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Approved by E -
Mr. Solomon

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MAJOR GEORGE BUNDY'S OFFICE
Memorandum of Conversation

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TIME: 10:15 a.m.
DATE: September 30, 1965
Place: Under Secretary's
Conference Room

SUBJECT: Yugoslav Tobacco

PARTICIPANTS: Mr. Anthony Solomon - E
Mr. Francis Bator - White House
Mr. A.B. Trowbridge - Commerce
Mr. Harold Reis - Justice
Mr. George Weaver - Labor
Mr. Arthur Barber - Defense
Mr. Daniel Mayers - U

Mr. Wm. Rogers - Arnold,
Fortas & Porter
Mr. Henry Romer - Reynolds
Mr. John Russell -
P. Lorillard Co.
Mr. Addison Yeaman -
Brown & Williamson
Mr. Cyril Hetsko - American
Mr. Paul Smith - Philipp
Morris

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Mr. Solomon first met with the Government representatives and outlined the Government position:

If the industry could come up with a joint position and public statement, the Government would offer a joint letter from four or five Cabinet officers to the industry which could be made public. If the industry appeared to balk at this offer, the offer could be increased to a joint Cabinet letter to the President, on which he would comment when made public.

The industry representatives were then invited in. Mr. Solomon reiterated that the Government felt strongly about the unconscionable actions which the cigarette industry was being subjected to by extremists, and that the industry could count on strong government support. Mr. Solomon asked if the industry had come up with a joint position or statement.

Mr. Rogers said that the industry had not as yet formed a definite joint position, but that the representatives have talked tentatively about a joint industry-government response to the extremist attacks. He indicated that American and Reynolds were the parties with the most diverging views, and that they would have to clear any decisions with their managements.

Mr. Hetsko

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Mr. Hetsko then outlined American's position. American purchases no Yugoslav tobacco. It has been asked to join the industry in a common front in the national interest. American is willing to deplore extremist boycotts based on foreign policy grounds. However, American will not become involved in the merits of the particular foreign policy being attacked. American has recognized as a business consideration that many Americans (not only "extremists") do not agree with the government's East-West trade policy; for that reason, American made a business judgment to buy its "Turkish" tobacco elsewhere than Yugoslavia even though it was more costly. American will not seek to benefit from any boycott by exploiting the attacks. However, if asked if it uses Yugoslav tobacco, it would make a forthright factual response. American also would demand, as a condition to joining a joint industry condemnation, a pledge from the other companies that they would not "jump off the boat" if the boycott began to hurt.

Mr. Romer then outlined the position of Reynolds. His company is the only one threatened with a boycott, and will get hurt the most. Nevertheless, Reynolds now feels it would join a joint industry position. Reynolds had hoped that American would find it possible to buy some Yugoslav tobacco, and thereby develop a more unified industry position. American has already told Dr. Harold's group that it does not use Yugoslav tobacco, which Reynolds thinks will lead the extremists to urge that American's products be bought. Mr. Romer could not promise that Reynolds would not "cave-in" if the boycott really hurt.

The company must consider its shareholders. Mr. Romer suggested that if American was not willing to buy Yugoslav tobacco, it could join in the industry statement that all manufacturers "use or reserve the right to use" Yugoslav tobacco, and that American would agree to answer any questions about its use of Yugoslav tobacco by stating "we stand on the joint industry position."

Mr. Solomon then asked if American could subscribe to the "use or reserve the right to use" formulation. Mr. Hetsko suggested that American might be able to agree to something like "while not all the industry now uses Yugoslav tobacco, the entire industry reserves the right to use or not to use such tobacco." Mr. Solomon assured American that the government was not pushing the industry to be more "patriotic" by buying Yugoslav tobacco.

Mr. Solomon

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Mr. Solomon then read to the industry a draft of a possible joint Cabinet letter. He stressed that the language had not been cleared at the Cabinet level, and that he merely wished at this time to get the reaction of the group. Some industry members thought the statement could be expressed in simpler terms, and could be more terse and effective. Mr. Hetsko expressed his hope that the government letter would stress the condemnation of the boycott and not the benefits to the government of East-West trade. However, other industry representatives expressed the view that both elements should be contained in the government letter.

Mr. Hetsko noted that if American were not to use the boycott to its advantage, its competitors would have to promise not to use the government's letter to their advantage. More discussion on whether the industry could "endorse" the government's draft statement followed. Mr. Mayers pointed out that the most sensible scenario would be for the industry to make public its joint position condemning the extremists prior to the Cabinet letter being sent to the industry. If this timing were followed, there need be no formal industry "endorsement" of the government letter.

Mr. Solomon said that, as an alternative, the government could come out with a general joint Cabinet statement on boycotts followed, if necessary, by individual statements directed specifically to the tobacco industry, if the boycott situation made specific mention advisable. The industry group did not after discussion seem to favor such an approach.

Mr. Rogers suggested that the industry representatives retire and renew their efforts to get together on a joint statement. Several industry representatives asked if they could take copies of the draft Cabinet statement. Mr. Solomon said that he felt this would be unwise at this time; that the industry should concentrate on the statement of its position; that the government representatives would redraft their statement in light of the meeting; that at our next meeting we could go over the substance of the Cabinet letter provided the industry could agree to a joint position; and that then those industry representatives who felt that they had to show to their Presidents the government's letter might be provided copies, with the understanding that the draft still had not been cleared at the Cabinet level. Mr. Bator stressed that the closest security would have to be kept over any draft of a letter from Cabinet officers, and that any leak would end the government's contribution to the problem.

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It was agreed that a second meeting would be held on Friday afternoon (later in the day, the industry requested that this meeting be postponed to Monday, October 4 at 3:00 p.m.).

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