

Interview with Mr. Raymond Malley

Association for Diplomatic Studies and Training Foreign Affairs Oral History Project

RAYMOND MALLEY

Interviewed by: Charles Stuart Kennedy

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Q: Today is March 14, 2007. This is an interview with Raymond, R-A-Y-M-O-N-D, Malley, M-A-L-L-E-Y. And you go by Ray?

MALLEY: Either one. Raymond, Ray.

Q: And which one do you prefer?

MALLEY: I prefer Raymond, but I'm most often called Ray! [Laughter]

Q: This is being done on behalf of the Association for Diplomatic Studies and Training, and I'm Charles Stuart Kennedy. Well, Raymond, let's start at the beginning. When and where were you born?

MALLEY: I was born in Cambridge, Massachusetts. In 1930, the 22nd of December, just before Christmas.

Q: Let's talk about the Malley side. What do you know about your father's side of the family?

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MALLEY: Oh I know considerable because I've been doing genealogical research, actually back to fifteenth century France. The family name on my father's side is M-A-double L-E-T, Mallet. It's French background. It was anglicized to Malley when my father came to the U.S. from Canada for work during the 1920s. So actually I'm of French Canadian background, specifically Acadian background. My mother's ancestry also is Acadian French. Her given name was Evangeline, the same as the heroine and title of Longfellow's famous epic poem about the Acadians.

Q: When did the Mallets, Mallet, arrive? And where was it, Nova Scotia?

MALLEY: Well, Quebec in their case, which was called "Nouvelle France" (New France) at the time. Mallet is a relatively common name in France. The Mallet of my line, Francois Mallet, came to the Gasp# peninsula from Normandy in the 1730's. He was in his '30's, a professional fisherman. He joined a large cod catching and producing business in Pabos, a town on the southern shore of the Gasp#.

Q: And your mother's side?

My mother's family name is Vautour. Spelled V-A-U-T-O-U-R.

Q: What does that mean?

MALLEY: It was and still is spelled Devautour in France. The family in Canada later dropped the "De". The word means "bird of prey" in French.

Q: A vulture?

MALLEY: Well, that kind of thing, but we don't use that term. [Laughter] The Devautours are from central France, a village called Exideuil-sur-Vienne on the Vienne River in the eastern part of the area called Charente. The nearest large city is Limoges. The original Devautour of our line, Andre Devautour, came to New France in the 1600s, well before

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Mallet. He was already an adult, an experienced “charpentier”. There is no equivalent word in English. It is a combination of architect, contractor, and builder, a professional much in demand. He lived and worked in Montreal. Some of his descendants moved east, and eventually one settled in the coastal town of Shediac in New Brunswick. He was one of the first French settlers in Shediac; there were already Anglos there. My mother was born in Shediac.

Q: Well, what were your grandparents doing on both sides?

MALLEY: My Mallet grandparents lived in Shippagan, a small coastal city in northeast New Brunswick. The son of Francois Mallet had moved there with his family from the Gasp# in the late 1790s. In fact, he was one of the three founding families of Shippagan. Numerous Mallets live in that area today. My grandparents owned some land and they grew crops for their own consumption, although the soil was not particularly good. They also had animals, and they hunted and fished. It was a subsistence kind of life, not rich but not too quite normal for the time in that isolated, lightly populated area.

Q: Your father — was he born in Gasp#?

MALLEY: No, he was born in Shippagan.

Q: Did your father go to higher education?

MALLEY: Oh no. My parents and their parents had the normal limited education of the time. Some years of school, maybe through grade school, not even high school, in Roman Catholic schools. Not many went to high school, and very few beyond. It was quite different from today.

Q: What brought your parents to Cambridge?

MALLEY: Well, my parents married in Canada in 1919, and a few years later moved to the Worcester area of Massachusetts for work. Many French Canadians did this. While

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in the U.S. they had four children, of which I was the last. They divorced, and my mother remarried a person named Walter Freeman, who was employed in the sewing machine business. The center of that business was Boston, so they moved adjacent to Cambridge.

Q: Your birth father and your mother were together when you were born?

MALLEY: I believe so.

Q: What did he do?

MALLEY: He worked in the construction industry in the Worcester area, along with other French speaking Canadians. After the divorce he returned to Nova Scotia and made another life, including remarriage. But he never had other children. I do not remember ever seeing him, and my three Malley siblings met him only occasionally.

Q: So basically were you brought up in Cambridge?

MALLEY: Yes, Cambridge and the adjoining city of Watertown, to which we moved when I was seven or so. But we made frequent visits to Shediac to visit my mother's family, which was very large. She was the eldest of 14 children, almost all of whom married and had families of their own. Several of her sisters also came to Massachusetts, married and raised families. We saw them frequently.

Q: How Catholic was your family?

MALLEY: My mother was a very pious Roman Catholic. My stepfather, whom I called "daddy," was Protestant and not particularly pious, although he did go to mass with us from time to time. It was an unusual marriage in that sense. But we four Mallet children, and the three Freeman children that came along, were all brought up as Catholics. My mother and her new husband must have had an understanding on this

Q: As a kid, did you have other brothers and sisters around you?

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MALLEY: As I said, my mother had four Malley children, two boys and two girls, of which I was the youngest. After the divorce she sent my three siblings back to Shediac to live with her parents, keeping infant me with her. Then she had three boys by Freeman. So I grew up with the Freemans, my half brothers. The other three Malleys joined us later as the family fortunes improved. They grew up in Canada and only came to the United States as teenagers.

Q: How would you describe where your family was financially?

MALLEY: In Massachusetts, I would say we were below average income during the 1930s and early 1940s. Lower middle class, working class. But we advanced as time went on.

Q: Did you live in a three deck house, or an equivalent?

MALLEY: We did when I was an infant. But as my stepfather Freeman advanced in his profession and earned more income, and then with the economic boom of World War II and thereafter, we were able to rent better places. Eventually my parents were able to buy a home in Watertown. That made them very proud.

Q: How was it growing up as a kid in the Cambridge area?

MALLEY: I had a wonderful time in both Cambridge and Watertown. I was a healthy, happy child. I had many activities and friends, and the schools were interesting and good. I was studious. I also was active in sports. And I worked, I worked a lot, once I was able to earn money at age 14 or 15. I began as a newspaper boy, delivering in my neighborhood, and then had a whole series of part-time jobs while I attended high school and college.

Q: What type of jobs?

MALLEY: Well as I say, paperboy was one. But mostly I worked in restaurants. Why? Because one could usually get work on weekends or on short notice, and the pay was

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okay and you got transportation money and free meals. I worked mostly for the Waldorf chain of cafeteria-style restaurants catering to the working mathey had dozens of them in the Boston metropolitan area. The Waldorf almost always had need for some employee in a restaurant somewhere on short notice. A bus boy, dishwasher, or counter man. I was even a short order cook on occasion. Now I had other jobs also. I was a telegram delivery boy, I worked as a clerk in an insurance office, and I was a movie usher. I was even a barker, if you know what a barker is. One dressed in a classy uniform with a big hat, standing outside a theatre and shouting for people to come and see the entertainment. I did that at the Old Howard Theater in Scollay Square and at RKO Keith's movie palace, both in downtown Boston.

Q: Oh yeah, the Old Howard Theatre, that was entertainment. I went there once or twice, naked ladies!

MALLEY: I didn't fully realize what was going on inside. I was outside barking! [Laughter]

Q: I'm two years older than you, and I went to school in New England. Scollay Square and the Old Howard were shrines of all young adolescents.

MALLEY: It's quite different now. There is a large federal building there, and other offices. But there is a plaque at the site of the Old Howard Theatre, so it is remembered.

Q: Were you much of a reader?

MALLEY: Oh, I read all the time. For school and outside of school. My mother read a lot, and greatly encouraged us to read. I would even arrange to have something to read at my work, normally something to memorize. It's hard to read and study while working, but I found that I could glance at lists or tables written on cards and kept in my pocket or placed on walls. One could memorize dates or formulas in that way, for example.

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Q: Can you think of any books or type of books that particularly engrossed you at the time?

MALLEY: Books of history and geography in particular. And travel and adventure. At my level of course. I wasn't reading great tomes until high school and college.

Q: Were you reading Richard Halliburton and travel books and so

MALLEY: That kind of thing. For example, I remember books concerning a Dr. Grenfell, who was a doctor to the Eskimos, whom we now call the Inuit. He wrote *Marooned on an Ice Flow* for example. Because of him I had always wanted to go to one of the places where he worked, Baffin Island in the Canadian Arctic, which I finally did a few years ago. Geography books to remember Goode's *Geography Atlas*.

Q: Ah yes, I remember Goode's also. At home, what was the family talking about? Was the news of the day important? I don't know if you had TV's, or radio, or the newspaper.

MALLEY: Myself and some of my brothers were newspaper boys at one time or another, so we usually had newspapers around. And my parents kept up with events through radio as well as newspapers. TV came much later.

Q: Was there much conversation about current events around the dinner table?

MALLEY: A fair amount, yes. Much of it concerned the daily work of my stepfather. He was involved in marketing sewing machines around New England, so local economic and business conditions were important to him. We also followed political events. The family was basically Democrat, supporters of President Roosevelt, and we talked about that. Also, there was much talk about conditions in Canada, especially when we would get together with my aunts and other French families who had come from there. In such cases the discussions would most often be in French, sometimes shifting to English to accommodate any non-French speakers.

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Q: You grew up speaking French?

MALLEY: The language of our household was English, as in the society around us. My stepfather spoke only English. My mother was bilingual. She often spoke French to us. And when she conversed with other members of her family or they visited, or we visited them, the usual language was French.

And by the way Stu, I had dual citizenship American and Canadian because I was born in the U.S. of Canadian parents. Canada being a member of the Commonwealth, I also had British ties.

