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# ADDRESS OF M. MONROE KIMBREL

President, The American Bankers Association, before the 67th Annual Convention of the Washington Bankers Association, Empress Hotel, Victoria, B. C., Monday Morning, June 24, 1963. Mr. Kimbrel is chairman of the board, First National Bank, Thomson, Ga.

I have always enjoyed visiting with Washington bankers. And, last week, which incidentally was the first full week in many months that I have spent at the bank, I discovered some of the reasons why I should feel at home with you after traveling 2,500 miles.

Stated briefly, my home state of Georgia and the state of Washington have a lot in common. The Evergreen State and Georgia rank 20 and 21 in terms of size. And, I suppose to be completely honest, I should add the word "respectively."

The lumber, pulp and paper industries are among the mainstays of your economy. It may come as a surprise to some of you to learn that Georgia is the second biggest lumber-producing state in the country. And I have never felt left out when the conversation shifted to the aircraft industry. In fact, the largest industrial employer in Georgia is an aircraft producer.

Both of our states have been working hard to diversify our industries. And, I might add, our timetables for the diversification also show some similarities.

The early economy of Georgia was almost completely one of agriculture. The big impetus for diversification came after the war between the states. Some of you may recall that the leading advocate of a diversified economy in our state was Henry Grady--the founder of the Atlanta Constitution. The Journalism School at my alma mater--the University of Georgia--is named after him.



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In the late 1880's--just about the time Washington was admitted to statehood--Henry Grady gave a speech in Boston in which he described the funeral of a fellow Georgian.

He said, ". . .they buried him in the midst of a marble quarry; they cut through solid marble to make his grave, and yet a little tombstone they put above him was from Vermont. They buried him in the heart of a pine forest, and yet the pine coffin was imported from Cincinnati. They buried him within a touch of an iron mine, and yet the nails in his coffin and the iron in the shovel that dug his grave were imported from Pittsburgh." He went on to point out that his friend's coat was from New York, his shoes from Boston, his breeches from Chicago, and his shirt was from Ohio.

If Mr. Grady were reporting such an event today, he would be proud to note that every item mentioned could now be obtained right in Georgia.

Your economy here has shown similar progress in achieving better balance through diversification.

The lumber, pulp and aircraft industries and other manufacturing interests are only part of your economic picture, which also includes fishing, agriculture and the related food processing operations.

This morning I would like to discuss a subject that applies not only to these industries but to almost every item produced in Washington. That subject is exports.

We seldom think of the United States as an export-conscious nation. After all, export sales account for only 4 per cent of our Gross National Product. Because this figure is relatively low, we tend to underestimate the importance of exports. By comparison, the Benelux countries, for example, must rely on exports for one-third of their total G.N.P. Export income accounts for about one-sixth of the G.N.P. of Canada and West Germany. These countries are obviously more export-oriented than we are. Yet, the fact remains that in terms of dollar volume, our exports are the highest in the world.

During 1962, United States exports set a record high at $20.6 billion--a 4 per cent increase over 1961. West Germany, which ranks second in export volume, had exports of $13.2 billion during 1962. However, on the other side of our ledger, our imports for the year amounted to $16.2 billion--an increase of 12 per cent over 1961. Consequently, the trade surplus was $1 billion less than it was the year before.

This, of course, has unfavorable implications for our balance-of-payments position. As you know, the biggest item in our international payments on the plus side is our trade surplus--the excess of our exports of goods and services over imports. The trade surplus has been substantial for a number of years now. However, it has not been large enough to compensate for the outflow of dollars resulting from our foreign aid programs, our military expenditures abroad and overseas investments.

As a consequence, we have had deficits in our international accounts in 12 of the past 13 years--the lone exception being in 1957 when the Suez crisis caused a sharp jump in our oil exports.

Many steps have been taken in an effort to correct the imbalance and restore equilibrium to our international accounts. Many more steps are now being considered. The American Bankers Association, among others, is now conducting an extensive study in this area. Bankers are intensely interested in the balance-of-payments problem because it threatens the stability of the dollar.

But our concern over exports must go beyond the present circumstances. If equilibrium were restored tomorrow we would still have a compelling interest in promoting U. S. exports.

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I believe the long-term trends are clearly toward freer trade. The development of the Common Market and other trading blocs has focused our attention on the European area to a great extent. But it should be noted, as I am sure you have, that American products have been making improved showings in markets in Japan, India, Pakistan, Latin America, Africa, Canada, and Australia.

The representatives of the 50 signatory nations to the General Agreement on Tariffs and Trade met last month in Brussels to prepare the way for the "Kennedy Round" of negotiations which will probably begin in the spring of 1964. The United States was insisting on across the board tariff reductions of up to 50 per cent, which as you know were authorized by the Trade Expansion Act of 1962. The Common Market negotiators pressed for a greater proportionate reduction on tariffs that were exceptionally high. Under the compromise agreement both approaches will be employed. It would be folly to believe for one minute that we will get everything we are after. But if the nations involved are truly seeking freer trade, I am confident we will see some of the barriers removed.

This trend has many significant meanings for your economy. Exports can be a big factor in maintaining the state's economic growth, and thus they can help in providing jobs for the thousands of young people now entering the labor force.

