of many of the countries is, therefore, encouraging, for it points to a possible rise in the level of national income and a consequent increase in purchasing power for American goods. Contrary to a popular belief, industrialized countries are the best American customers, not only for raw materials but for manufactured products. With each of the nations specializing in the production of those goods in which it has a comparative advantage, there are numerous manufactured products for mutually advantageous trade.

Increased industrialization in Latin America should also eventually assist in stabilizing its purchasing power. The income of Latin-American countries depends to a marked degree upon the sale of raw materials abroad. With the exception of Mexico and Ecuador, each country usually has a maximum of three products that represent more than 60 percent of its total exports. In each of 12 countries a single product represents more than 50 percent of its exports. Because of their great dependence upon single exports, the purchasing power of these nations reflects keenly the trend of economic conditions in other countries, declining sharply in periods of depression. A more diversified economy should, therefore, provide a more stable purchasing power for products of the United States.

During World War II both the imports and the exports of Latin America increased, and other conditions created by the war have also placed those countries as a whole in a favorable position to purchase American goods. Exports by the United States to the other American republics, which averaged 485 million dollars in the period from 1936 to 1938, averaged 862 million dollars for the years 1942 through 1944 and in 1945 totaled almost 1.3 billion dollars.

The growth of exports prior to the entrance of the United States into the war came about partly as a result of the cutting off of the customary European sources of supply. Even after the United States entered the war and Governmental controls were instituted, American exports to Latin America continued at a high level. The policy of the United States was to allocate the Latin American republics the scarce commodities necessary to maintain their economies. Relatively large amounts of iron and steel, textiles, coal, wood pulp and paper, dyestuffs, and industrial chemicals, which were formerly supplied by European nations, were included in the exports. There was a decline, however, in the export of consumer durable goods, which had been of great importance in this country's trade prior to the war.

The value of the United States' imports from Latin-American nations, which generally exceeded that of its exports to those countries, fell slightly under the value of exports in the years 1938 through 1940. When the United States entered the war, the picture rapidly changed. The expansion of imports from Latin America was relatively greater than the expansion of exports. The United States was forced to turn to the Latin-American republics to secure not only increased quantities of materials customarily obtained from that area but raw materials and food stuffs formerly purchased from areas that were then cut off by wartime conditions. As a result, imports from the Latin-American republics, which had an average value of 542 million dollars in the period 1936-38, averaged 1.3 billion dollars during the period 1942-44 and amounted to 1.6 billion dollars in 1945. In the five-year period 1941-45 merchandise imports of the Latin-American republics exceeded their merchandise exports by a total of 1.8 billion dollars.

Because of wartime controls in the United States on the manufacture and exportation of goods that the Latin-American nations have customarily purchased from this country, the importation by them of such commodities as automobiles, agricultural machinery, and household appliances declined markedly. On the other hand, trade in certain commodities that had been only negligible before the war increased greatly. As a result of their increased exports and inability to purchase many goods, the Latin-American countries had accumulated by the end of 1944 3.3 billion dollars in gold and foreign-exchange reserves. At present these countries constitute one of the few areas of the world that have the means to pay for imports with American dollars.

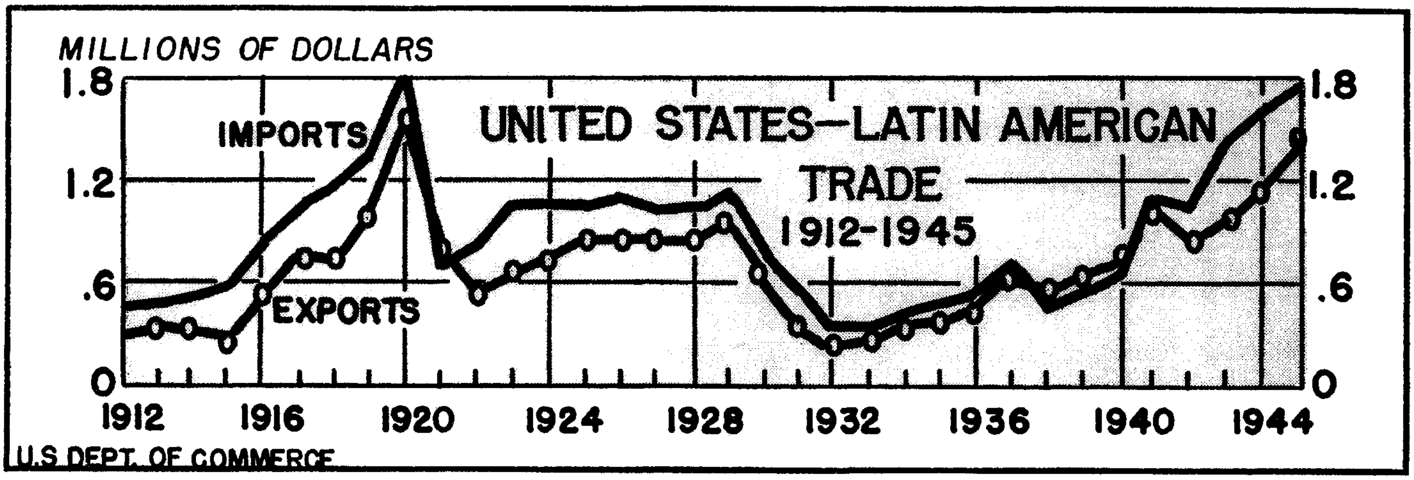
There is now because of the war a large backlog of demand for the goods of this country. The Co-ordinator of Inter-American Affairs in 1944 estimated that the 10-year-postwar industrial needs alone of the 20 Latin-American republics would amount to 9.8 billion dollars, and the United States Department of Commerce estimates an average annual requirement of 800 million dollars for imports with which to replace worn-out capital goods and carry on new capital developments during the next four years. There are, in addition, accumulated demands for many types of United States consumer goods.

