

# The Influence of Foreign Markets On Your Business

## A MAJOR FRONT IN WORLD POWER STRUGGLE

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**Y**OU HAVE ASSIGNED to me a subject which normally will empty any hall. Few speakers have become popular and few politicians have ridden to success on discussions of foreign trade. But we are professionals in that field and we also are by necessity observers of the vast international struggle which is now worldwide. So we know that foreign economics is not a dismal abyss of figures. It is a major front in a world power struggle.

To untrained observers this is not always apparent. It looks as though American foreign trade was an affair of steel or sugar, Coca-Cola, my own company, or of cotton goods, of oil and of radios—a host of humdrum items. We, of course, know better. The exports we send abroad and the imports we must take into our own market, represent life or death, progress or depression, comfort or starvation, in many parts of the world. They also represent, in the United States, full employment, or men without jobs; communities at work, or communities in distress. Taken both ways, they represent the growth of world economy—or possibly its recession.

As political observers, we know that recession means trouble anywhere. And in countries which are not advanced and are always close to the hunger line it may mean disorder, revolution, killing. Don't ever tell me that foreign trade is a dull subject.

We are just entering a new and difficult phase in this business of world trade. The bases of it are not unhappy. But they do require some very solid and heavy headwork, and we all have to help.

Briefly, what happened was this. When World War Two ended, practically the entire world was in distress—except the United States. We emerged with nearly double our war productions, in fact, we produced about half of the manufactured products of the entire world though we have only 6% of the population. Every other country was engaged in trying to get a level of consumption which made it possible for them to begin. Their plants were destroyed, the organizations in bad shape, their production in distress. The vision of General Marshall, then Secretary of State, initiated the Marshall Plan of foreign aid, primarily, as it turned out, to Western Europe. You will recall that he had hoped that the Soviet Union would collaborate and incidentally get some of the aid. Stalin decided against that. He was not collaborating with anyone; he consciously began the Cold War; he refused to allow foreign aid to the Iron Curtain countries. By consequence, the bulk of our foreign aid went to Western Europe, with some portions left over for Asia and India and an unfortunately tiny fraction for Latin America.

The plan worked. Germany, France, Italy, Great Britain particularly benefited. They rebuilt their factories, they retooled their plants, in some cases they learned American methods of production. In other cases they invented new methods themselves. As of now, we can say, substantially, that the Western European nations are better equipped economically than they ever have been in their history. Now they are begin-

ning to produce, not merely for their own consumption but for export as well.

This means, of course, that in the hour of their success and ours, for it is in considerable part an American achievement, Western Europe now becomes our competitor. There is nothing wrong about this. It was foreseen by every student of the Marshall Plan operation. It was assumed that the problem of worldwide production and competition would have to be met when it arose. Now it has arisen.

The standard of living in these countries has improved to a point where it is at least comparable to the United States. If you go to France, Germany or even Italy in the summertime you will see that steadily increasing numbers of European families now have their little cars; they go on vacations and travel; they send their children to summer camps; they do very much what Americans do. This is what an increase of production has meant to them. But while they are doing that they are casting about for means to export, partly so that they can import, chiefly raw materials which they need. So, they seek markets for their exports and, of course, the greatest market is the United States.

This is why, in mid-1959 we see an uncompleted wage and hour negotiation between American labor and the American steel industry with a new factor added. If the price goes above a certain level, Belgian, French, German and English steel and manufactures based on it will come here and sell at a price cheaper than our own. We are moving, in other words, into a complex where the American level is not the only thing to be considered.

But while all this was going on a much larger area of the world, with a great many more people in it, was not going ahead so fast. This is partly perhaps because the American Marshall Plan flow was not so great in these countries. It was also because many of these countries were not well organized politically and because they were not yet prepared by public education to become productive, and to distribute their income widely enough so that they had large markets of their own. In some cases, we were dealing with countries who by geography or by custom had only a single product, as Chile depends on copper, as Cuba depends on sugar, as Brazil depends, principally, on coffee. The growing production in Western Europe and the high level of production in the United States did not affect them. They could consume a great deal more of European and American production than they do but they did not have an effective way of paying for it. They therefore do the only thing they can from their point of view; they severely limit their imports, which is another way of saying that they will not buy our exports, or Europe's either. They prefer to manufacture, frequently at a far higher cost, in their own countries rather than buy at a lower cost from us. They do that because they haven't the foreign exchange to pay for imports in the first place and, anyhow, their people want jobs in factories. So, as the saying goes, the underdeveloped countries want to industrialize. But then they discovered that

even to industrialize means that they have to import, at least for a while. They do not have foreign exchange to pay for these imports so they have to seek credit. Then comes the next development with which we all are familiar. American, and now European, companies come to these areas and offer to establish plants. These proposals are usually well received, at least at first. The next best thing to having a motor car company of your own, which is difficult without capital, is to have a foreign motor car company build and operate a plant in your country. This gives jobs. If the company can use local materials it means an added local market in the country. This is the first great phase and it is here that we can be of solid use. Brazil, for instance, cannot export coffee for everything she needs—people do not drink that much coffee. Brazilian capital plus the know-how may not be available at the time to build, let us say, a chemical plant. An American or European company, having the capital can, however, build a chemical plant in Brazil, employing local people and using local products and can sell these products in the Brazilian market which, by the way, is one of the largest and most rapidly growing in the world.

