

Luther H. Hodges Oral History Interview – JFK#2, 04/20/1964
Administrative Information

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Biographical Note

Luther H. Hodges (1898-1974) was the Governor of North Carolina from 1954 to 1961 and the Secretary of Commerce from 1961 to 1964. This interview focuses on the preparation and passage of the Trade Expansion Act, the United States' trade with the Soviet Union and Cuba, and the Department of Commerce's relations with Congress, among other issues.

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Luther H. Hodges

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INTERVIEW WITH LUTHER H. HODGES
U. S. SECRETARY OF COMMERCE

BY DAN B. JACOBS IN WASHINGTON, D. C. ON APRIL 20, 1964

Jacobs:

This is a tape of an interview with Secretary of Commerce, Hodges, in his office in Washington, D. C. Well Secretary Hodges, the last time we talked we were discussing the Balance of Payments problem and we were concerned with the export expansion program, and discussed U. S. Travel Service. I wondered if you would like to go briefly into the difficulties that the U. S. Travel Service has had in the Appropriations Committee in the House of Representatives under Congressman John Rooney of New York.

Secretary:

Yes, I would be very glad to discuss that. When we testified before the Committees of Congress to get the U. S. Travel Service established, I recall, and it is a part of the record, I made a statement that this is one program that I could practically guarantee that all of the money that the U. S. Government put out in way of appropriations would be returned to them not only one time but many fold. It is on that basis that we feel that the experience that was had with the committee beginning in 1962 when Mr. Rooney returned as chairman of the committee handling Commerce Department, which included travel service. That gave us some great difficulty. The original authorization on the part of the Congress for the U. S. Travel Service was \$4,700,000. We started off with a much more moderate figure somewhere around two and a half million dollars, and then the following year was raised moderately, and then later actually cut back instead of increased, and then, say, getting a three quarter million dollar increase which would still bring us below the four million seven authorized. Mr. Rooney's committee, primarily Mr. Rooney, cut it down by about seven hundred thousand dollars. This is an unexplicable situation, and is a great commentary on the weakness of the Congressional Appropriations system when literally one man can stop or start or modify what he wants to with an appropriation. He can do it based on a prejudice, based on a hunch, based on a like, based on a dislike, or anything else he wished, the system being so complicated, having to go through subcommittee, and then later a whole committee of appropriations. Our Department of Commerce budget, running over \$4 billion a year, might get all of 20 or 30 minutes before the total appropriations committee. It has to get a report from a subcommittee, and after

it goes to that Committee it is rarely changed; and then it goes to the House floor itself. There was an unfortunate incident in connection with the Travel Service program the first year in which very properly the Travel Service Director bought some cuff links and one other little novelty item, such as most any State and many nations would do, to pass out to people from abroad, and Mr. Rooney practically made it an FBI investigation.

Jacobs: Was this a gift to someone overseas?

Secretary: Yes, there were several dozen of them. They didn't cost a great deal of money; the money was infinitesimal -----

Jacobs: They were used when he was traveling to other countries?

Secretary: For instance, when Mr. Gilmore (and one time I went with him to offices in two or three parts of the world) spoke to a Minister of another country, he would hand him cuff links and I think the other was a bracelet with a U. S. Travel Service symbol on it. We would give some to Ambassadors, and no one thought anything more about it, whatsoever. But Mr. Rooney made a very great thing out of it, and left the impression that this thing was illegal and bad, and crooked, and so forth. And he sent a group of people into the offices of the U. S. Travel Service to find out every possible thing against the Service, every mistake that might have been made, every clerical error that might have been made, everything. Of course, you can do that with any agency or business or government, and find plenty of things wrong, nothing illegal and nothing premeditated wrong. All of these things he brought out hour after hour in discussion on the smallest part of the total budget.

Jacobs: Did you have conversations with Representative Rooney?

Secretary: I had conversations before the whole Committee theoretically, meaning Rooney. Two or three others were always there to hear us testify, and there was arguing back and forth. I think the main part we want to keep in mind for the record, and for history, is that after he made all of these charges, I said, "Mr. Chairman, we will give you detailed documented answers for every question that you have raised before your Committee. If you are going to make your part of the statement part of the public record later on, we expect our answer to be the other part of the record." And so a few weeks later, long before the publication

of the record, we gave him in detail the documented story. The sad, sad part is that he did not let the answers to his wild and irresponsible changes go into the record.

Jacobs: What did you assume was his motivation?

Secretary: I haven't the slightest idea why he did it. I just know that he did it, and I say that is a dickens of a way to run a railroad or a government. I would like to say this about Mr. Rooney; he does his homework; he knows his records, his figures, and he checks them very carefully; and I admire him or anyone else that tries to cut expenses of government. I am not complaining about that part at all, because I have urged my own Department of Commerce to cut expenses, but about doing it on a basis of prejudice because he didn't like Mr. Gilmore the Director of a new program which the first two years of its existence brought in 43% more visitors from outside the country.

Jacobs: We did cover earlier in our interview in March the Export Expansion program. To conclude our discussion on Balance of Payments, did you want to sum up any of the effectiveness of the Export Expansion program up to 1963?

Secretary: Well, if we can go to the end of 1963 and think back from there. At the end of 1963, we had made a substantial progress in curing the Balance of Payments problem. Although things were done along many lines by the Defense Department and AID and others, the dramatic announcement made by President Johnson, following 1963 figures that we had a very heavy balance of trade in our favor, showed that this export expansion program, which we had started in 1961 and which had an increase each year, by 1963 had paid off very handsomely. As to what it will do in the future, time will tell; but the net export over imports has come up very rapidly, and to the point where our new Export Expansion Coordinator for all of the rest is getting great support from the entire Cabinet, and the President, and from everybody else. So, I look forward with great anticipation for the most constructive solution to our problem, mainly increasing our trade balance.

Jacobs: You mentioned at the beginning of our first interview that President Kennedy had instructed you that the Balance of Payments was a great concern to him and the fact that export expansion should be one of your main concerns. Subsequent to that, do you recall, during 1961-62 or 63, any discussions with President Kennedy, or any follow up by him; were there meetings with you where he took particular interest in export expansion?