Second, by working with your customers and encouraging them to enter the export business, you will be helping them to expand their markets. This will redound to the benefit of the business, the community and the bank.

Third, it is obvious that bankers would increase their profits if their customers would increase exports. Export financing is becoming an important income producer for many banks.

But the state of Washington stands to gain even more benefits from increased exports. The port cities on Puget Sound and on the coast would provide additional

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job opportunities in the area if shipping increased. I understand that about 17,000 jobs in the Seattle area alone are directly or indirectly related to international trade.

In short, your state is ideally located and it possesses abundant natural resources. These two characteristics make exports a natural element in your economy.

Now much of what I have said might seem rather obvious to most of you. But have these favorable factors been fully exploited? Unless Washington is a rare exception to patterns in other states, it would seem that the answer is no. In 1962, when the U. S. Department of Commerce stepped up its drive to increase exports, many companies which had never considered export possibilities entered the market. During the year, new companies went into the export business at the rate of 100 per month. And the figure includes only those which exported in excess of $25,000 worth of goods and services.

As you know, one of biggest spurs to increasing exports has been the work of the Commerce Department. It has been doing more and more to help U. S. businessmen find overseas markets for their products.

It is increasing the number of trade missions being sent abroad each year. During the past decade, 11 such trade missions have gone to Europe selling U. S. products. Five such missions went to Europe this spring. I understand some of you recently returned from a similar mission to Europe.

These Department of Commerce missions take with them hundreds of proposals for American businessmen to sell products, establish relations with distributors or promote other profit-producing arrangements.

The department also works with the State Department and the United States Information Agency in setting up and planning American exhibits at international trade fairs. In addition, several permanent trade centers are maintained overseas

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where the small manufacturer who doesn't have an overseas representative can display his wares and establish business relationships.

The Department of Commerce has many other activities in this field, and I don't have time to mention all of them. However, if your customers have a product which has export possibilities, or if they plan to expand their export effort, an early visit is in order to the regional office of the Department of Commerce. You will find hundreds of publications available which deal with specific markets and other aspects of world trade.

Another new and encouraging development to spur exports is the program offering insurance on both commercial and political risks involved in exporting. The program is handled by the Foreign Credit Insurance Association (F.C.I.A.) under the sponsorship of the Export-Import Bank in Washington. The A.B.A. recently published a booklet describing this program and distributed it across the country. To date, over 25,000 copies have been distributed to bankers and businessmen. During the first year of the program, over 1,000 insurance policies were written.

I am currently serving on the National Export Expansion Council--a group of businessmen organized to help promote exports. The Council is holding meetings with businessmen across the country trying to increase interest in the export business.

As I see it, the results of all these efforts in the export field will not only make businessmen more export-conscious and spur them on to expanding their exports, but these promotional efforts will also put pressure on bankers across the nation to become more familiar with the financial aspects of trade.

I don't mean just the banks in the port cities such as Seattle, Tacoma, Vancouver, Port Angeles, Anacortes, Everett, or Longview. If the banking industry is going to be in a position to help support these efforts, all banks are going to have to learn more about international trade and the fundamentals of export credits.

To this end, The American Bankers Association is now working on a booklet which will explain in detail the fundamentals of export credits, documentation, custom regulations and many other technical problems involved in the export business. This educational booklet, which we hope to have completed in a month or so, should be extremely helpful to the medium and smaller banks, which have not been engaged in the business before.

In summing up, I would like to make three points:

First, the United States balance-of-payments situation has not improved in the past year in spite of many efforts to restore equilibrium. The Administration was predicting early in 1962 that the deficit for 1962 would be down to about $1.5 billion, and that by the end of 1963 balance would be restored. However, the final figures for 1962 showed a deficit of $2.2 billion. During the first quarter of this year, the deficit, seasonally adjusted, totaled $820 million. In terms of an annual deficit this would be $3.3 billion.

Under the present circumstances it is not enough for us to maintain our present imbalance. Because of the deficits we must show definite improvement or our position will deteriorate.

Second, exports, because of the volume involved, are the biggest single factor in our balance-of-payments figures. And, while the private sector has provided a substantial trade surplus, it is incumbent upon us to maintain or improve this surplus until relief being sought in other areas is achieved. The Government is making many efforts to encourage exports. We should do everything in our power to make sure that the private sector accepts the implicit challenge and acquits itself with the same distinction that it has displayed in meeting challenges in the past.

I do not want to underestimate this challenge. While our own economy is in an expansive phase, it is only natural that our imports will rise. The same principle applies on the other side of the picture. The apparent slowing of the economic growth of some European nations will reduce their demand for imports from us. As some of you know, Japan reduced imports by $10 million during the first quarter, while increasing exports by $93 million.

Against this background it is evident that we will have to make tremendous efforts just to maintain our present trade surplus--let alone show an increase.

My third and final point is this: Banks, for reasons of enlightened self-interests, should be active in promoting exports. The benefits will accrue to your bank in the form of increased earnings. Expanding industries in the export field will also increase job opportunities in your state.

The Washington Bankers Association has always been one of the most effective banker associations in the country. I am confident that you will show the same resourcefulness in promoting exports as you have shown in observing banking's Centennial, and in achieving a broadened public understanding of the role and responsibility of our industry.

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