Q: Did you feel that there was considerable prejudice against French Canadians in New England in those days? I was wondering whether you felt any of that.

MALLEY: Generally no. I don't recall experiencing it. In fact, as I grew up I became aware of other immigrant groups living around us. Italians, Greeks, Poles, Armenians. In my naivety, I sometimes wondered what those people were doing here, not realizing that we were in the same position as them. I suppose that they also wondered about us.

Q: In a way, you would benefit by the fact that your name was Malley, so one would immediately think you were Irish.

MALLEY: Yes, that was often thought.

Q: You were in the middle of Ireland?

MALLEY: Well, there were many Irish around. Sometimes I was called "O'Malley." But Cambridge contained a lot of French Canadians, from both the Maritimes and Quebec, so we were not an insignificant minority. There were many less Canadians in Watertown.

Q: What type of sports did you get involved in?

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MALLEY: I was a decent athlete. I was of average size for the times, quick, with good anticipation and hand-eye coordination. My best sport was baseball. I have always exercised a lot — it is good for the body and mind. I am still active today in tennis, serious tennis. I enter senior tournaments here in the U.S. and in Europe, and am a ranked player in my age group. You see that I am walking with a cane now. That is because I am recovering from a leg injury. I expect to be back on the courts before long.

Q: What position in baseball?

MALLEY: Well, several positions — second base, shortstop, and outfield. I was a good school player, and later played semi-pro ball in the Boston area, earning a little money at it. I even tried out for the Red Sox team at Fenway Park — they did not sign me! I was also competitive in American football and ice hockey. Like so many youngsters, I concentrated on team sports and ignored individual sports such as tennis and swimming, which are really more important later in life. I only took up tennis in my late '20s.

Q: Golf

MALLEY: No golf at that time. I play it now though, but not very well.

Q: What about grammar school? Did you find that any particular studies suited you, and others didn't?

MALLEY: I seemed to be interested in anything a teacher brought up. The first school that I attended was on Linnaean Street in Cambridge, not far from Harvard Square. It was a primary school then, about a mile walk on small neighborhood streets from our house. Today it has offices and some special education facilities of the Cambridge Department of Education. I particularly remember practicing handwriting, doing various handwriting exercises to develop a nice script.

Q: Oh yes, a bit Syrian, script, beautiful curves and all.

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MALLEY: Yes. I also remember being introduced to Latin. Those were days when one received more classic education than today, starting even in primary school.

Q: Did you go to a parochial school?

MALLEY: No. Linnaean and my other schools were public schools. I never went to a parochial school. I don't know why. I wasn't selecting the schools, my mother was. There was a parochial school close to our house, part of our church parish, but I did not go to it.

Q: How did you find the teachers?

MALLEY: I don't recall in particular. I don't recall being dissatisfied, so I guess they were fine.

Q: Moving on to high school, where did you go?

MALLEY: We had moved to Watertown. I completed grammar school, junior high school, and high school in Watertown. I graduated from high school at age 17 in 1948. We think that 1948 class was the greatest ever! [Laughter]

Q: Were there any studies that you particularly enjoyed?

MALLEY: I gravitated toward social studies. So I enjoyed history, geography, and politics. And a course dealing with government — I think it was called civics at the time. I enjoyed them more than physics or chemistry or mathematics. But of course one had to meet requirements in all of those areas. Most courses were required there was not a great deal of choice.

Q: Oh absolutely. Did you try out for any extracurricular activities, outside of sports?

MALLEY: Outside of school I mostly worked to earn and save money. Ever since I remember I was intent on going to college, and was supported in this by my mother.

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But we were a large and not rich family, so I needed money to pay tuition and other fees. Although the cost of college then may seem low compared to today, it was not insignificant. Scholarships and financial aid were far fewer than today, and could not be depended upon.

Q: Oh, absolutely!

MALLEY: So to go to college I had to earn and save money. I remember talking to my parents about this. "I'm a decent athlete, I could be on those teams, but then I can't work and save money, so what shall I do?" So I decided, we decided jointly, that I would not work during the springtime and play baseball instead. But during other seasons I would work part-time after school and on weekends, and not play football and ice hockey. And that's what I did. I worked and saved money month after month, year after year.

Q: Did the outside world intrude much on you during this time? Korean War, Cold War, that sort of thing?

MALLEY: I was very conscious of ongoing events. I always kept up with international affairs since my paperboy days. And the military draft existed; one registered for the draft at age 18. So the world intruded on me, yes. Now my elder brother Bill, who had grown up in Shediac, enlisted in the U.S. Army Air Corps in 1943 or 1944. He trained as an aerial gunner, but he never performed much at this. Instead, since he was bilingual, he was assigned to help French cadets sent to the U.S. by De Gaulle's Free French government for flight and aerial training. He helped them adapt to the U.S. and their instructors, linguistically and otherwise. He did this at several air bases in the South. Upon discharge he went to college with help of the GI Bill. He was the first of our family to go to college. I was the second.

Q: Raymond, let's move on. How many of your high school classmates were going to college? Did you know what you wanted to do?

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MALLEY: A fair number were going to college. I don't know what percentage certainly a minority, but still a good number for those days. Watertown High School had relatively high standards. Some young men promptly joined the military. Other graduates went to technical schools, to become mechanics, secretaries, and the like, while others went directly to work.

Q: So what were you pointed at?

MALLEY: While growing up in Cambridge, I had always enjoyed walking the grounds of the Massachusetts Institute of Technology (MIT) and Harvard University, observing all that was going on. That was one reason I was inspired to attend college myself. So I pointed myself in that direction, and earned and saved money to make it possible.

I was uncertain of an eventual field of work, although, because of my experience and love of newspapers, I thought I might try to become a journalist. I learned that Boston University (BU), conveniently located not far from home, had a first-rate journalism school, so I applied to BU and was accepted. I believe it was the only college to which I applied. Even though I was studious and diligent in high school, I was not a first-rate student. I believe that constant work hurt my studies. I was in the top third or so of the class, not the top five or 10 percent, so probably would not have been accepted into MIT or Harvard, which anyway did not have journalism schools. Also, tuition and expenses at BU were lower. I did not anticipate any financial help, with one great exception. I could continue to live at home, so I would not have room and food expenses. The ability to live at home was a major reason that I did not consider colleges outside the Boston area. Subsequently I did apply for and receive some small scholarships from BU, and I believe that I received a modest stipend in my last two years from the Air Force for being enrolled in their Reserve Officer's Training Corps (ROTC) program. But most of the money necessary to meet college expenses came from my own work.

Q: So you were there from when to when?

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MALLEY: The fall of 1948 to four years later, the spring of 1952, when I graduated.

Q: You went to school for journalism, communications, or

MALLEY: Well, BU's journalism program was part of the School of Public Relations and Communications (SPRC), which one could attend only during the junior and senior years after successfully completing the first two years of college elsewhere. So initially I went to BU's College of General Studies (GC), which conducted a rigorous and wonderful two year liberal arts program. I excelled at that school, earning an Associate of Arts (AA) Degree of which I was very proud. Then I was accepted into SPRC to study journalism. I earned a BS Degree, with Cum Laude honors. I was a good student. My grades were better in college than in high school. I had learned how to study and pass tests.

Q: Do you recall any of the professors in particular that engaged you?

MALLEY: Names? No, I can't think of any offhand. I suppose I would recognize some if they were before me. Many well known journalists and radio and television personalities have been associated with SPRC, then and now.

Q: How about Boston politics — did you get involved with that in your studies?

MALLEY: Well, we all followed Boston politics of course it was and still is quite famous. I can relate an interesting experience. Students were expected to do a part-time internship in their specific area of concentration. I arranged my internship as a reporter at a weekly newspaper in Newton called the Newton Graphic. I also worked very briefly at the Boston Post, which doesn't exist anymore. I was assigned sometimes by the editors to cover political events, including at city hall. And on occasion an editor would find my story too sympathetic to the politicians. Editors wanted their reporters to find negative things, write about negative things. That is what sells news. In fact, the emphasis on negativity was one of the reasons that I turned away from journalism as a career.

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Q: I got a Masters Degree from Boston University. I got out of the Air Force in '54 or '55, then attended BU under the GI Bill.

MALLEY: [Laughter] Oh, isn't that interesting. What subject, political science?

Q: History. I can't imagine how it was done, but one of my teachers was able to get former Boston Mayor Curley to come to our class. He was long retired, but he came and talked to us. He was such a figure.

MALLEY: Oh yes, James Michael Curley. Well Stu, we have another similarity. I was also, and in fact I still am, in the U.S. Air Force. While at Boston University I was accepted and took four years of ROTC, and was commissioned a Second Lieutenant upon graduation.

Q: Aha! Well, I was an enlisted man. But back to communication you stressed the negative aspects

MALLEY: Yes. All this time I was growing, becoming more mature. Particularly in my first two years at BU, I grew up a lot, learned a lot. I had oriented myself towards journalism because I loved news, but also because I was not aware of or focused on other career possibilities. Now I realized that there were many others.

Q: What years were you there?

MALLEY: 1948 to 1952, four straight years.

.Q: Did you find or take anything in the foreign affairs realm?

MALLEY: Oh yes. Most of my courses at both GC and SPRC were required of course. In journalism studies there was concentration on the nitty-gritty of the business interviewing, writing, photography, advertising, print layout, and the like. We also had to take courses in

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radio and public relations. But when I could take electives, I would usually take something in international affairs. Courses in European history, world politics, economics.

Q: What about during your college times — were you working?