There are some who contend that this is bad for the American export trade. If Brazil, for instance, either builds a chemical plant of her own or accepts building of such a plant by an American company she will not buy as much American chemicals as she did before. So, say some, you are cutting your own throat when you help to industrialize another country.

This is simply not true. Brazil, of course, will have more chemicals if she manufactures some of her own. But if she did not manufacture them she still would not buy American chemicals, for the simple reason that she could not afford to. The top limit on American exports is what the countries to whom we sell can pay and there is no way out of it. Or, rather, not much of a way out. The United States can lend Brazil a certain amount of money for exports, which increases her capacity to buy for a while. But, obviously, this does not go on forever. Also, the United States Government is slowly coming to the point where it is going to need its resources here. So it is far sounder for us all to help Brazil, or any other country you choose, to get a good industrial system of its own. The statistical fact is that it is the highly industrialized countries that are the best customers for the export trade.

This, I think, is the first lesson we have to learn. Wherever any of us can assist a country to produce manufactured goods in its own region we have helped them and have helped ourselves. This is particularly true where we help a one-product country like Cuba with its sugar, or Brazil with its coffee, to diversify its product. It is why foreign aid, so-called, if properly handled should leave the countries where it is used with more industrial production than before. They will be stabler, more prosperous countries and, over the years, they will be better customers of ours.

Now I am past the stage where I swallow platitudes whole. I have been told, you have been told, that we always ought to let markets seek their own level and let natural balances work out. This is a splendid trick if you can do it. But the fact is that in my lifetime it has not happened. We had these balances before World War One; for practical purposes we have not had them since, save for very short intervals. Today we cannot have them at all, because half the world is not run on a free market basis. The Soviet Union and China have a planned economy, not a free market economy, and between them they account for more than one-third of the whole population of the world. Most of Western Europe operates on a planned economy—a fact which few Americans really understand. Rightly or wrongly, in the year 1959, more of the

world would rather trust its life to planned economy than to the chances of a free and fluctuating market. Time may prove them wrong but so far it has not. The United States, Canada and a few other countries still believe or claim they believe in a free market system, but they are in the minority.

This is why you have in Europe a highly planned economy in coal and steel—they call it the Coal and Steel Community. It is why the European Common Market is planning its economy today. It is why the Latin American countries are meeting and demanding a planned economy in their region.

Let us face it; we don't want a free market economy either. At this point, I expect you will want to try me for heresy. But my company has a great deal to do with sugar and in the United States sugar is planned under an act of Congress so that domestic producers will have so much, and we are allowed to import an added amount from Cuba and other countries to the end that the sugar produced and imported shall about equal the consumption demand. Face it again; the oil industry is one of the most highly planned in the United States, if not in the world. The Bureau of Mines estimates the consumption; the American oil wells are allowed to produce about enough with imports to supply that consumption—and import quotas have just been imposed so that the total supply of oil in the country and coming into it will equal the demand.

If this isn't planned economy I don't know what is. If the sugar industry and the oil industry here will not risk a free market economy why should you expect that the European steel industry or the Brazilian coffee industry will accept a free market? The point that I make is that we are living in a world which in great measure has been planning its economy and proposes to go on doing that. The highly-producing countries do it because they cannot stand alternate times of boom and bust. The underdeveloped countries do it because they have not enough resources in the first place and want to steer more of these resources into industry and capital construction, and away from mere consumption. You and I may not like this planned economy movement. But I am too old and you are too smart not to face facts. Anyhow, none of us can change these facts. We had best learn to live in a world that does exist instead of crying because the 19th Century came to an end nearly sixty years ago. This is the main thrust of the point I wanted to make here. I wanted to drive in the fact that we are living as exporters in a world which is increasingly planned, and that Americans, though they deny it, are doing as much planning as anybody else, and that we should, therefore, be more hospitable to the idea of economic planning than has been the case thus far. But I cannot close without going a little farther. What do we do with this situation besides thinking about it?

Well, the first thing we do is to take a good long constructively critical look at the policies of the United States Government. You will find, if you examine it, that slowly the United States Government is moving towards planning in international economics. It proposed a measure of planned economic development in the Near East after the crisis when our Marines were in Libya. This was a major change in policy. It changed the entire atmosphere of the Middle Eastern discussion. Again, under heavy pounding, a measure of economic planning was proposed for Latin America, and a committee of the Pan American bloc has been working on this task during April. We ought to get behind that policy and help it along. When the agreements proposed to the Organization of American States, this is the present name of the Pan American Union, come up for review in the Congress in my judgment we ought to support them. When we are called on, as some

day we will be, to follow up on our initiative in the Near East we ought to support that. This is one tangible thing we can do.

