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STATEMENT FOR THE PRESS

In his address before the Southern Commercial Congress in Baltimore on Monday evening, March 18th, Governor Harding said in part as follows:

The development of our foreign trade is attended at the present time with unusual difficulties. The War is the overshadowing factor which affects all transactions throughout the civilized world. The normal processes of production and distribution in neutral countries as well as belligerent, have been subordinated to the exigencies of war. Our wheatless and meatless days are a constant reminder of the importance of conserving our supply of food staples so as to make available larger shipments to the armies at the front, and our manufacturing establishments are daily diverting their energies more and more to the production of articles required in the conduct of the war. It is evident, therefore, that we have not our accustomed volume of goods available for export to neutral countries and for ordinary purposes. The character of our imports too has undergone a change. We are confining ourselves in a constantly increasing degree to the import of essentials. Lack of transportation is an additional handicap to the immediate development of our foreign trade. Ship building it is true, is proceeding at a rapid rate, but new vessels as they become available will be utilized as a rule in transporting troops and supplies to the battle front. As a part of the war policy of the Government there is a strict supervision of all exports and imports, with restrictions and absolute prohibitions in many cases. Every nation has in force a practical embargo upon shipments of gold, and no gold is being exported from the United States except by special license and then only in cases where the shipment is found to be compatible with the public interest. Gold shipments are not permitted to be made to countries where the transfer might result in a benefit to the enemy, nor in any case unless it is shown that the value to the public of the goods or services for which the gold is exchanged is greater than that of the gold itself.

In these circumstances, it is clear that the transfer of gold or the exchange of credits necessary to carry on our trade with foreign countries is attended with perhaps even greater difficulties than the transportation of commodities. Our exporters and manufacturers should however, keep constantly in mind the great possibilities of a world trade after the war is over, and they should lose no opportunity of arousing a sentiment favorable to American goods in those countries with which our trade has heretofore been limited. The Federal Reserve Act was designed in large part to expand our trade with foreign countries. Not only were transactions based upon the importation or exportation of goods accorded special consideration in that section of the Act relating to operations in which Federal Reserve Banks may engage, but the Federal Reserve Banks themselves are authorized to buy and sell bills of exchange and to establish and maintain agencies in foreign countries. National banks having a capital and surplus of a million dollars are authorized by the Federal Reserve Act to establish foreign branches, and there are today many branches of American banks operating in Latin American, South American, as well as in European countries. These branches have been

established as a rule by very large institutions, but in order to give all national banks an opportunity of sharing in the benefits of the development of foreign trade, the law provides that any national bank may subscribe an amount not exceeding ten per cent of its capital to stock of banks organized to transact a foreign banking business. In this way several banks have been established which are owned in whole or in part by groups of national banks, and one of them has at this time, 48 national banks as stockholders, who have thus combined to facilitate foreign trade. These banks are not authorized to receive deposits in this country except such deposits as may be incidental to or connected with their foreign business. The Federal Reserve Board has recommended to Congress that banks of this kind be given Federal charters. They are authorized to establish branches abroad and many such branches are already in operation. The foundation therefore, for financing our foreign trade properly through the medium of American institutions has already been laid, and when at last the war is ended and the restrictions upon commerce can be removed and a greatly augmented merchant marine can spread its sails upon the seven seas and carry to all the nations of the world products of the farms, the mines and the factories of America, branches of American banks will be found at the distant ports to welcome these messengers of commerce and to finance both their incoming and outgoing cargoes. The foundation of an American financial structure extending throughout the world has been carefully conceived and securely laid, and the super-structure will follow as conditions become more favorable.

March 18, 1918.