MALLEY: I was working whenever possible, just as I had in high school. I was working some nights and most weekends and holidays, in restaurants or at other jobs I have mentioned. I always needed money for yet the next semester. In summer I worked full time. I didn't have summer holidays. I felt that a day was wasted if I was not at school or working. The only exceptions I remember were when I could not get work on short notice, or was ill with a bad cold or something.

Q: What about girls — did you have time for girls?

MALLEY: Not much. I was shy toward the other sex. But I did meet my first wife, Rita Masse, in high school, my senior year. We were married while I was at BU. We had our first child (Keith) while I was in the Air Force, the second (Bruce) while I was with Texaco Oil, and the third (Gregory) while I was in the Foreign Service. A good distribution you'll agree. [Laughter]

Q: You got out in '52 and went right into the Air Force?

MALLEY: After a few months, yes.

Q: You went through OCS (Officer's Candidate School), I guess.

MALLEY: No. As I said, I was an officer already. I was in ROTC all my four years at Boston University, and was commissioned a Second Lieutenant upon graduation. I did well in all aspects of ROTC, which included military history, marching, drills, command, weapons and marksmanship, and the like. I was one of the leaders of the cadet corps

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during my last two years. I graduated as a Distinguished Military Student, an honor. Then I was called to active duty and assigned to flight training at a base in Florida.

Q: What were you flying?

MALLEY: The aircraft was the Texan, the T-6. You probably know the Texan had a long history. Following that we were scheduled to progress to the first jet trainer, the T-33 I believe. We were training to fight Soviet-made MIGs in Korea.

Q: Did you go to Korea?

MALLEY: No. You will recall that Dwight Eisenhower was elected President in November 1952, partly on a platform of ending the war in Korea. After winning he promptly undertook the negotiations that led to the armistice several months later. So suddenly we in flight training, and many other types of training, would not be needed for the war. There was a military manpower surplus. The services began to downsize. Nevertheless the Air Force made me and several others an attractive offer — to become a regular officer rather than a reservist on active duty, continue flying, and have a career in the Air Force. Or otherwise be reassigned to complete my two year active duty obligation. I had to make a choice. I had never considered being a career military man, although it was not a bad profession. But I was only turning age 22, and by this time my heart was set on going to graduate school after active duty with help of the GI Bill. I felt it was too soon in life to be making such a basic career decision. So I declined the offer. It was a very difficult decision.

I was reassigned as a public relations (PR) officer, which fit with my academic background, to an administrative unit in New York City no lesManhattan! I publicized the Air Force by placing stories sent to me or written by me with New York newspapers and radio stations. I also helped in the administration of reserve units in the area. From training to fight in Korea to PR in Manhattaa remarkable change!

Q: How did you find life in New York City?

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MALLEY: Oh wonderful. Manhattan was a wonderful place in the 1950s, particularly for a young officer with a family. Men in uniform were greatly respected then. And as a PR officer, I got free tickets to many thingplays, concerts, sporting events. It may be the best job I ever had! [Laughter]

Q: You were there from when to when?

MALLEY: Oh, from early 1953 until I left active duty in the fall of 1954. Actually I didn't leave the Air Force because I volunteered to transfer into the active reserve. Subsequently I attended military intelligence schools and became an intelligence officer. I had interesting and rewarding reserve assignments for many years while in graduate school and the Foreign Service, including with the Strategic Air Command (SAC) and in the Pentagon. Then, when stationed in Zaire during another period of military downsizing during the Nixon administration, I was transferred to the retired reserve. I am now a Major on the Air Force Reserve Retired List. I am retired from both the military and the Foreign Service.

Q: You got the GI Bill?

MALLEY: Yes, and it was a tremendous help, essential even. Finally I didn't have to work to finance education.

Q: Where did you go and what did you take?

MALLEY: My horizons had continued to expand. I had decided on an international career, and had settled on economics as a primary field of graduate study. Economics was a broad field that could lead to careers in government or business, and also journalism, which I had not yet abandoned. And I had also decided to do something unusuastudy abroad, in a non-English speaking country. I did much research on this while in New York City, contacting many European universities. I eventually settled on the prestigious "Institut universitaire de hautes etudes internationales" (University Institute of High International

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Studies), part of the University of Geneva in Switzerland. Founded in 1927, it was the world's first ever graduate school of international affairs. I applied and was accepted.

Q: And of course your French kicked right in?

MALLEY: Yes, French was the primary language, but courses were also offered in English, German, and Italian. One could study, research and write papers in all those languages. It is generally the same today.

Q: So you went to this school to get a Master's Degree? For how long?

MALLEY: The equivalent of that, yes. For one academic year.

Q: How did you find the course of instruction?

MALLEY: Wonderful and different. There were only about 50 or 60 students, mostly European plus a handful of Americans, Israelis, and Japanese, studying for graduate degrees. There were required courses in one's field of concentration international economics in my case and requirements and electives in politics, history, and international law. Every course was taught at a mature, graduate level. There was constant interaction with the faculty. I remember in particular Professor Rappard, a veteran of the League of Nations and one of the founders of the school, and Wilhelm Roepke, an Austrian free market economist. Much research and preparation of papers was required.

Q: Was this is your first real time abroad, other than Canada.

MALLEY: Yes, yes.

Q: How did you and your wife adapt to this?

MALLEY: We adapted well. Initially I went alone with a friend who was going to the same school. I rented an apartment in Geneva, and Rita and baby Keith joined me a month or

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two later. She briefly had cultural shock, but then adapted beautifully, as she always did later at other posts. She spoke some French — her father's family was from Quebec, so she grew up hearing the language and studying it.

Q: What was Switzerland like when you were there?

MALLEY: It was still recovering from World War II. Although it had not participated in the war directly, it had been greatly affected. Lots of things were still a bit run down and some goods not available in quantity. But it was and is a place that functions amazingly well. And is physically beautiful. Of course you have that overcast, wet, gloomy central European weather all the long winter and early spring. But that can be an advantage that encourages one to stay indoors and study! And we purchased an old car and visited neighboring countries when time permitted.

Q: You were finishing this, in '53? What happened afterwards?

MALLEY: Yes, early summer of 1953. Well, this colleague I mentioned met a girl at the university and married her at the American cathedral in Paris at end of the school year. I was best man. She was from a well-off Hungarian family that had fled to France to escape communism. Her parents owned a small villa in a Paris suburb which was unoccupied. So with them, we spent the summer there. I took some easy courses at the Sorbonne and otherwise explored Paris.

My plan was to cap my formal education by continuing graduate school under the GI Bill in the United States and earn a Masters before seeking professional employment. I applied to top schools the Fletcher School of Law and Diplomacy, Yale's international school, and the Russian Research Institute at Columbia and was accepted by all of them. I decided on Fletcher because, given my studies in Geneva, I could earn the degree in one year rather than the normal two, and also we would be near family.

Q: How did you find Fletcher?

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MALLEY: Top grade. Small like Geneva; my class was only 50 students. Challenging and difficult. Close ties with the professors. I did well at Fletcher and earned the Masters Degree in one year. Then I was awarded a William Clayton Research Fellowship in International Economics to stay for a second year and complete my PhD course requirements. The fellowships honored Clayton, who had been a key U.S. diplomat during and after World War II, involved in numerous economic matters including creation of the General Agreement on Tariffs and Trade (GATT). I got A's in every course during my two years at Fletcher. In retrospect, I find that rather remarkable. Later I passed the PhD oral examination, but I never completed a dissertation due to the pressures of work and family and because it was not necessary for my career. It is necessary only for those pursuing an academic career. I am a PhD ABD, all but dissertation.

Q: Well, what areas of study?

MALLEY: I concentrated on international economics, finance, trade, and development. But I took courses in history, political science, and law also. You may know Stu, that Fletcher is a small school located on the campus of Tufts University and run with the cooperation of Harvard. Some faculty is full-time, but other well known professors visit Fletcher from neighboring institutions such as Harvard, MIT, Brandeis, and Boston University to teach their individual specialties. Students can take courses not only at Fletcher, but also at Tufts, Harvard, and other places. In addition to Fletcher, I attended courses at Harvard, including lectures by Galbraith on economics and Kissinger on international politics. Fletcher professors I recall include Halm on finance, Bartlett on diplomatic history, and Gross on international law. Fletcher also had joint programs with other school with Harvard Law for example, and now even with the school in Geneva from which I graduated.

Q: You ended up in development? Actually development was a fairly new word and world at that time, wasn't it?

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MALLEY: Relatively, yes. Of course the Point Four program with Greece and Turkey and the Marshall Plan were foreign aid programs provided to help combat Soviet expansionism. From them grew the economic and social development programs of today. At Fletcher I studied under Charles Poor Kindleberger, a veteran of the Marshall Plan and expert in development as well as other aspects of international economics. He wrote textbooks on economic development and international economics. As part of my doctorate studies at Fletcher, I worked under him editing drafts of sections of his books, and also drafted a few parts myself on the concept of the optimum tariff for example. Actually Kindleberger was an MIT professor who visited Fletcher to give courses. I spent much time at his offices at MIT, not far from the tenement house where I had lived as an infant!

Q: As you were working towards a PhD, what were you thinking of doing?

MALLEY: International work of some kind. Practical work in government or business, not academia. And making some money was an objective we were still poor. I had some time earlier dropped the idea of journalism because of the negativity of news, the notorious low salaries, and the fact that one is reporting on what others are doing rather than accomplishing things oneself.

Q: So what happened?

MALLEY: I was in demand. I passed the Foreign Service examination and State offered me an appointment. The Central Intelligence Agency (CIA) invited me to Washington and offered me a good job. And some companies were interested in me. I had lots of pros and cons to weigh. Finally I decided to join Texaco Oil (named The Texas Company at the time), one of the massive companies that controlled the world's oil and gas. Why? Texaco offered me almost twice the salary that State and CIA did — \$7,500 a year to start as I recall, a decent sum in those days, and also promised me interesting, substantive analytical assignments. I could start immediately, and not have to wait for up to a year to

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join the next Foreign Service or CIA class. And Texaco was located in Manhattan, in the famed Chrysler building.