Secretary: Yes, time after time we met with him, Mr. Dillon and I. We would go in jointly and talk with him about it, always with the thought of the balance of payments situation. Mr. Dillon, the Secretary of Treasury, backed us completely as to what we were trying to do in export expansion. President Kennedy showed a continuing, sincere interest in this thing.

Jacobs: Did he give any specific instructions that you can call to your mind, or was he merely interested in what you were doing- -

Secretary: Oh, he asked very intelligent questions about how we were going about it, for instance, and I told him we were organizing 30 to 35 Regional Export Expansion Councils in various parts of America with a total of a thousand businessmen, and he showed great interest in it. I think one of the greatest things he did was to give me permission when I requested it to resurrect the "E", the famous "E" Awards given for production excellence during the Second World War. He allowed us to use that as an "E" for export, export expansion. So, at just about every turn he was showing an interest in this thing, right up to the time of his death.

Jacobs: All right. Would it be better to deal with the Textile Industry, after we have discussed the Trade Expansion Act?

Secretary: No.

Jacobs: Well, then shall we take up Trade Expansion? Well, the Trade Expansion Act came as a subject of concern to your Department when the reciprocal Trade Agreements Act was running out, and was going to be up for renewal in 1962. Beginning the summer of 1961, when Howard Peterson was appointed Special Assistant in the White House to develop a new trade policy, you and, I believe, the Under Secretary of State George Ball, Director of the Bureau of the Budget David Bell, Theodore Sorenson, your assistant Peter Jones, and Howard Peterson of the White House Staff, met with President

Kennedy for about one hour. I presume this was the meeting in which the President set forth possible guidelines of the Trade Expansion Act, which was subsequently passed in 1962. Was that right?

Secretary: This is correct. This was a key meeting held on a very cold, blustery day; I think it was on a Saturday in Hyannis Port. The President wanted to know the feelings of all of us, and I believe there was practically no difference of opinion. Mr. Ball and I joined in urging that he take a bold step and that we go all of the way and urge that we have up to a 50% reduction in the tariffs, and in the case of certain selected items that we go to 100%. That was where U.S.A. and the Free World countries handled more than 80% of the total of those items. There were many, many discussions of the formation of the bill, the proposed bill for the enactment of the Trade Expansion Act of 1962. The bill had the usual kind of things affecting tariff and trade reduction technicalities, and so forth. It went one important step further: it authorized the payment to companies and labor, where it could be proved that they had been displaced by imports coming in.

Jacobs: That would go back then to the legislation which Senator Kennedy had introduced in 1953, called Trade Adjustment-----

Secretary: That is right, but it had never been passed.

Jacobs: This was a continuing interest of John F. Kennedy, and I think it was Henry Reuss in the House of Representatives who drafted that legislation originally.

Secretary: And it never had been made a part of an Act. It was an important part of this Act and created a great deal of argument back and forth.

Jacobs: Can we go back to that Hyannis Port meeting back in 1961; do you recall the way in which the discussion went; did the President initiate discussion and indicate what he wanted in Trade Expansion; or did he just bring-----

Secretary: Oh, he did as usual. He asked those present what they thought the United States Government ought to do in this regard, and we all stated our points of view. He made decisions based on that, and he evidently may have known ahead of time what he wanted.

- Jacobs: Were the decisions made that day in Hyannis Port, or subsequently--- ----
- Secretary: Well, he gave us basically the go ahead. Of course, the thing was not reduced to writing; it was not put in draft form until later on.
- Jacobs: Had there been meetings here in Washington between you and the other gentlemen in the discussion before you went to Hyannis Port; do you recall, or was it just a first meeting?
- Secretary: Well, this was the first meeting in which we came to grips with the decision on whether to go the full way, so to speak, instead of just renewing. It was a basic argument; shall we renew this thing as is; shall we just ask for a new allotment as it stands; or shall we go out on a courageous basis trying to get a freer trade, and dramatize this whole question?
- Jacobs: Under reciprocal trade agreements, tariffs had been steadily reduced, and we had the escape clause, then peril point, then in 1955 the National Security Amendment. Each imposed greater restrictions on trade coming into the United States. So the Trade Expansion Act was quite a radical program, and it took some daring and willingness to risk an attempt to get the Congress to support an unusual piece of legislation. Was this President Kennedy's initiative, or was it the general consensus of the group meeting there that everyone recognized the need with the Common Market?
- Secretary: I think President Kennedy understood it and grasped it better than anybody. I think he understood just what he wanted basically, but he did want to get the points of view of all of us as to whether or not we ought to go the full way as we finally decided.
- Jacobs: I believe that subsequent to that the policy discussions continued in early 1962, and drafting was done by people from the White House, and on your staff, and others brought in from outside. I think I have the list of names.
- Secretary: No, it was done at a staff level of those people mentioned. Abe Chayes was General Counsel of State. Mr. Peter Jones was on our Trade Policy Staff in the Department of Commerce

and we had in Commerce two or three people who were advisors to us. One man I recall, I think his name was Hawkins, had worked side by side with Cordell Hull in the 1934 Act when we really first said in the United States that we were going to go out and establish reciprocal trade treaties. And so, this man was able to help us through this period. The chief difficulty in all of this was how are you going to get through the House and Senate, particularly the House Ways and Means Committee. Mr. Mills, Chairman of the Committee, and it is a tough Committee, is a distinguished and able person, and he knows what he is talking about and what he is doing. So, I really think that over the next few weeks Mr. Kennedy was faced with who he was going to have guide it through; if it were going to be Mr. Peterson, a very able banker from Philadelphia, a Republican chosen in order to get a non-partisan point of view on this; or Mr. Ball, who is able and distinguished and had had much to do with the beginning of it, and who with his forthrightness didn't make too many friends in Congress so easily. Finally, they did me the doubtful honor of asking me if I would try to shepherd it through. So, I took that responsibility, and I was told that this was the only time where a Cabinet Officer sat for weeks on end, 5 and 6 hours a day, at a committee hearing just to go through every word and every paragraph. We worked hard to get it through, and we had a very fortunate experience. We got a good vote. Mr. Mills doesn't allow a bill to come to vote unless he knows what he is going to be able to do with it, and he knew his people on both sides. It was a most interesting experience. One of the interesting things was that we had a lot of ambitious young men who were anxious always to make a speech whenever one of the Congressmen raised a question. I would say to the boys, "Let the Chairman of the Ways and Means Committee carry the bill whenever he will and quit making speeches; just answer questions and get to the point." I think that little philosophy did more than anything else to get it through.