Those persons familiar with Latin-American trade recognize that, although the prospects of such trade appear very bright, certain difficulties must be surmounted if it is to be maintained on a continuing basis. There is, of course, the danger that rising prices of United States goods may drive the Latin-American nations to purchase elsewhere as other industrial countries get back into production. It is also possible that unless the Latin-American nations can increase and continue their exports at a high level, particularly to the United States, they will be unable to purchase American goods. Moreover, there is the ever-present possibility of increased competition resulting from the neglect of Americans to cultivate those individual trade relations in every-day details essential to a successful continuing foreign trade.

Such people see foreshadowed in the present situation a repetition of the experience following World War I, when, as in World War II, there was an accumulated demand for American goods, which developed from 1914 to 1918. Latin-American nations ordered so heavily from the United States immediately after World War I that its manufacturers were unable to meet the demands in full. American exports to Latin America reached a total value of 1.6 billion dollars in 1920. The chart on this page shows that the value of these exports in 1920 has never been exceeded in subsequent years. As a result of the depression of 1920-21 there were wholesale cancellations of foreign orders. American exports to Latin America fell in 1921 to almost half the level of the preceding year. In the reorganization of world trade after the depression, the United States lost its new-won market in South America to European nations.

Before 1914 the greater part of the Latin-American market was controlled by European countries. Traders from these countries were familiar with languages, local customs, and individual problems, and they offered long-term credits. American merchants demanded cash before shipment. They were, furthermore, unfamiliar with the local markets. Emphasis was placed by Americans upon the large sales, with a disregard for the many smaller sales that amounted to a large total for the European countries. In Argentina, for example, goods from the United States made up 12 percent of Argentine imports during the period 1910-14. The unavailability of European goods increased that proportion to about a quarter of Argentina's total imports in 1920. After the recovery of world trade the proportion supplied by the Americans declined, to 15 percent in 1922, rising to only 17 percent in 1923.

A group of New Orleans businessmen thoroughly conversant with these problems are determined to prevent, as far as possible, a repetition of those conditions that came about after World War I, when exports through New Orleans fell from a value of 712 million dollars in 1920 to a value of 301 million



in 1923. They are resolved that trade with Latin America shall rest on a foundation firmer than one erected upon temporary war-induced demands.

One step they have taken along the way to accomplishing this goal is the establishment in New Orleans of International House, which was described in the May 1945 issue of the *Review.* This institution has as its purpose the development of personal relationships between buyers and sellers in the two Americas. The success of International House in assisting to promote import and export business between firms in the Mississippi Valley and those in Latin America seems already assured.

It was recognized that international trade does not rest upon personal contact alone. It rests also upon the buyers' determination of the suitability of goods and upon a multitude of individual sales transactions. At New Orleans, because of its strategic location, both the men and the goods might be brought together to the advantage of both buyer and seller.

In order to determine what goods are available and whether or not they are suitable for his local markets, a prospective buyer from Latin America at the present time is forced to visit many areas throughout the United States. Not only does a search for goods take a great deal of his time but in many cases it necessitates his dealing with persons unfamiliar with foreign trade. There is no one place where he may go to find displayed the goods of several competing manufacturers. Furthermore, there is no one place where the buyers of the United States might view merchandise of the Latin-American countries and complete sales transactions without making extended trips outside the country.