Q: How long did you work for Texaco?

MALLEY: About four years. I was located in the finance department of the company, and more specifically in the economics division of that department, on the international side. I was an energy and industrial economist. There were about eight or 10 of us working on international problems. Warren Wilhelm was the boss, Tor Meloe his deputy. Analysts I recall are Bill Halliger, Frank Lanou, and Jim Bish. My specialty, occupying perhaps half my time, became five to 10 year forecasts of demand for oil and oil products in Free World countries. Products such as gasoline, heating oil, bunker fuel, jet fuel, lubricants, and petrochemicals. I had to keep abreast of the economies and energy needs of Free World countries to make these forecasts. I enjoyed it.

Q: Where was Texaco getting its oil from in those days?

MALLEY: From fields both in the U.S. and abroad.

Q: Was it mostly Texas?

MALLEY: Yes, Texas, and also Louisiana and Oklahoma. And from Venezuela and the Middle East. Texaco owned 30 percent of the Arabian American Oil Company (ARAMCO). This was before the Saudi Arabian government nationalized ARAMCO.

Q: Ray, my second Foreign Service tour was in Dhahran. I was the economic officer there, which sounds a lot fancier than it was. I was basically taking ARAMCO's figures and sending them back to the State Department.

MALLEY: Interesting. I got involved in many other analyses. For example, where to locate new oil refineries at the oil fields, near the major markets, or somewhere in between. Or, whether or not to transport crude or products by tankers or to build pipelines. And whether

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to use our own tankers or charter (that is, rent) them. There are numerous variables to consider in such analyses, as you can imagine.

Q: Was that the heyday of Greek ship owners, for example Onassis?

MALLEY: Yes, he and Niarchos and others. But it is often the heyday for them, isn't it? It's an up and down business. They are probably doing very well right now.

Q: Did you pick up any of the international reverberations in Texaco at the time? Nationalizations, world unrest.

MALLEY: Oh yes, there were continuous international problems that had to be taken into account. For example, Fidel Castro came to power in Cuba in 1957. One of his biggest nationalizations, perhaps the biggest, was Texaco's large, modern refinery in Santiago. We had to decide how best to compensate for loss of this refining capacity and meet our obligations to customers. And the aftermath of the Suez crisis of 1956 created numerous transportation problems.

Q: How did you get your information? I imagine that New York was fertile ground.

MALLEY: Well, in numerous ways. For general economic information we consulted the usual sourcepublications, studies, conversations with university and research company experts, and queries to consulates, embassies, and international institutions. Banks and financial houses often were excellent sources of informatioas they say, "money talks." For energy and oil information, we went first to our own people at headquarters and in the field, and then to our industry associations and trade publications. Finally, we used our own experience and opinions built up over the years. Of course we had to make constant judgments while doing this.

Q: How important was Houston as a center of the oil industry?

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MALLEY: I have the impression that it was less important than today. Texas was a center of oil and gas production of course, but the overall management, economics, finance, and politics of the industry was centered in New York and Washington.

Q: Was the word "nationalization" a dirty word?

MALLEY: It had negative connotations. We felt that it was not the way to run an economy. Of course certain activities have to be nationalized, highways, the postal system. But most everything else should be left to the private sector, operating under some general and sensible rules.

Q: Were we thinking of a shortage of energy at that time?

MALLEY: In terms of a world shortage of oil and gas, no. There was constant search for new fields, and I don't recall anyone thinking that they would not be found and could not be exploited economically. But Stu, even way back then some people at the big firms were thinking ahead to other sources of energy, such as tar sands, nuclear, solar, wind, and tidal. They saw their organizations as energy companies rather than only oil companies. I personally kept up to date on news concerning these other sources for the company. Of course coal and hydroelectric had long been major sources of energy and competition to oil and gas, and nuclear was becoming important in some countries.

Q: What brought you into the Foreign Service?

MALLEY: It was the result of a telephone call from Washington in early 1961 from Mr. Joseph Toner. John Kennedy was the new President. His administration was searching for young internationally trained people with business experience to join the foreign aid program, which was being expanded as part of a strengthened U.S. foreign policy. Toner was the Secretary Treasurer of one of the two existing foreign aid agencies, the

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Development Loan Fund (DLF). He asked if I was interested to come to Washington and talk. I said yes. Soon thereafter the DLF offered me a position, and I accepted.

Q: I would think that having established yourself in Texaco, it was both a financial loss and sort of a wrench to move over to the government. What inspired you to do it?

MALLEY: It was a change, yes. We missed friends and the attractions of New York. But it was not a financial loss. I entered the DLF at a good professional level with a higher salary than I had at Texaco. I was appointed a General Schedule (GS) 13, a level above that I would have attained had I entered government four years before. And during the next three years I was promoted to GS-14 and then 15. I was a GS-15, a frequent terminal grade for career government executives, at age 33. All the staff of the DLF carried GS grades since they were based in Washington. I became Foreign Service (FS) when I was posted to Pakistan in 1964.

Anyway Stu, money had become less important to me. I was earning sufficient to pay the bills, provide decently for the family, and save some. I suppose that if I had remained in the oil industry I would have become financially well off relatively young. The opportunities to do so were great. But I found as time passed that being challenged with key assignments and serving the public good were more important than making yet more money. A life devoted merely to making money is a wasted life.

Although I was doing okay at Texaco, I had become a bit dissatisfied. I was working on matters international, but I rarely traveled. Few were promoted out of our division. Engineers and petroleum geologists seemed to be favored over economists. So I was thinking of making some kind of change when Toner called. I was ripe.

Q: You came in 1961, very early in the Kennedy administration.

MALLEY: Yes. It was an exciting time, as so many of those involved have said and written. The DLF was a small agency, not many more than 100 people, focused on financing large

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capital projects and programs such as power plants, electric grid systems, highways, railroads, mines, and factories. It had plenty of money. The other aid agency was the International Cooperation Administration (ICA), providing technical assistance. It had many hundreds of experts working on site in developing countries in public administration, agriculture, education, public health, and other fields. The Kennedy administration merged these two to create the U.S. Agency for International Development (USAID) in late 1961. It was a good move. It created a powerful, unified assistance agency under an Administrator reporting directly to the President, of course taking foreign policy guidance from the Secretary of State. During most of my career the components of our foreign policy establishment—diplomacy, foreign assistance, public diplomacy, intelligence, and the military — were pretty well balanced. Today, in my opinion, our foreign policy is too militarized.

The administration also created the Peace Corps at that time. The Peace Corps, I understood, was to be part of USAID. To give allure, and prominence to it, Kennedy persuaded Sargent Shriver, his brother-in-law, to run it. But Shriver insisted that it be a separate entity reporting only to Kennedy, otherwise he wouldn't take the job! That's the story I heard. It may or may not be true. [Laughter]

Q: What was your initial job?

MALLEY: The DLF had a central staff tracking the overall development needs of client countries and handling the budget, and several geographic units preparing and managing projects. Initially I was assigned as an economist to the central staff, with understanding that I could shift to another position once I was familiar with the organization. I became particularly attracted to the work of project officers in the operating units. So after a few months I transferred to the Far East Division as a project officer. Specifically I was given South Korea to run. Those were my first two jobs.

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Q: That must have been pretty exciting. I saw Korea in 1952 as a GI and it was absolutely devastated. I was stationed outside of Seoul. I came back in 1976 as Counsel General and there was a massive difference.

MALLEY: You see what my aid accomplished! [Laughter]

Q: Yeah — you did a pretty wonderful job! Let's talk about, in the first place, the change from Texaco. Contrast the Texaco apparatus with the aid bureaucracy.

MALLEY: Normally we think of government being more bureaucratic than private business. But it wasn't so in this case. Texaco had plenty of people and red tape. In contrast, as I said, the DLF had a relatively small staff handling numerous large and expensive capital projects and programs in many countries. Even within the new USAID, the former DLF staff continued to operate separately for a long time because we knew the capital development process and our dossiers.

When I joined the Far East Division of DLF, it consisted of a head (Bill Hayes), five or six project officers (I remember Selig Taubenblatt and Ray Love), and a small supporting staff. We were responsible for dozens of projects and programs totaling hundreds of millions of dollars in major countries such as Korea, Taiwan, the Philippines, Indonesia, and Thailand. Each project officer had considerable responsibility, and was given great latitude and freedom to operate. He was expected to do the right thing without much supervision. This was particularly true during my first two or three years. After time the USAID system became more bureaucratic, with more levels and controls. Not surprising I guess.

Q: How did you see the situation in Korea at the time?

MALLEY: Well, a country recovering from the Korean War, and moving up rapidly. And receiving great help from our very large assistance program. Regarding capital projects, I recall inheriting a portfolio of about 15 projects totaling in the neighborhood of \$60 million. We authorized several commitments totaling that amount or more during my tenure.

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Projects financed included electric power plants, telecommunications facilities, roads, mining activities, chemical plants, and loans to a government reconstruction bank for onward lending to small businesses. At the same time, the ICA and then USAID had hundreds of advisers in the country providing technical assistance to many sectors of the economy.

It might be useful at this point Stu, to describe how typical foreign aid projects were, and presumably still are, handled. There was a team responsible for each one. The leader was the project officer. Sometimes the title of this individual was different when I joined, the term capital development officer was used, and at other times the term loan officer has been common. But I think project officer best describes the job, and that is what I will use in our discussions. Working with that person was an expert in the type of project being financed: a civil engineer for a construction project, agronomist or irrigation expert for an agricultural project, public health expert for a health project, and so forth. And there was a lawyer. For some projects there might be additional expertise.

