

in textile production for the United States (and other developed countries). This resulted in the usual lobbying for restraints on imports. How these internal economic problems were handled, meanwhile, was quite importantly influenced by purely political considerations. In a letter to President Johnson in September 1964, U.S. Secretary of State Dean Rusk explained the textiles issue and then added this comment apropos of how it might be handled:

“We are in real trouble in Japan as a result of the succession of restraints we have imposed on their trade over the past two or three years. We cannot afford again to make the same mistake with Japan that we made during the thirties. Italy also is, as you know, in a dangerous political phase—and actions by us to restrict their exports while their economy is so shaky would play into Communist hands. We know [Special Representative for Trade Negotiations] Chris Herter is also greatly concerned about this because of its implications for the Kennedy Round.”<sup>22</sup>

Notably, the multilateral trade implications were an afterthought to the principal concerns of the Administration, which were geopolitical in nature. It is to be noted that this was an era of U.S. policy making in which the State Department still had responsibility for trade.

A third feature of the economic context in which the Kennedy Round unfolded was the interaction between trade and industrial policy measures that were encouraged (or at least not discouraged) by the general climate of concern about the balance of payments situation.

Perhaps the best example of this feature is the issue that became an important element of the Kennedy Round, namely

---

<sup>22</sup> Message from Secretary of State Rusk and the Under Secretary of State George Ball to President Johnson, in Texas, September 26, 1964, Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, Department of State.