Jacobs:

Can we go back a little bit on the preparation of this bill? Were you involved on the Cabinet level with either the Under Secretary or Secretary of State, I guess Mr. Ball was concerned mostly with this; with Mr. Dillon, Secretary of Treasury; or Mr. Goldberg, Secretary of Labor? Were there discussions going on in planning this or did you wait until your staff people had brought

together a final version of what they recommended. Did your discussions with Mr. Mills, Chairman of the House Ways and Means Committee, or Mr. Byrd, Chairman of the Finance Committee, it was Byrd wasn't it-----

Secretary: Yes, Byrd, the Senate Finance Committee Chairman.

Jacobs: Were those begun prior to actual hearings, do you recall, or was it framed in consultation with them?

Secretary: No, the approach to this was I think in most cases by those of us who were at the higher level or Cabinet level, along with the President. We made certain basic policy decisions, such as we will go out for 50% or we will go out for 100%, and we will go out for trade adjustments, and so forth. Also, that we will do certain other basic things. Then we left it to the staffs of the various departments involved to write the bill, and when it came to us and each of the Cabinet officers, we made suggestions and had them revised. There were some informal talks with Mr. Mills during that process, but nothing in the way of asking for commitments or statements, or so forth.

Jacobs: Was President Kennedy involved in this early stage of preparing the bill, or was he at the end, or about when it was to be submitted to the Congress?

Secretary: At the end.

Jacobs: At the end he was consulted. I believe there had been some sentiment during this period that it would have been better to put off seeking this kind of legislation and merely get an extension of the Reciprocal Trade Agreement Act for one year. I think that was Under Secretary's Ball's position, perhaps it was only before the actual decision to go ahead was made in November.

Secretary: That is right. He made that suggestion at one time. I think at the Hyannis Port meeting he practically settled it.

Jacobs: You were all committed to going ahead with this very difficult attempt to get this kind of legislation through Congress. Now, I take it the entire Administration proceeded to attempt to build support for this legislation around the country. I understand

there were speeches made throughout the country to business groups and whenever the occasion arose to make a speech, explaining why this was very much needed; is that correct?

Secretary: Yes, that is right. Over a period of months several of the Cabinet officers, particularly the Secretary of Labor and myself, the Secretary of Commerce, tried to explain this to business and labor groups because they were both intimately involved and, of course, Secretary Dillon, Secretary Rusk, Under Secretary Ball, and others were constantly trying to get a dialogue going in the country, and to point out what this would mean in the long run. We in Commerce instituted a series of studies, showing the origin of exports by Congressional districts, that had very great influence over the passage of the Act and by educating everybody as to what it meant. We would take Congressional Districts all over America and show what was being shipped from those to the customs ports from each Congressional district, and what it meant. We tried to interpret this in so many billion or hundreds of millions of dollars worth of exports which meant so many jobs; and what we did with imports after they came in and that meant so many jobs, through distribution and so forth. A very good job was done as a whole for trying to analyze this.

Jacobs: The National Committee for a Free Trade Policy had been building support for twenty years. On the other hand, Mr. Oscar Strackbine, who is sometimes called "Mr. Protectionist," had been attempting to counter this for 20 years.

Secretary: He did even on the testimony this time, but the National Committee did a very great deal from a public relations angle.

Jacobs: Now, in the Congress itself, where you were involved with the first the House Ways and Means Committee, and then the Senate Finance Committee, do you want to go into the legislative history a little more thoroughly and consider what some of the forces were that were trying to resist the legislation and its full meaning; and what the forces were that were supporting it? I believe the textile industry was somewhat reluctant to see the Trade Expansion Act passed in the form that was originally put through?

Secretary:

Well, the Trade Expansion Act, of course, had protagonist and antagonist groups. Or, shall we call them the so-called liberal minded, free trade idea groups that did support the Act, and the protectionist groups, including any number of industries, most of them smaller, and less sophisticated, and less progressive industries, that said the act would ruin them. They said that they couldn't even afford the present duties we had, and they would be ruined. But that had been said since the time the first Reciprocal Trade Treaty was passed, and had been said for a decade before that. The testimony both pro and con of the various people of the hundreds or more agencies and individuals is all a matter of record.

I would like to comment particularly on the textile industry situation. Prior to the election of 1960, the candidate Nixon had made certain statements in a certain portion of Texas and the South as to what he would do. It was the same kind of thing that had been said by Mr. Eisenhower through the period of eight years that he was in office, and most of the industry owners, at least, had supported it, that is they supported the Republican side. However, nothing had been done during that period. So, Mr. Kennedy met with some of the textile leaders before the election, and very shortly after he came into office the early part of 1961, he appointed me as Chairman of our Cabinet Committee on Textiles. He established a seven point program to help the textile industry. One of these points was to see if we couldn't work out some kind of an arrangement whereby we would have quotas on the percentage of previous shipment, and so forth, from nations exporting textiles. The textile industry had some pretty bad experiences, particularly with Japan, and Hong Kong, and others, and they were very dubious about this matter of the Trade Expansion Act and cutting under still further.