I will give an example of one of my private sector projects in Korea. Two Korean brothers running a small contracting business had been given by their government an old, run down ex-Japanese cement making plant. They wanted to rehabilitate and modernize it. But they knew nothing about cement plants and lacked the U.S. dollars necessary to hire American cement expertise and purchase new equipment. So with approval of their government, they approached USAID for help — in fact, they appeared in my office in Washington one day. I put together a project team, and we assessed the project from various points of view: economic, financial, technical, and legal. We came to a favorable conclusion, and wrote the necessary project paper recommending a loan of \$2.5 million to permit the company to finance contracts with a cement consulting firm and suppliers of equipment. It was approved by USAID's top loan committee. A loan agreement describing the respective responsibilities of the parties was negotiated and signed. Then implementation commenced. The brothers and our team worked together to solicit bids for the consulting advice and equipment, place contracts with the winning firms, and go to work at the site.

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Less than a year from start of the process the plant opened. The project was a success. We extended the company a second loan to expand the facility, which became one of the largest in the world.

Stu, now I want to give you a surprise. The Korean brothers I have just been talking about were the famous Chung Ju Yung and Chung In Yung, and their little company was called Hyun Dai. It grew rapidly, and is now one of the largest business groups in the world, a great contributor to Korea's tremendous economic success. It is very satisfying to have played my little role in the success of the company and the country.

Let me clarify a bit more how foreign aid is extended. A project loan is for a discreet activity, like my cement plant example. Other examples of discreet undertakings are a power plant, a road, a series of medical clinics, and the like. There are also non-project type loans that carry various names. So-called sector loans are made to assist a broad sector of the economy, seeds, fertilizers, and other inputs for the agricultural sector; training of midwives and nurses for the medical system; imports for the private business sector, and so on. Loans to development banks for relending to small and medium sized businesses are common. So are large loans to governments to finance a wide range of imports these are called program loans, commodity import loans, and balance of payments loans. The broadest types of loans are cash contributions to fill gaps in the total national budgets of countries. So, there are various types of loans, with purposes and titles and that are often undistinguishable from one another at the margins. For every type, teams such as I described for project loan consisting of a lead officer, a technical expert, and an attorney — are set up and made responsible. The team vets the proposed activity, writes a paper with recommendations, then implements the activity if it is approved.

Stu, I have been using the term loans in my explanations above. But much of our foreign assistance was and is provided by grants, not by loans that is, there are no repayment requirements. Whether loan or grant however, the team approach is used. Obviously grants are better for the receiving country they are the ultimate in concessionality.

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Further, it is very important to understand that the U.S. almost always attaches requirements and conditions to our foreign aid. We are not “suckers,” as unfortunately so many of our countrymen think. There are always strings attached. And not just loan repayment terms. I am referring to requirements and conditions that we feel will make the activity we are supporting more efficient and productive. We rarely finance 100 percent of anything. In the Hyun Dai cement plant case, we required the company to fund the local labor, buy what equipment they could on the Korean market, and improve the access roads. We financed primarily the dollar costs of American advisors and machinery and equipment.

Such division of costs is typical in projects. In a road project for example, the local group might finance the acquisition of the right of way, relocation costs, and local contractors, while USAID funds American design and supervisory engineering services and the import of heavy construction equipment not available on the local market. In a sector loan for agricultural inputs, we might require that the sale and distribution of seeds, fertilizers, and the like, be through private channels rather than the government. Commodity import loans often contain macroeconomic conditions, like the reduction of administrative impediments to trade and the improvement of port and distribution facilities. There are always serious negotiations between us and the proposed recipients to get such requirements and conditions agreed. They are included in legal agreements that consummate the deals, and made more precise and explicit in periodic so-called implementation letters. If proposed recipients do not agree to requirements and conditions that we want, we do not proceed with the assistance. Existing loans and grants often have been held up if the recipients are not meeting their end of the bargain during implementation. And assistance has sometimes been cancelled in serious cases.

Stu, I hope all this is clear.

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Q: Well, complex but clear. How responsive did you find the Korean management and the Korean government?

MALLEY: Well, very enthusiastic and responsive. Not necessarily very well trained, but quick learners. And working all the time, as you know from your service. If they knew zero about a topic, it was not for long. After a time they knew a lot about it. [Laughter]

Q: Koreans are a pretty remarkable people. Did you feel, compared to some of your colleagues who were working elsewhere, that you were dealing with a particularly responsive nation?

MALLEY: Yes, very much so. Wanting to get ahead, liking the USA, and knowing they needed help. They are surrounded by big neighbor Japan, China, and Russia. And there is the menace of North Korea. I have always been impressed by the social cohesion of the people. If they have an opportunity to do something, they do it for themselves and their family, but also for the people and nation. They are not selfish. But I suppose some of that spirit has dissipated with the passage of time and accumulation of wealth.

Q: Were you concerned with bribe payments or the equivalent? That is a way of life in that whole area.

MALLEY: Yes, we were on the lookout for that sort of thing. USAID had various controls set up to prevent it, plus auditors and investigators. And we channeled most aid funds through well-known American banks. Overall, during my career, I came to believe that not much stealing or diversion of funds took place in aid-financed projects and programs. Every country, even the poorest, accumulates some funds of its own. If leaders want to steal, they steal from their own funds, not from those of aid donors. It is easier to do.

Now I have to mention some exceptions. The major one is humanitarian assistance to provide relief to victims of catastrophes. Such assistance must of necessity be provided quickly. Normal rules often have to be skirted, and controls limited. During such

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emergencies, portions of foodstuffs, medicines, blankets, and the like, can be siphoned off by non-victims and used or sold. Another area in which to be wary is loans to governments to support imports by private business; local officials can be tempted to steer licenses to use the dollars to favored companies for kickbacks.

Q: Korea and Taiwan, you know, are two countries which are extremely oriented toward hard work and have done very well. You put them on something and things happen. With the Filipinos and Indonesia it is different.

MALLEY: It is due both to their philosophy of life and experiences. Life has been difficult for Koreans and Taiwanese in recent generations. There is a great desire to achieve. And great respect for education — the number one desire for parents is to get their children well educated. Achievement and education do not have that priority in many other parts of Asia.

Q: I remember in my counselor work, a young Korea woman came and said, “My brother has two offers for graduate education in the United States. I wonder if you could tell me which would be best?” I asked about the two offers. She was very humble. She said one was from M-I-T and the other from Caltech. My god! [Laughter]

MALLEY: I think data shows that Korea has more PhDs per capita than any country in the world, many of them in engineering and the hard sciences. Actually I worked on Korea, and on Taiwan and Indonesia on occasion, for only a year or so. Then I was promoted and transferred to USAID's Near East and South Asia Bureau (NESA), in charge of all capital projects in India, Ceylon, and Nepal, called the ICN countries. For the first time I had a small staff. Bill Gaud was head of NESA; I believe that later he became Administrator of USAID. Professionals I worked with included John Ulinski, Ted Lustig, Alex Vagliano, Rodney Wagner, and Paul Furstenburg. The first two remained USAID careerists. Vagliano and Wagner returned to where they had come from, JP Morgan. I heard that Furstenberg left to help manage Princeton's endowment.

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Q: Let's talk about the big one, India. What were we doing there?

MALLEY: It was a much larger program than Korea, the largest in the world at the time. Diverse and complex. I believe that almost \$2 billion had already been committed in loans and grants, and others were under review. We committed about a billion dollars a year more during my tenure.

Very important were commodity loans. Indian businesses and public entities often had rupees, but could not exchange them in sufficient amounts at banks for dollars and other hard currencies to finance all their import needs. Many countries had this problem you will recall the term "dollar shortage." So DLF and then USAID loaned large sums of dollars to the Indian government annually to finance imports for particular sectors of the economy. The Indian government would provide licenses to public and private sector entities to finance imports with our loan dollars, under our general supervision. Hundreds of millions of dollars financed steel and other commodity imports for private and public businesses. Power generating companies and railroads also received large amounts, as did the agricultural sector. These loans were repayable by India to the U.S. on concessional terms, say over 15 or 20 years at four or five percent annual interest.

We also made loans for individual projects in the fields of electric power generation and transmission, roads, factories, and banks. I personally negotiated a loan to the government for use by the industrial group Tata to purchase stamping equipment from American suppliers for the pressing of bodies for the ubiquitous Ambassador automobiles. This loan or these loans, since there may have been a second later, was made using a special three party (or tripartite) lending technique, devised to avoid giving subsidies to private companies. USAID, the Indian government, and the company signed the loan agreement. We loaned dollars to the government under favorable repayment terms something like a 15 or 20 year repayment period at three or four percent annual interest. The government then reloaned the dollars to Tata at the existing normal commercial rates on the Indian market something like six or eight years to repay at seven or eight percent interest. So the

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Indian economy received foreign aid benefits, and the company the dollars it needed to pay its American suppliers.

Another important loan I recall was to the Industrial Credit and Investment Company of India (ICICI), a government development bank, for relending to small and medium sized businesses. USAID made a series of such loans to ICICI over the years.

Separate from my operation were the numerous technical experts working on site in India. They were directed by Carter Ide, a well known aid personality. Many were active in agriculture, assisting India in the successful increase in crops production and yields that came to be called the Green Revolution. Seeds, fertilizers, and other inputs to support this work were financed from our commodity import loans. We also provided large quantities of food aid to India under the Public Law 480 (PL 480) program, called Food for Peace. The Ambassador himself, Kennedy's friend Kenneth Galbraith under whom I had studied at Harvard, took a personal interest and provided advice regarding our assistance to agriculture. He had started his career as an agricultural economist.

