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(Drafting Office and Officer)

DEPARTMENT OF STATE

Approved inM
5/10/65

Memorandum of Conversation

T-Mann
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DATE: April 16, 1965

TIME: 4:00 p.m.

PLACE: Mr. Mann's office

SUBJECT: Firestone Decision to Terminate Negotiations
on Sale of Two Synthetic Rubber Plants to
Rumania.

PARTICIPANTS: The Under Secretary, Mr. Mann
Mr. William R. Tyler, EUR
Mr. Harold C. Vedeler, EUR/EE
Mr. William A. McFadden, E/MDC
Mr. Peter Warker, EUR/EE
Mr. Raymond C. Firestone, Chairman of
the Executive Committee, Firestone
Tire and Rubber Company

Mr. Earl B. Hathaway,
President, Firestone
Mr. John F. Floberg, Sec-
retary and General
Counsel, Firestone

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After thanking the Under Secretary for agreeing to receive them, the Firestone officials made the following points:

1. The Firestone company fully supports official US policy regarding trade with Communist countries and consistent therewith had entered into negotiations for the sale of a polyisoprene and a polybutadiene rubber plant to Rumania.

2. Since January when these negotiations moved to the US, Firestone has been attacked through thousands of letters, press articles and picketing of certain retail outlets for contemplating the sale of these plants to Rumania. The protests urge consumers to boycott Firestone products.

3. The attacks have shown evidence of being a coordinated protest campaign, with the principal source of coordination deriving from a group calling itself "Young Americans for Freedom." Some American Legion support is also evident. Statements opposing the sale emanating from Firestone's largest US competitor have greatly increased the effectiveness of the campaign. Firestone had expected protests even before opening negotiations with the Rumanians, but they had thought the protests would taper off in month or so. The campaign has tended to grow, however,

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and is now showing evidence of gaining support not only from "crackpots" and "bobbysox" youth but also from evidently educated persons. The company officials agreed with Mr. Tyler's comment that emotionalism generated by the Viet-Nam conflict is an important factor in sustaining the campaign. The company officials stressed that if Firestone's main competitor had not supported this movement, Firestone could have probably weathered the storm. The Firestone representatives did not name the competitor involved, but they cited Goodyear's house organ as the source of wording contained in many of the protest statements. They also said that Goodyear had sent technicians to Rumania last year to investigate the sale of the rubber plants and that Goodyear proposals had been turned down by the Rumanians. They said it was following this development that Goodyear indicated its opposition to the sale.

4. Firestone has now concluded that it cannot risk the commercial loss to its competition in the US consumer market which the campaign is likely to cause if the company proceeds to conclude a contract with the Rumanians. Firestone therefore plans to terminate the negotiations. As a means to attempt to strengthen its position versus the protest groups and to regain ground already lost in consumer opinion, Firestone desires to show that it took the initiative to break off negotiations by issuing a press release stating it is terminating negotiations.

The Under Secretary said he had discussed this matter with the Secretary before the meeting. There were two aspects to the problem. First, the matter of the commercial interests of Firestone, regarding which it would be for Firestone to decide. Second, the international relations aspect, in connection with which the Department sees no reason in terms of the US national interest why Firestone should hesitate to conclude a contract. The Under Secretary said it is clear from the conversation that it is the aspect of Firestone's commercial interests which is involved. From the Department's point of view, it would be desirable to attribute the breakdown of negotiations to commercial factors rather than to any official US Government political attitude. In response to the comment by a Firestone representative that only the President might be able to alter their decision to terminate negotiations, the Under Secretary said that even the President's support might not be able to protect the company's commercial interests.

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After discussing alternative methods of handling the termination of negotiations, it was generally agreed that:

1. Firestone would tell the Rumanian Ambassador that the company had decided to terminate negotiations. Firestone would not wait for the Rumanian delegation to return to the US from Bucharest but would inform the Rumanian Ambassador of its decision promptly.

2. Firestone would tell the Ambassador the company had decided the contract would not be in the company's commercial interests for two reasons. First, technical difficulties which had arisen in the course of negotiations indicated that Firestone could not achieve a satisfactory contract. Second, a public campaign against the sale to Rumania constituted such a threat to Firestone's US market that the company's overall commercial position would be seriously harmed if Firestone went through with the transaction under existing circumstances.

3. Firestone would tell the Rumanian Ambassador that the matter had been discussed with the Department, that the Department had expressed no objections to the sale on foreign policy grounds, and that Firestone assumed the US Government would be disappointed by the failure to conclude a contract.

The participants briefly discussed the possibility that public acceptance of the transaction might be greater in the relatively near future as a result of the President's interest in ^{better} relations with Eastern European countries, particularly as manifested in his appointment of a special committee to study East-West trade.

The Firestone representatives said they wished to terminate negotiations at this time; they would be willing to consider resuming negotiations if and when the climate in the US changed.

The participants agreed that Firestone would issue a brief press release stating only that the company had

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terminated negotiations for a contract to design and equip a synthetic rubber plant in Rumania.

The Firestone representatives suggested that no reason for the decision to terminate negotiations should be given out publicly. They pointed out that reference to the protest campaign as the cause of termination would probably only further encourage the organizers of the campaign. The Under Secretary said the Department agreed with this approach.

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