In the meanwhile, the Administration under President Kennedy's direction called a meeting in Geneva of many of the textile exporting nations, I think twenty-one in number. From this came what was called a short-term textile arrangement for the next year, and then a long-term textile arrangement for five years, in which these nations agreed they would limit their exports to the United States. Also, the EEC countries, the Common Market

countries, would take a larger percentage of textile imports than they had before. So, with that understanding and with the holding of these other points they tried to straighten out the disparity on raw cotton prices, plus certain research items, etc. The textile industry generally supported the Trade Expansion Act in the final voting. I think that the record will show that if we hadn't had that support the Trade Expansion Act would never have passed.

Jacobs: Did you, being a former textile man yourself, have discussions with the textile leaders in regard to this legislation?

Secretary: Yes, of course. I had no connection with the industry and I haven't had for about 15 years, but I understood their problem and I think they had enough confidence in what we were trying to say to them to agree that if we would work and try to implement the President's already announced seven point program that we could count on their support for the Trade Expansion Act, and I found them very reliable in that regard.

Jacobs: This was New England as well as Southern.....

Secretary: It works pretty much as a group, the whole national textile industry.

Jacobs: Now in your discussions with Representative Mills, Chairman of the Ways and Means Committee, and other members of the Ways and Means Committee, I take it both Mr. Mills and John Byrnes, the ranking Republican, were the key people that you dealt with most of the time?

Secretary: That's right.

Jacobs: Were there others that you were involved in discussions with?

Secretary: Yes, Mr. Mills had a pretty full meeting of his Committee, always a good attendance.

- Jacobs: You only met with them as a Committee?
- Secretary: Strictly a Committee meeting, and he would go right around the table. I can recall Congressman Baldwin of Oregon discussing certain precautions necessary to protect certain fruits of Oregon. Just about everybody on the Committee took part in it. I would think that Chairman Mills carried at least half of the total discussion. He had, as I have said, done his home work, and made a study, and knew how to bring out the points and how to recognize what the pitfalls were.
- Jacobs: What would be your role? Would you seek to give assurances or try to understand their position?
- Secretary: Well, our role, and I sat there with the small staff, and at times the Secretary of Labor with me, but I was always there, was to be prepared to interpret the sections of the Bill, and to answer questions and to agree tentatively at least on any compromise language we might need in order to take care of certain situations which the Congressmen could bring up and in which we might believe.
- Jacobs: Do you recall if there were any specific changes made that were of significance, as to peril point, or any particular issues that were brought in?
- Secretary: I don't recall any individual situations that came out, but there were any number of changes made, all of which came out in the discussions.
- Jacobs: Were there attempts to reinstitute the escape clause and peril point or the National Security clause in the Ways and Means Committee meetings?
- Secretary: It was insisted that anything we did in connection with putting in a 50% reduction, etc., should be out of necessity and of right. They said to exclude those actions and there were very few, by the way, of escape clause actions, and only one Security clause action, and that they should not be put in for trading or for reductions such as the others had.
- Jacobs: Since Trade Adjustment had not been accepted in previous years, was it accepted by the Committee in 1962 as a way of countering the departure involved in the Trade Expansion Act, or just in what way did it come about that they finally agreed to it?

Secretary: Well, it was felt that if you went to this length of granting 50% of it, and in some cases 100% reduction, it was a situation where you could have the smaller industries that really might run into great difficulty. And, in order not to have further escape clause action in abundance, the thing to do was to set up a system of trade adjustments whereby companies, firms, and their employees could be compensated for such things.

Jacobs: Also retraining....

Secretary: It included retraining and, in the case of some, relocating. So we checked this with many States, the Commissioners of Employment, etc., in order to get their support and pointed out what it would mean to them. I think the very fact that we had this fundamental saving grace was a part of the reason of getting through this Trade Expansion Act.

Jacobs: Trade Adjustment was somewhat similar to Area Redevelopment, though the criteria for getting assistance were different, but you had already had Area Redevelopment set up in the Department of Commerce. I understand there was a small power struggle with John Horne, the Administrator of Small Business Administration, and that he fought to have the Trade Adjustment program incorporated in Small Business, and you felt it should be in Commerce. Is that right?

Secretary: That's right. I don't know if we were finally able to persuade the Committee that is where it belonged. We had gone through that same fight before.

Jacobs: It was a minor power struggle. It didn't go as far as President I understand.

Secretary: I think that is right.

Jacobs: Were there other aspects of this in which the President, himself, was called upon to intervene or make decisions or prevail upon members? We are only discussing the House of Representatives at this stage.

Secretary: I don't recall at the moment which items were referred to the President, but I know of one that had to do with what became the famous "Chicken War."

Jacobs: That was subsequent - do you mean at the time of the legislation?

Secretary:

Yes, it came out early.

Jacobs:

You mean the higher tariff legislation in the Common Market?

Secretary:

Mr. Mills made a very definite point that this Bill would not pass unless he could get assurance from the President, himself, that they would fight to correct this inequity. I remember that this went to the President, and I had a talk with him about it myself. As I recall he wrote a letter to Mr. Mills in which he made certain promises as to what he would do, and later he did talk with Chancellor Adenauer about it.

Jacobs:

Now, the Bill passed with a surprising majority in the House of Representatives. I presume the Senate action on the Bill did not begin in the Senate Finance Committee until after it had passed the House floor fight? So it was much easier in the Senate, I take it, and it was assumed that the Trade Expansion Act was now going to be passed in pretty much the form it had passed the House of Representatives.

Secretary:

I think that is basically correct. In other words, we knew pretty generally that we had a Trade Expansion Act. It might be changed somewhat by the Senate Committee or by a Conference Committee later, but, of course, here you have an example, you had the Chairman against the idea. He did not want

Jacobs:

Senator Byrd was not for it.

Secretary:

We had to look to other leadership besides Senator Byrd on the committee.

Jacobs:

Where did you find it, in Senator Kerr?