Q: How did you find dealing with India? It was known for its huge bureaucracy, socialism, and controls.

MALLEY: It was new for me, studying five year plans all the time! But it was our senior State and USAID diplomats and economists who had to deal most with that overall problewhich one might call the macroeconomic side. They would continuously push the Indians in the direction of less red tape and a more free market economy, with only marginal success. And each year they would reach an understanding on the overall level of aid that we would consider, some for technical assistance, the larger portion for capital projects and programs. Then it was my turto turn the macro into micro, that is, into practicality. The Indian development and financial authorities would present projects and programs from their plan for us to consider financing. Some we would be very interested in, others not. We in turn would express interest in some in their plan that they had not

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presented. It was give and take. For those we decided to consider, we put together project teams to do the assessment work, as I described earlier. Papers would be written and a certain number of projects and programs eventually approved. Some of them were similar from year to year, such as commodity import loans. Others were different. It was a continuous, rolling process. The Indians also were presenting projects and programs for consideration to the other aid donors, bilateral and multilateral. And many projects in their plan they elected to finance from their own budget.

Q: While you were doing this, India and China went to war up in the Himalayas. We came down heavily on the side of the Indians. Did you get involved in that at all?

MALLEY: Of course we followed it closely. But I don't recall that it affected our aid program. At my level we were dealing with ministries and departments that wanted our assistance, and the experts responsible for carrying out the projects. So naturally they were friendly and cooperative. I don't recall any political disputes.

But I do want to mention two other matters of importance. One is our involvement in the division of the waters of the great rivers of the subcontinent between India and Pakistan. The other is our participation in the financing of a nuclear power plant for the Indians.

The rivers of greatest concern in the western part of the subcontinent were the five that flowed from India into West Pakistan and the mighty Indus, namely the Jhelum, Chenab, Ravi, Beas, and Sutlej. In the east were the Ganges and Brahmaputra flowing from India into East Pakistan. It was essential to assure Pakistan a reasonable share of these waters. India recognized this. So soon after partition the United Nations, World Bank, Britain, the U.S., and perhaps others, assisted the two countries in negotiation and conclusion of complex agreements on water sharing (how much would Pakistan get, at what times of year, under what conditions, etc.), and the planning of dams, diversion channels, canals, and irrigation works necessary to carry them out. The U.S. along with other aid donors agreed to help finance much of the infrastructure. We made large loans to both countries

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to fulfill our commitments. When I arrived on the scene, the loans and construction work by contractors were well underway. There were no particular problems. We routinely monitored the progress and approved periodic payments to the contractors and suppliers of equipment. And also made site visits and wrote reports. I made one to dams and channels we were financing in and north of the Punjab in 1964. It was the last trip I made to India before leaving for Pakistan.

Q: How was that working? Water is a matter of life or death. Did they work well together?

MALLEY: Yes. The new country of Bangladesh assumed the commitments involving East Pakistan when it became independent. The three countries have had many major disputes and wars over the years, but not concerning these waters and the agreements. My impression is that they have worked remarkably well.

Concerning the nuclear power plant, one day in May of 1964 I was called urgently to the office of the Administrator, who I believe was Bill Macomber at the time. Top brass of USAID and State were there. They explained that the White House wanted to assist India with the peaceful use of nuclear power, and as a key part of this to consider funding a large nuclear power plant that the Indians wanted to build at a site called Tarapur on the coast north of Bombay. "And you Malley, are the project officer." I had to assess the project in the usual manner, write the documents, make a recommendation (which presumably would be affirmative), and explain and defend it before the usual committees plus the Congress if necessary. Upwards of \$100 million was being set aside in the current year foreign aid budget for the project. Most telling, I had to do all this and have the funds authorized before end of the government's fiscal year on June 30 (the end has since been changed to October 31), otherwise they would be lost to USAID and revert to Treasury. I would temporarily be relieved of all other duties and provided all the support I requested.

Then began a whirlwind six weeks. My expert was a veteran electric power engineer named Art Viereggs. But he knew little about nuclear power, and I knew less. We had

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to learn fast. We contacted and were briefed by the two major companies in the field, General Electric and Westinghouse. We visited some of their production factories. Then we went to India for briefings and a visit to the site led by Dr. Bhabha, head of the country's nuclear activities. We assessed all aspects of the project. We negotiated terms and conditions with the Indians. One of the most important was that the Indian power authorities agree to connect the Maharashtra state electric power grid, of which the Tarapur plant would be part, with an existing grid in Poona and further south. We consulted with our own Atomic Energy Commission (AEC) and other U.S. government expertise. We wrote the documents, making a positive recommendation for a loan of \$83 million to finance expertise and nuclear plant equipment and fuel for the project from U.S. suppliers. The Indians would fund the local currency costs. We explained and defended the project before the usual committees, and the loan was authorized a day or two before end of the fiscal year. I believe that it is the only time that the U.S. has ever provided foreign aid for a nuclear power project. Subsequently I and my successors implemented the loan successfully.

Q: Was anybody raising concern about weapons?

MALLEY: Yes, that came up immediately, and a portion of my project paper was devoted to it. We negotiated a promise from the Indian government that the facility we financed would never be used for nuclear weapons research or production. I believe that they gave this to us in writing. And we insisted that our own AEC support the deal, which it did. AEC staff also helped us respond to questions. Many questions and criticisms came from Congress, especially from people concerned with nuclear proliferation. After the loan was authorized but before implementation started, I talked and testified on the Hill regarding the project, as did the Administrator, Bill Gaud, and State and AEC officials. The Commerce Department did also strongly supported it on grounds that it opened up a new market for American nuclear equipment suppliers.

Q: Very interesting. Meanwhile was there much going on in Nepal?

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MALLEY: Nepal was and is a key country because of its location. USAID was providing technical assistance in a number of areas. And I recall that we had made a couple of loans for transportation and support to small businesses, and had others under consideration.

There was also a matter of human interest concerning Nepal. During part of my tenure, some of the USAID and Embassy people in Kathmandu seemed slow and not fully responsive to our telegrams and requests. That was when telephones were impossible, and telegrams were the method of communication between Washington and Kathmandu. So I visited Nepal when on an inspection trip to India. You will recall Stu, how Western people often create their own entertainment when assigned to non Western countries. That is what some of the Americans, British, Canadians, and others were doing they were involved in preparing a full-scale production of the hit musical *Kismet*. They even had the poet laureate of Nepal playing the poet in the play! I actually saw it while I was there it was very good. But it appeared to have consumed excessive priority and time for months, as well as leading to romantic entanglements between some cast members. Life and Love in the Foreign Service, as they say. I felt that the inadequate responsiveness of our people could be related to the play. I so mentioned informally on return to Washington, and some changes ultimately were made.

Now I am not a prude. I am not criticizing creative entertainment and activities in difficult posts. They are healthy. I was involved in some during my service, as we may discuss later. Perhaps you were also. But there must be a sense of proportion. Work comes first.

Q: Wow. Actually yesterday I was playing music from Kismet! What was happening down in Ceylon, later renamed Sri Lanka?

MALLEY: Nice people, friendly people. I don't recall that there was the violent conflict between the majority Sinhalese and the Tamils that exists today. We had loans in the fields of transportation and irrigation systems among others, and they seemed to be moving along routinely. I didn't spend much time on Ceylon. One of my staff handled it.

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Being a Commonwealth country, I believe that Ceylon was also receiving considerable foreign aid from the British and Australians.

Q: We ended up with a huge surplus of rupees in India. Did that built up during your time there?

MALLEY: Well, before, during, and after my time. These rupee accumulations resulted primarily from our very substantial food aid to India under PL 480 agreements. The food was sold on the Indian market, not distributed for free. But the resultant rupees were not released into the economy because that would play havoc with the country's fiscal and monetary policy, especially by stimulating inflation. Instead they accumulated in a special jointly-controlled account. A portion often 15 percent as I recall was set aside to fund U.S. government local currency expenses, such as running of the Embassy, USAID, and the like. I believe that most of the remainder was ultimately written off by the two governments. This problem existed in other PL 480 recipient countries also. In both Pakistan and Zaire, my next posts, I was able to use some of our portion to support local projects like village schools and clinics. I don't know if this was done in India.

Stu, the U.S. also accumulated rupees and other currencies, and perhaps still does, from program and project loans we made repayable in local currencies. These funds built up relatively slowly over long periods of time, and I have never heard that they cause important problems. Our Treasury probably finds good use for them.

Q: How long were you working on India, Ceylon, and Nepal? From when to when?

MALLEY: A bit more than two years, from 1962 to 1964. I was posted to Pakistan in the fall of 1964.

Q: Okay. We will end this session now, and pick up later when you are off to Pakistan.

MALLEY: Fine. It has been a long session.

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Q: Today is March 22nd, and I resume the discussion with retired FSO Raymond Malley. In 1964 you are off to Pakistan. What did you do there and how long did you stay?

MALLEY: Recall that the DLF and ICA were merged to create USAID. But as in most mergers, it took time for the two to be fully integrated. DLF staff continued to work relatively independently for quite a while after the merger; we were handling big sums of taxpayer money, and the new authorities did not want to hinder us in doing this. But real integration had to come. Take the case of India. I was in Washington with a small staff responsible for all capital projects, while Carter Ide sat in Delhi managing hundreds of technical advisors working around the country. We seemed like two separate organizations. To rectify such incongruities, top management decided to transfer substantial capital projects capability from Washington to the field, pulling all assistance together in USAID missions under mission directors with significant operating freedom and authority. It was in this context that I was asked if I would like to be assigned to Pakistan to manage assistance operations. I agreed.