The same group of New Orleans businessmen that sponsored International House have therefore organized this new type of institution resembling in some respects the great European trade fairs. They believe that the International Trade Mart, a nonprofit corporation chartered under the laws of Louisiana, will assist in avoiding the mistakes of the past.

All 38 directors of the organization are executives of shipping companies, import-export concerns, publishing companies, cotton firms, public organizations, and other interests. The president of the organization, Theodore Brent, is also president of Louisiana Shipyards, Incorporated. One of New Orleans' largest department stores, the Maison-Blanche, is represented by Herbert J. Schwartz, who is first vice president of the Trade Mart. R. S. Hecht, chairman of the Board of the Mississippi Shipping Company, Incorporated, is chairman of the executive committee. The vice presidents of the organization are W. Z. Zetzmann, R. K. Longino, C. Earl Colmb, and Kenneth C. Barranger. Each of the directors has backed up his belief in the enterprise by contributing a minimum of $1,000. In many cases the contributions have been larger.

To facilitate the securing of quarters for the new trade mart the original organizers created the Mart Realty Corporation. The sole purpose of this agency, which was financed by the directors of the International Trade Mart, was to purchase a building for transfer to the International Trade Mart. For the sum of $200,000 this corporation has bought a five-story building with frontages of three quarters of a block on Common Street and a half block on Camp Street. Located near New Orleans' financial and trading center, the building is only a block from International House. It will be sold to the International Trade Mart by the Mart Realty Corporation at no profit. Between $600,000 and $700,000 will be spent to renovate it.

Bonds sufficient to finance the acquisition and renovation of the property will be floated in the near future. These bonds will bear a low rate of interest, and they probably will be amortized over a period of 10 years. No difficulty in securing the necessary funds is expected. It is anticipated that rentals from exhibits will be sufficient to amortize the bonds and to carry on the necessary activities of the organization.

According to the present schedule, work on the building will begin in August or September of this year. Plans have been developed to transform the present structure into one of the most modern of its kind. The white-stone facing of the renovated building will be relieved by vertical panels of glass brick, and an imposing corner entrance is planned. There will be no outside windows.

The interior, which will be air conditioned throughout, will be so constructed as to minimize dust and noise. Individual sales rooms and display rooms with plate-glass show windows framed in aluminum or alloy materials will line the corridors. The lighting will be of the modern indirect type.

Display spaces will range in size from 192 square feet to 1,000 square feet, although in some cases it may be possible for merchants to secure additional space. With a total of 80,000 square feet of display space available the building can accommodate about 160 different lines, if an average of 500 square feet is allocated each tenant. Exhibitors are being encouraged to improve and decorate their individual spaces. Toward the cost of such improvements the International Trade Mart will pay up to 50 percent of a specified amount.

The first floor of the building will be devoted to the display of heavy machinery, automobile parts, and other types of heavy, bulky merchandise. On the second floor will be the headquarters of a number of import-export firms. These companies will be specialists in foreign trade, often representing from 15 to 20 firms. They handle for their clients the technical details involved in importing and exporting. To those firms new to foreign trade and to those that do not maintain foreign-trade departments the central grouping of these companies will be especially helpful.

The remaining floors of the building will be devoted to the display of various types of merchandise, representing a cross-section of the manufacturing firms in the Mississippi Valley. A buyer from Latin America will find displayed, in addition to machinery, automobiles, and trucks, many varieties of consumer goods made in the United States. Moreover, a United States buyer will be able to inspect a variety of Latin-American merchandise.

These buyers will find on exhibit cotton and woolen textiles, all types of apparel, and gifts and novelties. The latter classes of goods should be especially attractive to buyers in this country. There will be space for the display of retail-store equipment, household appliances, and electrical goods. Cosmetics as well as drugs and pharmaceuticals will be found in another section. The buyer can inspect all types of furniture produced in the Mississippi Valley and those types of furniture in which the Latin-American countries specialize. Processors of packaged foods also will display their wares.

Several of those commodities that were exported before the war to Latin-American republics in negligible quantities but increased during the war made extraordinary advances. Among them were paints and building materials such as cement and clay products. Even before the war the exports of lumber and wood manufactures to Latin-American countries amounted to 3 percent of the total exports. Display space for building materials, paints, and allied products, therefore, is important.

Scientific and professional instruments and supplies made up one of the leading classes of commodities exported to Latin America before the war. During the war period the increase in this type of export was outstanding. From 1938 through 1944, the value of this type of export increased 404 percent. The allocation of space for displays of medical equipment and other scientific apparatus will, therefore, help to keep this type of trade at a high level. Display space is also to be assigned to manufacturers of business machinery, in the production of which United States manufacturers have made noteworthy advances.