Secretary:

We found it in Senator Robert Kerr of Oklahoma. We spent a great deal of time with him talking about it. In the case of the Senate, as opposed to the House, they have Executive sessions. We did not get,

frankly, much real discussion of the Bill, because the members couldn't have possibly known much about the Bill themselves, except what they had heard the House saying. They did not allow any of the Government people to come in and only occasionally they would step out and ask a question. So, we never felt a very great sense of satisfaction that we had argued it out with the Senate. So, we had to lean basically on the fact that the House passed it and that Mr. Byrd had great confidence in Wilbur Mills of the House Chairmanship, and was inclined, generally speaking, to feel it was all right. So on that basis, it came out of the Senate Committee without too much trouble and then there was not too much trouble in the Senate itself.

Jacobs:

When you speak of Senator Robert Kerr, I am reminded of the oil industry, and that reminds me that I believe there have been some difficulties with what was called the National Security Clause, which was originally put in in 1955 to protect the small independent oil producers in Texas and Oklahoma. While the peril point was knocked out back in the House Ways and Means Committee, I think there were attempts to reinstitute the National Security Clause. I understand that you, I don't know if it were you personally, but presumably perhaps Mr. Peterson or other people participating in getting the legislation through the House, succeeded in enlisting the help of some of the larger oil companies in getting the members of the House Ways and Means Committee to prevent the reinstitution of the National Security Clause.

Secretary:

I think that is basically the story.

Jacobs:

Then, this raises a question in my mind of how Senator Kerr acted if you were relying upon him as leader in the Senate Finance Committee?

Secretary:

Senator Kerr, without having anything in writing, had assurances from the Administration that he would not be hurt by it.

Jacobs:

I see. I didn't mean personally, but he had always supported the oil producers in Texas and Oklahoma.

Secretary: He had assurances that there would not be any advantage taken of that, and he was willing to go right ahead and support it.

Jacobs: So, there was no attempt to reinstitute the National Security Clause on the Senate side?

Secretary: Right.

Jacobs: I understand that Senator Russell Long was ready to seek to put Trade Adjustment into the Small Business Administration too, but was then told that President Kennedy had already decided that it should be in the Department of Commerce. Did he drop that?

Secretary: I don't recall that particular incident.

Jacobs: All right. Now, when it reached the Senate Floor, I believe it was some hours before it had been anticipated that the Bill would be up for amendment, I believe Senator Jordan switched his vote at the last minute to save the peril point from being reinstated, and I wondered if you had helped prevail upon him or whether it was just out of loyalty to you that Senator Jordan from North Carolina

Secretary: All I did was thank him very profusely for what he did.

Jacobs: Well, do you feel that we have covered this legislative history?

Secretary: I think so.

Jacobs: This was something of a miracle that had gotten this particular piece of legislation through the Congress. That is why I thought it was worth covering this so thoroughly. I think Hickman Price did participate to some extent in getting the support of the Textile Industry?

Secretary: Oh, yes, he did. He was trusted by the Textile industries to try to see their point of view and to help them get what they considered their rights in connection with it. He did a great deal politically, because he was a smart politician, to see that particularly the southern

group, and I suppose other parts of the country as well, got behind the Trade Expansion Act.

Jacobs:

We had skipped over the textile industry in our outline before taking up trade expansion, but then you touched on the various points that I have listed here in outline. Do you feel that we have discussed that sufficiently or should we go on to

Secretary:

No, I think we have covered enough.

Jacobs:

That is, in regard to the Trade Expansion Act. Has there been any subsequent history in regard to import quotas?

Secretary:

I can just say this one thing. Textiles is the one category of goods that every nation in the world can take part in. It is the easiest industry to establish, either on the handicraft or machine basis. The developing nations used the United States to get money in the form of aid to help them buy textile machinery, and another part of our government said to them, well, don't ship us too much of your goods. The fact is that after the long term cotton textile arrangement was put into effect the imports were kept at a certain percentage. I think it is roughly 7% of the total of domestic production of the United States that was allowed to come in as imports. Practically every nation had to have restraints put on it by the United States. In other words, they did not respect the quantities that had been allotted to them, and the newer nations as they came in would flood us with millions of yards of goods. For the first time in the history of the United States (and I remember working on it one weekend right up until midnight on Saturday) we actually refused to let Hong Kong unload their ships except to the bonded warehouses. They could not deliver the tens of millions of yards on the ships because they had violated their agreement with the United States of America. So, for the first time in history in the United States, we said to a nation, you can't even unload this ship out here. This is an illustration of the kind of competition that the textile industry had faced. I suppose that at least two-thirds or

three-fourths of all of the nations that were shipping textile goods had to have restraint action against them in order to hold them in line. This was true for the first two years of the textile industry's 21 nation agreement. It gives you some kind of idea of how it worked.

Jacobs: Did you find yourself or the Department of Commerce in conflict with the Department of State on this?

Secretary: Constantly, day and night.

Jacobs: What form did State opposition take?

Secretary: State Department always wanted to be liberal with the other nations. I took one position only; I never gave up. I said I would act the same way for copper, zinc, textiles, gold, or whatever it was. I said that the President has made a declaration of his promise in writing in which I took part, and that we are going to hold to that promise of the President.

Jacobs: Which was that you are speaking of?

Secretary: Namely, that there shall be no more imports than exports beyond a certain agreed ratio,

Jacobs: Is this in regard to the Trade Expansion Act?

Secretary: No, this had to do with the seven point program and the President's subsequent meetings with the textile industry which worked out the program. He gave direct orders and the State Department always had a good reason from their point of view not to follow the order; namely, that these nations have their problems and the limitation may cause embarrassment here and there. But some of the rest of us kept saying, this will go on forever; you have just got to be firm about it; be fair to them

but be firm; and this is the way it is going to have to be. Many times from lower committees the decisions had to come up to the Cabinet Committee, and in several cases we had to take the decisions to the President, himself.

Jacobs: But you were representing different interests here. You rightly represented American business and the State Department.....

Secretary: I represented the President's promise as well.

Jacobs: And they represented foreign policy as they saw it.

Secretary: Yes, that is right.

Jacobs: And the President would make the decision. Could you estimate which way he tended to go in these matters?

Secretary: Well, when he had what he thought was a critical situation, for example, let's say Portugal, State would say we have a problem with the Azores and another million yards or million pounds or whatever we were discussing might have to be allowed.