I believe that the U.S. foreign aid program in Pakistan at that time was the most complex in the world. Financially it was large and getting larger, I think second to India in quantity, but much larger on a per capita basis. It had many hundreds of employees direct hire, contract, and local national. And management was most difficult because the country was divided into two separate parts, West Pakistan and East Pakistan, with a hostile India in between. Programs in three other countries also were prominent Korea, Turkey, and Brazil. All together they were sometimes referred to as the Big Five. I worked on three of them.

The Pakistan mission had a director, deputy director, and four assistant directors. The director when I went there was Don MacDonald, but he soon left for Vietnam to take charge of non-military assistance and reconstruction, working alongside the military commander General Westmoreland. MacDonald later managed the successful resettlement in the U.S. of tens of thousands of refugees from the Vietnam war. Maurice Williams succeeded him as director. Williams somehow was close to President

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Ayub Khan, and was an intermediary between President Johnson and Khan, with the ambassador's knowledge of course. Later he became Administrator of USAID. Bill Kontos followed him as director. The four assistant directors were responsible for program, operations, finance (controller), and administration. During much of my time, Jack Robinson handled program, Tom Blacka was controller, and Harry Carr was assistant director for administration. I was assistant director for operations. I was not so when I went out, but assumed the position when the individual in it was reassigned.

We were all located in West Pakistan. In East Pakistan we had a staff organized in somewhat similar manner, headed by an officer equivalent to another assistant director, dealing with the provincial government. Because of difficulty of communication, we delegated considerable authority to that staff.

Ironically Stu, I lived in three different cities within PakistaKarachi for about two years, Lahore for one, and Islamabad for two. This happened because the government was transferring the capital from Karachi way north to the new city of Islamabad. The embassy and USAID mission were in Karachi when I arrived because the government was still there. When the ministries of government with which we dealt, such as foreign affairs and treasury, moved north, many of our people followed. But not all, because there was not enough office space or housing in Islamabad or the adjoining city of Rawalpindi to accommodate everyone. So most of the USAID mission, including my office, plus some other U.S. elements, moved to Lahore, almost 200 miles south of Islamabad. About one year later we transferred to Islamabad. The rest of the diplomatic community accredited to Pakistan had similar problems and found varying solutions.

Q: How did you get along with the directors?

MALLEY: Fine, although I was much younger and less experienced in the aid business than the rest of them. The mission directors let me run my show. I understand that some people had problems working with Williams, who was a no-nonsense guy, but I never did.

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Q: You had dealt with India. Now you were in Pakistan. How was the situation between them at the time?

MALLEY: There was a lot of tension in Pakistan from various sources. Politically within the country because of the continued oscillation between military and elected civilian governments. And also the continuous tension between west and east because the peoples were so different. Religion was their only unifying force, and ultimately that proved not enough and Bangladesh was born.

Then there was the continuing tension with India, involving Kashmir, other boundaries, and various other matters. There was one war between the two while I was there tank battles in the Punjab, dogfights over Karachi, and so forth. We suspended our aid program at that time. And a few other times too, when we felt that the Pakistanis had veered too close to communist China. But we always started up again after reaching some kind of political agreement.

Finally, Pakistan was and remains a poor country, so there were the continued worries and tension that come with poverty. That is what we and other donors were addressing with our aid programs.

Q: Describe your assistant director office.

MALLEY: Well, USAID had a very large program and a very large mission. When I arrived, there was a portfolio of perhaps 50 to 60 individual loans and grants totaling two to three billion dollars. During my stint we probably made more than that number of new commitments, at a rate of about \$600 to \$700 million annually, or over three billion dollars total. These were in the form of commodity import programs, projects, technical assistance agreements, and PL 480 agreements. The commodity import and PL 480 commitments normally were made in big annual chunk up to \$100 million at a time. Project loans and technical assistance took longer to complete two to five years on average. Of course there

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were always some programs and projects terminating even while new ones were being made.

The total staff of the mission fluctuated between 300 and 400 people. This included Foreign Service officers and staff, other U.S. government personnel on detail, contract personnel, local staff, and support personnel such as clerks, drivers, security guards, etc. In Karachi we occupied a building complex some miles from the embassy; in Islamabad we were closer to the embassy but still separate. Some of our personnel, especially those providing technical assistance, were located in other parts of the country.

There were between 60 and 80 people involved in my assistant directorship for operations. Project officers, financial experts, engineers, public health experts, educators, and other professionals, plus support staff. I remember some of the Americans. Ken Greiner, Fritz Moenninghof, Mike Speers, and Scott Rutherford were project officers; the latter was my top man in East Pakistan. Paul Dent, Don Schlick, and Jim Cassanos were some of the engineers. Leon Hesser and Irv Headrick were agriculture officers. Les Burgess promoted private enterprise development. Gilbert Lane was a financial markets expert, Bill Boynton a public health doctor, Tony Lanza a professional educator, and Paul Franklin a senior police official. Some were career people, others on contract. Some were veterans, others relative newcomers. Of course they were not all at the mission at the same time. There was periodic turnover, coming and going. But there was little turnover among the local staff for their country, they had good jobs. We also worked closely with mission attorneys (Nick Angell and Rod Heller), economists, programmers, auditors, translators, and others in other parts of the mission. And with embassy economic officers (Bill Krason for example) and commercial and public affairs specialists. The latter frequently publicized our projects and activities in the local media.

I was a manager now, no longer much engaged in the details of individual commitments unless there were major problems. I divided our existing portfolio and proposed new undertakings among the officers, then oversaw their work. I reviewed and sometimes

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reworked their documents. I went on inspection trips. I wrote periodic reports on overall progress and problems for the mission director, the embassy, and Washington. I was a member of the mission director's top team, and sometimes attended country team meetings with him. I spent much time keeping the director's office, the ambassador's office, and Washington happy. And I had frequent meetings with officials of the Pakistani ministries and operating agencies with which we dealt, and with representatives of the other aid donors.

One might ask how senior USAID officers such as myself could be effective going from one complex assignment to another in such short periods of time — in my case from Korea to the ICN countries to Pakistan in only three years. Wasn't that inefficient? Were the tenures long enough to digest and manage portfolios effectively? Were we handling the taxpayers money well?

I believe that during my career we were very effective, handling the portfolios and money well and responsibly. USAID's senior officer corps in those days was enthusiastic and experienced, worked long and hard, and was periodically replenished. And we had great support. Especially important were the permanent staffs that worked under the local nationals abroad and the GS types in Washington, both professional and support people. They usually stayed in their jobs for 10 years, 15 years, whole career providing great continuity. Also of importance were the portfolio files maintained by support staff. For project loans, for example, there was a unified worldwide file system. Each file contained background information on the pertinent economic sector; feasibility or other studies of the project; the project paper; the loan agreement; letters that implemented the agreement; invitations to bid, bids received, assessments, and contract awards; periodic progress reports; site visit reports; letter exchanges and notes; audits; and yet other pertinent material. An experienced officer could arrive at a new post, study the files, talk with American and local people implementing the projects, visit the sites, and be marginally up to snuff relatively quickly. We also profited from the knowledge and talents of other

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U.S. personnel in country, especially embassy economic and commercial officers, and of course from professionals in Washington.

It is not the same now. The whole civilian side of the U.S. foreign policy establishment has been downgraded and short changed in the last 30 or more years. Less prestige, low budgets, cuts in personnel. Graduates of our top schools of international affairs gravitate more to investment houses and consulting firms rather than the Foreign Service. And regarding foreign aid, administrations have created other spigots of delivery, thus diluting USAID's primacy. In some countries the U.S. military is engaged in reconstruction and development work that used to be the province of USAID.

Q: Let me ask you the following before we get to the actual projects. I was never in a country where the USAID program was going full blast. But I heard from Foreign Service colleagues that USAID people got better allowances, better housing, better cars, etc. Was there this sort of discrepancy between the two groups at that time in Pakistan?

MALLEY: Oh, I don't know. There was always some griping from somewhere. I didn't pay much attention to such things. It is true that in Pakistan our mission had one of the top administrative managers anywhere in Harry Carr. He seemed to provide very well for us. On the other hand Stu, we had a gripe to embassy officers were invited to more diplomatic receptions and parties than we were! Maybe it all balanced out. [Laughter]

Q: Let's talk about East Pakistan first. What sort of things were we doing there, and was there a problem working out of West Pakistan?

MALLEY: We had widespread operations in East Pakistan. Some of them were unique to that part of the country, others were the east's share of Pakistan-wide operations. Very important were projects to plan and build small dams, diversion channels, and embankments to control water flows and flooding. Bengal is basically the delta of the vast Ganges and Brahmaputra river systems, and there are strong annual monsoons, so water is everywhere and often wrecks havoc. Interestingly though, irrigation is needed

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for agriculture during parts of the non-monsoon seasons assisted in that. We also had projects to improve roads and provide equipment to the railways, and to modernize and expand ports such as Chittagong and Chalna. And we provided experts and training to some of the East Pakistan government ministries. I am sure there were others.

East Pakistan also received shares of the large commodity import and PL 480 food commitments that we made to the central government. And from our loans to development banks such as the Pakistan Industrial Credit and Investment Corporation (PICIC) for relending to businesses.

Traveling to Dacca was a lengthy affair during most of the time I was there because India would not allow flights over its territory. We had to go via Ceylon. But as compensation, if the trip was arranged right, one could spend some weekend hours on a wonderful Ceylonese beach. [Laughter]

Q: How did you find the Bengalis response to programs? Was there a difference between their approach and effectiveness as opposed to, say, the Punjabis in the west?

MALLEY: You touch upon the reason that the original Pakistan is no longer one country. The Bengalis are different from the peoples of West Pakistan history, language, and culture. Despite their poverty, they seem a happy people. They smile a lot and like animated conversation, music, and jokes. The Punjabis are more serious, restrained, even dour. That is more or less true for the other peoples of the west also. The Muslim religion was the only major similarity between the two wings of the country. To respond to your question, it is my impression that the Bengalis reacted to our aid with more enthusiasm and thankfulness than did the peoples in the west.