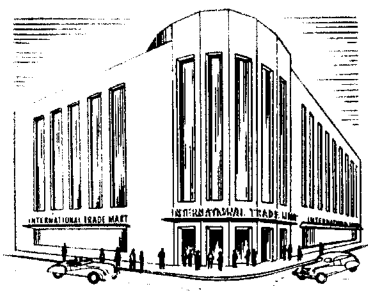
Rather than limiting the firms to a small number of large manufacturers, the directors of the International Trade Mart are seeking to obtain a wide representation of manufacturing firms in the Mississippi Valley and in Latin America. A number of leases have already been signed. Since the Trade Mart is to represent the entire area, the number of New Orleans firms will be kept down and the extent of display space that any one firm may lease also will be limited.

Every effort is being made to enable the comparatively small manufacturing firm that has heretofore confined its business to the United States to enter the foreign field. The rental rates permit even small firms to maintain headquarters in the Trade Mart. Rates run from $4 to $5.65 a square foot annually. Rental for the smallest space available would amount to $976 a year. A typical unit of 1,000 square feet will rent for approximately $370 a month. Leases are signed for a three-year period. The headquarters of some of the smaller firms in the International Trade Mart, it is expected, will be used for district offices also.

The mart is not to be merely a place where goods are exhibited but also a place where goods are actually bought and sold—where all arrangements of sale are completed and deliveries arranged. Each tenant will be required to maintain a sales office as well as to display his merchandise.

It is contemplated that a hardware distributor from Bogota, for example, would thus be able to complete his business within the space of approximately a week. Under existing schedules, he could arrive in New Orleans one and a half days after boarding a plane at Bogota. Upon his arrival, instead of leaving for other points over the United States to discover what merchandise was available and whether it was suitable for his needs, he would go to the International Trade Mart to view goods displayed there by American hardware manufacturers. In a few days' time he could make his purchases, arrange for financing and shipment, and return to Bogota.

Prospective buyers from other parts of Latin America also can complete their business in a minimum of time. Under the present air schedules, Lima is two days away from New Orleans, Rio de Janeiro three days, and Buenos Aires three and a half. A buyer from Guatemala can arrive in New Orleans within six hours. Even better air schedules, it is expected, will go into effect soon.



The facilities will be equally advantageous for the buyers of this country. A buyer from a large department store in New York, for example, wishing to enlarge his stock of Mexican novelties could travel to New Orleans, view the merchandise, complete the sales transaction, and return to New York in a period of two or three days. In contrast, even by air a trip to the various centers in Mexico where such goods are available would require a considerable period of time.

New Orleans' location, the directors of the International Trade Mart believe, is also particularly advantageous for the shipping of merchandise. It has been claimed that exports to the east coast of South America can be shipped from 23 states or parts of states in the central United States more advantageously through New Orleans and other Gulf ports than they can be shipped through the northeastern Atlantic ports. New Orleans is served by a number of steamship lines, and the completion of new ships they are now having built will provide frequent and fast freight service.

The staff of the International Trade Mart is designed to carry out most effectively its chief purpose of developing international trade. The present staff, under the direction of Clay L. Shaw, sales manager, is housed in the International Building, in which is also located International House. Eventually the organization will include a general manager, administrative director, a building manager or director of operations, and a director of public relations.

It is contemplated that the public relations activities will be very extensive. Plans call for permanent maintenance of representatives of the mart at the more important Latin-American trade centers. The director of public relations will have charge of an extensive advertising program both in the United States and the Latin-American periodicals. A documentary film will describe the activities of the mart and the manufacturing facilities of the Mississippi Valley area. The display of a new type of product might call for an extensive advertising campaign. Since the mart will be a nonprofit organization, all money above the necessary operating expenses will be available for promotional work.

An integral part of the mart will be the activities of the International Foreign Service Bureau. This agency will not compete with the services now provided for foreign trade and financial institutions. Rather it will act as a clearing house from which a person may learn where to find the services he requires. The services may include translation assistance and the provision of information on such matters as forwarding services, documentation, packaging regulations, and credit. In addition, it is expected that the bureau will carry on market research. This service should be extremely valuable to the firms that do not maintain foreign-trade departments.

The economic future of the South, it is stated, is linked with its success in developing a diversified industry. In a few years, when the accumulated domestic demand for this country's manufactured products has been satisfied, the size of the nation's export trade may mean the difference between profits and losses to many industries, including those in the Sixth District. In a few years, also, other nations whose economic livelihood is dependent to an even greater extent upon the size of their exports will be much more able to compete with American producers than they now are. From the development of such institutions as the International Trade Mart the United States will receive important aid in its struggle to retain its foreign markets and expand them.

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