Jacobs: You mean if we were trying to get the leases for our Air Force bases in the Azores renewed, then the President would have to decide on behalf of the textiles coming in from Portugal.

Secretary: He would in this case decide against the textile industry.

Jacobs: Also against the United States domestic industry at any other time that circumstances required?

Secretary: That is right, the textile industry.

Jacobs: He didn't seem to be favoring one side or the other?

Secretary: Not at all.

Jacobs: In weighing the balance, was there any application of the Trade Adjustment program in regard to the textile industry? Has trade adjustment been utilized?

Secretary: No, it has not.

Jacobs: It has not been called upon by any industry?

Secretary: Well, two or three have applied to the U. S. Tariff Commission but didn't prove their cases.

Jacobs: Well, let us turn to East-West trade. I believe immediately after taking office in January 1961, you found yourself confronted with the controversy over grinding machinery with a license having been considered by the former Secretary who had first approved the license to export grinding machinery to the Soviet Union. Then he held it out for further review, and there was Congressional concern about this since machine tools had potential strategic significance. So, you were faced with making the decision on whether or not this license should be approved or not. Now, do you want to discuss that? We could go into the subsequent developments in the controversy. Do you want to consider that?

Secretary: Yes, the famous grinder case, Bryant grinder case. I have forgotten the terminology. Up in New England, a company had made some rather sophisticated grinding machines to go to the Soviet, and it had come up to me for a decision or a redecision to ship them. Based on evidence given me at that time, I ruled that they should be shipped, keeping in mind that on these export control items I, as Secretary of Commerce, had the responsibility, by delegation from the President, himself, to decide whether or not individual items should be shipped. Pretty soon after we made that decision, we had an uproar which was led by Senator Dodd, as I recall, Senator Thomas Dodd of Connecticut. He made it look like we were selling out the country and that the thing was very bad. To make a long story short, he won it and we canceled out.

Jacobs: You reversed your decision to approve the license?

Secretary:

Exactly.

Jacobs:

And had he threatened a Congressional investigation? But he did not begin a Congressional investigation at that time? Was it later in the year that he began to investigate the export license? Is that right?

Secretary:

That's right.

Jacobs:

But I suppose that arose somewhat out of his controversy in January, probably February.

Secretary:

It probably did.

Jacobs:

You don't have any evidence, you don't know what motivated Senator Dodd? You just know that he did take a position against it?

Secretary:

No, they did make suggestions that he had interests otherwise, but I do not know anything about that except that he made a case with enough Senators where the President, himself, agreed that we ought to not ship it. To be able to take care of the case and still make good on the fact that we had authorized the Bryant Company to go ahead and make the goods, we had to pay them for what they had done, but our Defense Department took over the contract. That was the way we worked it out.

Jacobs:

I am not clear. How do you mean that?

Secretary:

Well, the Defense Department found out that they could use these machines, and they purchased the machines from the Bryant Company. Then we had over the next two or three years an up and down situation on East-West trade. If you have hysteria going in the country, usually starting in the Congress, that we ought not to ship to the Soviet and its satellites, then a little while later that maybe we ought to ship something because our allies are shipping, there is difficulty in making a decision. This has been up and down to the point where we got into the Cuban

crisis, and the Berlin crisis. The figures will show as matter of record that we sold a very small amount, just a few million dollars worth in a total year, and less in 1961 than under the previous administration.

Jacobs:

I believe actually that there was a general decline in United States trade with Eastern Europe during this period in 1960-62, and a gradual decline in trade with Eastern Europe and the Soviet Union. Well, President Kennedy in his first State of the Union message indicated that he'd seek stand-by authority to help East Europe with loans and grants. Did you have discussions with him or did you understand that the general policy he was setting for the Administration was to seek increased trade with Eastern Europe? Was this in Cabinet Meetings or individual discussions that he expressed his opinion?

Secretary:

Except at the time of the Cuban Crisis when President Kennedy knew we had to stop trading or slow down on trading, he felt generally that we ought to have more trade between the Soviet and us. He felt with some of the rest of us that trade was much better than aid; that trade would come nearer than anything else to easing the tensions; that you ought as far as you could to normalize these things; and furthermore, that many of our allies were selling right and left almost anything that the Soviet wanted. Now over the next two years this became a part of a constant battle to the point where, after the famous grinder case when we had this thing come up, I recommended to the President that he set up an Export Control Review Board (ECRB) which would pass upon any critical decision that had to come up to me as Secretary of Commerce from the lower echelon of interagency committees of government. He issued such an order. He made me Chairman of the Control Board and there were three of us Secretaries (Rusk, McNamara, and myself) that had the responsibilities.

Jacobs:

I understand that you found yourself in this controversy with Senator Dodd, and you found there were not any written records of any decision made between the Departments. It was a rather ad-hoc operation. It was not formalized at the Cabinet level even though it might be carried on by Assistants to Cabinet Officers.

- Secretary: That is right, and I also said to the President that, until further notice as far as I am concerned, we won't ship any of these disputed items unless it can be done with unanimous agreement between Secretary of State Rusk, and Secretary of Defense McNamara, and me.
- Jacobs: In each instance?
- Secretary: In each instance.
- Jacobs: It now takes the signature of at least these three Cabinet officers?
- Secretary: That is right, and if we should not agree we would take it to the President for a resolution. There have been two or three cases in the last two years which we have taken to the President.
- Jacobs: Do you recall, in June 1961, what precipitated the change of the Department of Commerce's policy toward permitting the licensing of the export of surplus agricultural commodities?
- Secretary: Well, the record will, of course, show it somewhere, but my recollection is that the Agriculture Department was perfectly willing to have it done. We saw no objection to it from the Commerce angle and issued the licenses.
- Jacobs: This was at the request of the Agriculture Department?
- Secretary: Yes.
- Jacobs: You were involved only because it came under export control?
- Secretary: Only because it came under the export of machinery.
- Jacobs: However, do you recall the Republican Congressional reaction?
- Secretary: Yes.
- Jacobs: And did you make any attempt at that time to counter Congressional concern about this or was it merely let go, especially since it didn't have any particular meaning at the time?
- Secretary: It was not a pertinent issue at the time.
- Jacobs: We will come back to that later when we come to the wheat shipments in 1963.
- Secretary: That is right.