Next, we are in for a rake-over of our foreign aid program. I personally believe in foreign aid, but I also think it could be done a great deal better. Foreign aid is not a hand-out here, there, or elsewhere to buy a friend, you don't buy friends. It is not even a device to fight the Communists—though it should work that way too. Foreign aid is really a method by which we supply capital and facilities for underdeveloped countries to increase their own productivity, in the belief, very nearly a certainty, that as they increase their own production the exchange between their countries and ours will increase. There is a committee under the chairmanship of Ambassador Draper working on that and expecting to report to President Eisenhower sometime this summer. One hopes that committee will do a good job. If not, the job will still have to be done by someone, I think, in the Administration or in the Congress. Since this business of exporting goods and getting something done with them is our precise business we ought to have as good informed judgment on what is done as anyone else.

Finally, we can think about our own particular lines of business. The Coca-Cola Company with which I have a great deal to do has systematically tried to have as much manufacture in foreign countries as possible. Many American businessmen can explore that possibility. While we are doing it we can also explore the possibilities of creating markets here for the goods which these countries must export to pay their debts and to pay for what they buy from us.

I think some common sense applied to this problem will not be wasted. We are, in theory, in business to make money for our stockholders and ourselves. But in fact we can make and have a right to make those profits only if we can arrange to do something solidly useful for our country and for the countries overseas, whose needs we supply. If we put our heads together and combine our thinking and our resources and are not scared to death of the thinking done in the rest of the world I think we shall discover that the growing problems of international trade are not insoluble.

We are, if you like, traders. But the business of trading is the business of seeing that the production of the world meets the needs of the world. If we do that we can face our consciences as well as our balance sheets.

# Public Education In A Technical Age

## EXCELLENCE IS EXPENSIVE

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**L**ADIES AND GENTLEMEN, Distinguished Guests, Members of the Academy of Science, Arts and Letters: It is a distinct honor for me to have been asked to speak to you about education—an area in which we, in particular, have a vital stake. We are by no means alone in our concern about education. The full realization that education, in the final analysis, may be the only means of saving our way of life is dawning on more of our people every day.

This evening I would like to talk to you about Public Education; how it must exist and how it must survive in an Age of Technology; in an Age of Science.

We would all agree, I am sure, that we are now well past the threshold of a new era in the history of mankind. This new era may bring again to mankind the breathless wonder of that golden Renaissance dawn, when old horizons were receding, the ancient boundaries were being annihilated, and the foundations of new civilizations were being laid.

During the past fifteen years we have seen technological and scientific progress the like of which has never been matched by any other period of time. Man, still bedeviled and frustrated by many earthbound problems, is reaching with frightening speed into the far depths of outer space.

In less than two decades, we have duplicated the legendary feat of Prometheus, the Titan who dared to steal Olympian fire. We have tamed and harnessed the living force of the stars themselves—yet we have only brushed the fringes of the applied uses of atomic and hydrogen power.

You and I are living at a time when each day may bring a new discovery, a new accomplishment, a new product from the laboratory of science and the workshop of technology. The fantastic is no longer impossible. The impossible has become routine. Let me mention one example of the most recent accomplishment of our technological age.

I hold in my hand a cube of sugar. The ordinary kind that

you find in restaurants and dining rooms. Its size would permit me to hold perhaps 30 or 35 cubes in one hand. Last week the United States Army Signal Corps displayed publicly for the first time, a revolutionary new micro-module electronics concept that will permit, in a short time, the production of a radio the size of this cube of sugar.

Let me give you another example. One month ago it was announced by leaders of the Air Force, science and industry, the development of a mechanical-brain language. The language, consisting of 107 words, will enable mechanical brains to supervise other electronic machines, producing such items as airplane and missile parts.

The use of this system is called "Automatically Programmed Tools." In brief, it allows a master electronic brain to design and supervise another manless machine's production.

The implications of this break-through, of course, are tremendous.

But we need look no farther than our dining table for amazing technological achievements. Let us take a product that is as much a part of our daily lives as anything could possibly be; that product is bread. We have long associated the baking of bread with white-aproned, chef-hatted bakers, their hands and arms liberally sprinkled with flour. This may now be a thing of the past.

The Greer Company, of Wilmington, Delaware, designers and manufacturers of food processing equipment, has recently made it possible, for the first time, to bake, slice and wrap bread—untouched by hands.

The changes wrought by science and technology during our lifetime stagger the imagination. We have come to accept these changes complacently as being commonplace. At the same time we look forward eagerly for the new. However, what we cannot accept complacently, is the colossal challenge thrust upon education and upon educators.