Jacobs: For a number of months you slowed down.

Secretary: Exactly.

Jacobs: Now, apart from East-West trade, I think related to this have been the actions from the United States Government in regard to the Communist government of Cuba, or the government of Cuba which proved to be Communist. In early 1961, the Department of Commerce extended the restrictions on exports to Cuba which had originally be instituted in October 1960, I believe.

Secretary: The Department of Commerce had two parts in this Cuban situation: one was to put on the export controls, and the other was to give the intelligence on the shipping by the nations to Cuba.

Jacobs: The Maritime Administration was then under the Department of Commerce?

Secretary: Yes, and it still is. The only thing taken out of the Department of Commerce was the Maritime regulatory functions. Before the reorganization we had the Federal Maritime Board. The Maritime Administration was continued in the Commerce Department.

Jacobs: I see. Well, do you recall any particular discussions about embargo to Cuba in regard to export licensing in the early phases of 1961? On February 3, 1962, there was an embargo announced by President Kennedy on trade between the United States and Cuba.

Secretary: That is right, but we still allowed some food and medicine to go even after that.

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- Jacobs:** And under the Transportation Order this prevented U. S. registered ships and aircraft from transporting to Cuba certain types of cargos without the proper authorization.
- Secretary:** We had no responsibility for it, but we had the responsibility of furnishing intelligence on the ships that were calling at the ports.
- Jacobs:** Now, also in regard to Cuba while we are on that subject, as early as May or June 1961, there were some discussions of the possibility of licensing the shipment of goods for the exchange of prisoners taken in the Bay of Pigs invasion in Cuba in April 1961. However, that did not actually come about until late 1962, when you approved the export of approximately 4 million dollars worth of medicines, medical supplies and food contributed to the Cuban Families Relief Committee? Did your Department or were you involved to any great extent, or was action taken solely in National Security Council or through the Attorney General, and then okayed by your export committee?
- Secretary:** The policy decision of actually making the exchange was not ours. Carrying out the decision and issuing the licenses for export machinery and so forth were our responsibilities.
- Jacobs:** So, you were not actually involved in discussions of whether this should be permitted at the time of the so-called tractor deal which fell through?
- Secretary:** The Attorney General and the President handled them.
- Jacobs:** You were not a part of this discussion. Now, there was some discussion at one time of whether the U. S. should help the people of Communist China. Many of them were quite close to starvation, as a result of failure in 1958 of the commune system, and large numbers of refugees were coming into Hong Kong. I do not have it clear whether this was at the same time, but on March 23, 1962, Commerce announced a

rejection of two export license applications, received in January 1962, for exporting 351 million dollars worth of subsidized wheat and barley to Communist China. Do you recall discussions about this subject as to whether or not the U. S. people should send food to the people of Communist China though we had no relations with the mainland of China?

Secretary: Yes, I remember the discussion. We decided we would turn down these applications for shipping this in spite of the fact that our friends in Canada and also Australia were willing and actually did sell to them. If they couldn't get it elsewhere, we'd have probably given them the wheat.

Jacobs: Were you involved in the discussions about this with President Kennedy?

Secretary: We discussed it in the Cabinet meeting.

Jacobs: What was his discussion, do you recall?

Secretary: Well, the position, which has been rather a long standing position, was that we would not trade with Communist China.

Jacobs: All right. Now, I have jumped ahead a little bit chronologically, and I have left out some things important to your Department; the investigation by the Select Committee in the House of Representatives, which was called the Kitchen Committee, and the investigation by Senator Dodd and Senator Keating with the Internal Security Sub-committee of the Senate. Those arose out of the way the Export Control Act was being administered. Do you have any comment to make on either of those?

Secretary: Yes, in each case, but primarily in the case of the Kitchen Committee. Keep in mind that Kitchen was a Congressman from North Carolina and was a former FBI agent himself.

Jacobs: Had he been a friend of yours in North Carolina?

Secretary: Always a personal friend.

Jacobs: You knew him personally.

Secretary: I knew him through the years. The President wondered why we couldn't explain the Government's policy to Mr. Kitchen and get his understanding. I told him that Mr. Kitchen was his own man; that he had very strong views on trade with the Soviet Union; and that he felt we really ought not to trade with them on anything.

Various people in the Department gave a great deal of time to the Kitchen study. We were very frank and tried always to be helpful to them. In their final report, I believe the major new suggestion they had was to give more attention to the possible adverse economic effect as well as the strictly military factor in processing applications for export to the Soviet Bloc countries.

Jacobs: Was the Senate Internal Subcommittee of the Senate Judiciary Committee investigation a similar one?

Secretary: Yes, but I don't recall that they ever issued a report.

Jacobs: Now, this takes us, I believe, to the wheat shipments in the Fall of 1963. The Soviet Union had the worst harvest in a number of years and was in need of wheat, and the U. S. had a large surplus. The Soviet Union sought purchases of wheat from the U. S. You had, of course, the Latta Amendment, expressing the sentiment of the Congress back in 1961, that Congress did not favor this kind of shipment of subsidized agricultural commodities to the Soviet Bloc or Eastern Europe. Now, when you came to hear that you were going to have requests from the Soviet Union for shipments of grain, how did you set about to try to change the sentiment of the Congress? I believe you met with Senators Fulbright and Ellender?

Secretary: I met with about fifteen Senators.

Jacobs: Fifteen Senators ----did----

Secretary: Well, I talked to a few people there basically because I worked with the Senate, but, of course, we also worked with the House Agriculture Committee. This is one of the most dramatic situations that developed in trade, and certainly in East-West trade, that we have had. Let's go back for a minute. When the Soviets had a bad harvest and

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decided they needed a lot of wheat, they went to Canada. They got very quick, sensible action on a sort of semi-governmental, a sort of semi-commercial, basis, and bought several million tons of wheat. They needed more, and so they opened up the subject with us.

Jacobs: Do you recall which way the discussions went?

Secretary: Well, I will not identify the individuals who said that we ought not to do it.

Jacobs: This would be of interest to the historian.

Secretary: I recall that Vice President Lyndon Johnson raised the question of whether or not it was politically feasible at the time.

Jacobs: In regard to the domestic opinion?

Secretary: In regard to domestic opinion.

Jacobs: I presume the Cabinet minutes will show the story in this --- we may have to wait a little while ---

Secretary: Yes, they would. The State Department, and I believe Agriculture, and certainly the Commerce Department, said we ought to consider selling it. It was a question of how you do it and so forth. After this first real meeting of this subject of what the U.S.A. ought to do, the President asked a couple of us to come in to see him. I was one of the two. I think the other was the Secretary of Agriculture. The President said, "Governor, would you mind checking certain members of the Senate on it, and see if you can talk to some from big cities and some from small towns, and some Republicans and some Democrats." I said, "Yes, I would be glad to do so." I went immediately after lunch to the Senate cloakroom and within two to two and one-half hours I had personally talked to fifteen Senators, covering the spectrum of Republicans, Democrats, rural Senators, and urban Senators. In every case they said it would be all right. So, I reported back to the President before the day was out, and then here is the part we will have to keep preserved for a while.

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- Jacobs: You want this held, this particular discussion. I want to make it clear.
- Hodges: Yes, because this is terribly important. After the events of the months that followed this particular event, we were showed up in the U. S. in about the sorriest way I have ever seen. It got to the point where I made a statement to a public press conference, which I held, that I was ashamed of my part in it and that I would not blame the Russians if they never bought a single bushel of wheat from the U. S. A. again because we had handled it so badly. What brought this about was after we had reported to Mr. Kennedy that it was all right and that we would also go before the Agriculture Committees, some people, who thought more of politics than they did of the wheat sale or the country, persuaded the President that even though he had this report and it looked all right, we would get more votes if we brought the city boys into it by getting the unions and the shipping people to require that we ship in U. S. bottoms. That was the beginning of the trouble.
- Jacobs: Did they seek all U. S. bottoms or 50%?
- Hodges: All U. S. bottoms, if available.
- Jacobs: It was not possible to find that much shipping at the time?
- Hodges: Well, it was determined later by Commerce and other agencies involved that 50% would be the limit you could count on, and then it was "if available." So, this was the beginning of all the trouble.
- Jacobs: Would you identify who was, or who were, the individuals involved?
- Hodges: Well, there were some that I don't know, but I do know that Kenny O'Donnell urged action on a political basis. I do not know who else joined him.
- Jacobs: He regarded this as primarily concerned with political -----

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Secretary: Well, I am sure that was it. I am as sure as I can be of anything.

Jacobs: There may have overtures made by labor unions or the industry - the shipping industry.

Secretary: Of course, this is possible.

Jacobs: The President had announced on October 9, 1963, that licenses would be granted for subsidized agricultural exports, too, but still the controversy continued for some time.

Secretary: The Soviet Union was not going to buy except at world prices.

Jacobs: Except at world prices --- I have heard that on November 1, 1963, and on November 8, when you were out of Washington, Under Secretary Roosevelt and the General Counsel of the Commerce Department met with President Kennedy to discuss the shipping problem. Do you recall this, or the continuing discussion of the shipping problem and the attempts to deal with it?

Secretary: Oh, yes.

Jacobs: I take it that it was finally settled that at least 50% of the commodity should be shipped by U. S. ocean flag carriers authorized by the Maritime Administration?

Secretary: That is right. It was finally settled that sales of wheat and wheat flour to the Soviet and the Satellites should be shipped on 50% U. S. bottoms if available. Then it was left to the Maritime Administration to determine at a public transcribed hearing that all of this was done completely in the open with everybody present.

I finally threw the fat in the fire by answering a question in a press conference. I said it looks to me like the maritime unions are trying to make foreign policy in the U. S. Of course, that put them right back on the defensive, and began the arguments as to whether or not we were trying to get 50%. Then, in the case of the Continental Grain Company, which sold a million tons of wheat to Russia, they were able to come up with over 38% to be shipped on American vessels instead of 50%. Therefore, we issued a waiver for the difference. That created difficulties again and started the boycotts.

Jacobs: Were you involved, or was it primarily the Department of Labor that was concerned with the boycott of the maritime unions in refusing to load the ships?

Secretary: The dealings with the boycott itself, the dealings with the labor and union leaders, were primarily the concern of the Labor Department. Here in the Commerce office, we did have discussions several times with the union leaders on the basis of trying to get certain ships for it, but not about the boycott.

Jacobs: I would just like to raise this question: President Kennedy started out in 1961 with the intention of increasing trade between the U. S. and the Soviet Union and Eastern Europe. Yet, I believe the statistics indicate a fairly steady downward trend in trade with the Soviet Union.

Secretary: That is right, primarily because of crises and Congressional criticism.

Jacobs: There has been steady Congressional criticism?

Secretary: There was criticism through 1961 and 1962.

Jacobs: It was a certain group in the Congress?

Secretary: That is right.

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Jacobs:

Were there any further comments you wanted to make about East-West trade?

Secretary:

No, I think this is it. We in the U. S. A. have been put at a very serious disadvantage and made to look like the laughing stock in the trading world. We have the most sophisticated and best quality goods anywhere, and we stand back and don't sell because of sentiment or hysteria brought upon us by the Congress. We allow our competing nations, whom we have aided through the years, to take most of the business and get established in another country. Then, they usually get the second order. So, we are fighting with one hand tied behind our backs as far as East-West trade is concerned.

Jacobs:

This was a single tape of an interview done with Secretary of Commerce Luther H. Hodges in his office in Washington, D. C. The interview was done by Dan B. Jacobs on April 20, 1964.