Q: There obviously had to be considerable consultation with the local authorities regarding what should be done.

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MALLEY: Oh yes, that is essential. We couldn't do those things on our own. They were their programs and projects that we were assisting, not ours. It is always important to remember that in any aid program.

Now Pakistan in those days had its centralized economic and development plans just as did India. These plans reviewed the state of the economy and what needed to be done in a macro sense, and then listed and described a lot of specific needs, such as expansion of electric power facilities, communications systems, agriculture, irrigation channels, industrial promotion, education improvements, and others. The Pakistanis could finance some programs and projects by themselves from their own earnings. For others they would turn to foreign aid donors for help. In the meantime, donors including USAID would be indicating to their contacts what they would like to consider. We would consider assistance in a broad range of areas. So wouldn't the British. Other donors had more narrow preferences. For example, the Danes were known all around the world for financing dairy projects. The Japanese liked infrastructure projects which resulted in contracts for their large industrial exporters. The Canadians liked forestry projects. There was give and take between the country and the donors. Finally decisions were made and the activities moved ahead.

Q: Was there somebody who represented all the aid givers? How was overlap avoided?

MALLEY: You once again bring up a key point. There is continual danger of overlap when you have quite a few aid donors to any country. There can be dozens of such donors. Bilateral donors like the U.S. and Britain, multilateral ones like the World Bank and the Asian Development Bank (ADB), and non-governmental organizations such as the Ford Foundation and OXFAM. But coordination mechanisms do spring up, informal ones and formal ones.

Let's take Pakistan. It had then, and does today, some fine economists and administrators. When I was there, they would occasionally arrange quite informal meetings with a few

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or many aid donors to discuss their needs. Also, some donors themselves would meet informally from time to time to review what they were doing or thinking of doing, and try to resolve problems. USAID, as the biggest donor, often took the lead. Our economists and program people were most interested in the country's macroeconomic situation and overall foreign aid requirements, my office in specific programs and projects.

At some point I don't recall exactly when — a so-called consultative group of the donors to Pakistan was organized, chaired by the World Bank. This was and is a very formal process; they exist for many countries now. This group would, and still does I believe, meet with a high-level Pakistan government delegation normally once a year at Bank headquarters in Washington or Paris. Senior people from USAID and State, and sometimes Treasury, participated. The Pakistanis described their country's economic and financial situation, their economic and social development needs, and the level, types and terms of assistance they hoped to get from the donors during the coming period. After a dialogue with the delegation, the assembled aid donors would indicate what overall levels of aid they were prepared to consider, and for what economic sectors and even major individual programs and projects. Potential overlaps in activities among the donors would be discussed and hopefully resolved. All this was on a macroeconomic level. No final commitments to finance individual programs or projects would be taken at these meetings. That would be done later by the operating entities of the donor like my unit at USAID Pakistan. It was our job to translate the U.S. indicated overall level of assistance into sound individual programs and projects, using the assessment methods I have described earlier.

I should mention Stu, that quite a few programs and projects in developing countries are supported by more than one donor. For example, in West Pakistan we were providing assistance for improvements to the transportation system along with the British, an advisory team from Harvard University, and others. The people doing our work would

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meet with their counterparts frequently as a matter of course to coordinate and resolve problems. This was natural. It was and is done in all jointly financed undertakings.

And finally, as diplomats are supposed to do, myself and my colleagues met with our equivalents in other embassies and international organizations, and with non-profit groups. We were all in the development business. We discussed that business, and we socialized also.

Q: In East Pakistan, who was calling the shots from the Pakistan side? Was it somebody from the East Pakistan government, or somebody from Karachi or Islamabad?

MALLEY: There was a provincial government in East Pakistan consisting almost completely of Bengalis, and it managed most local affairs. But overall national and international matters were controlled from the capital city in West Pakistan, and the key players in that were the Punjabis. Punjabis also were the dominant people in the army, which was and is so important in Pakistan. Sindhis also played a role in running the country. The Bengalis and other groups did not have much say in national and international affairs, although invariably there were some individual exceptions.

Q: Were you doing different things in West Pakistan? It is much more arid there, so I think there would be different work?

MALLEY: Some was the same, and some was different. Our large commodity loans and PL 480 agreements to Pakistan financed equipment, materials, and food imports for both parts of the country. They were a virtual annual affair, started before I arrived and continuing after I left. Loans to PICIC also financed businesses on both sides.

In West Pakistan, we had a series of commitments to the large and important Water and Power Development Authority (WAPDA), which ran agricultural irrigation networks and electric power generation and transmission facilities. We provided continual assistance to the Pakistan Western Railroad (PWR) for rehabilitation and expansion of facilities and

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rolling stock. I think we also provided smaller amounts to the equivalents of WAPDA and PWR in East Pakistan. There were also USAID loans to the publicly controlled Sui Gas Company exploiting gas fields in the Sind.

Those I have just mentioned were large capital project loans, accompanied in some cases by technical assistance. We also supported undertakings that were primarily technical assistance. One was to train Pakistani police officers and criminal justice officials. USAID had such police training projects in other countries also, I believe especially in Latin America. In the 1970s they were all terminated and no more permitted, on grounds that we were assisting authoritarian governments to oppress their own people. But our Department of Defense (DOD) conducts police training in some countries today under its military assistance program. We also financed a team from the U.S. Bureau of Mines advising the Pakistanis in mine safety. It was based in Quetta, around which many mines were located. It is an example of how USAID did, and still does, draw on other U.S. government agencies for expertise.

We also had programs with the West Pakistan health authorities. I remember a malaria eradication program. Our technical team was headed by Bill Boynton, a medical doctor and public health official. Supplies such as chemicals and spraying and monitoring equipment were imported under our commodity import loans, and the Pakistanis provided the people who did the actual spraying. And we provided some technical assistance to the education ministry, and financed some Pakistanis studying at American universities.

We also financed American advisors to the board and administration of the Karachi stock exchange and government authorities responsible for the capital markets, for the purpose of modernizing and expanding the exchange and markets to attract investment capital. Our consultant initially responsible for this project, Gib Lane, remained in Karachi when we moved north. Several advisors from the New York stock exchange visited to provide advice. Today the Karachi exchange is quite active, you can buy shares of Pakistani

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companies on it! I wonder how much our assistance of long ago, started when I was there, contributed to its growth.

I was able to get use of a limited amount of U.S.-owned Pakistani rupees to assist some of our activities. I remember that we loaned a large amount to the American company Intercontinental Hotels for construction of their hotel in Karachi.

We were also involved in Afghanistan. USAID-funded technical assistance teams were assisting the Afghans in agricultural development in the Helmand River valley, and also I believe with some road projects. Our people working on similar projects in West Pakistan exchanged visits with them to compare experiences and ideas. I also believe that USAID staff in Kabul was limited for a while, so we provided some administrative support. This ended when Vince Brown, who served briefly with us in Pakistan, went to Kabul and opened a full mission.

This is a long list of activities. You see why we needed a large and experienced staff. As I said, I believe that the USAID operation in Pakistan at that time was the most complex foreign aid program that a donor has ever conducted in one country. I base my belief on the size, scope, and number of undertakings, and the difficulty of managing due to the two wings of the country. Pakistan broke apart a few years after I left, resulting in two separate, more easily managed programs.

Q: Were we able to deal with the tribal areas? It seems like they are almost ungoverned today by the Pakistanis.

MALLEY: I believe you are talking about Waziristan, which is so much in the news these days, and perhaps Baluchistan. In the normal course, some of the commodity imports and food that we financed ended up in those areas. It was normal and natural. But I don't recall that we had any projects uniquely devoted to them. I took trips there and to Afghanistan

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with a driver and sometimes an aide. There was no particular danger then. I did see many poppies they are quite beautiful when growing.

Q: Pakistan is known for a lot of corruption, by politicians and even when the military is in control. It is sort of endemic to the area. How did you find working in that environment?

MALLEY: Well, we did our best to avoid corruption in our programs. And I think we were pretty successful. As I said when we discussed Korea, if leaders want to steal, they generally do it from funds they directly control rather than from foreign aid monies. It is easier. And another consideration for a major country like Pakistan is that they are trying to attract foreign private investments into their country. They compete with other countries for such investments. So they want to be known as reliable in international financial circles. Investors shy away from countries whose leaders are known to be diverting funds, and even when interested they insist on much more stringent terms.

We talked about exceptions to this earlier. Under our large commodity import loans, licenses were granted by the Pakistanis to numerous public and private businesses to use our dollars for imports. There was always danger that authorities might provide some of these licenses to favored groups in exchange for kickbacks. We had controls to try to prevent this. And we assigned seasoned officers called supply officers to work directly and full time with the Pakistanis in implementing these loans. I suppose we had some failures, but I don't believe many. The second exception I mentioned, which I did not experience during my Pakistan assignment, involves humanitarian assistance. In the haste and turmoil of providing help in emergencies, some supplies can fall into the wrong hands. We know that this is happening right now in Iraq and Afghanistan. And probably in Darfur.

Q: Of the programs you were running, which ones had real problems?

MALLEY: In an operation of this size and scope there were always problems. I spent much of my time on them. One of major importance involved agriculture in West Pakistan. We were helping WAPDA dig wells and expand irrigation systems to increase the production

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of grains and cotton. Other donors were involved also. A salinity problem arose in some areas much of the water from wells and channels became so salted that yields were substantially reduced or crops could not be grown at all. We hired all kinds of advisors to help. Research and actions were undertaken for many years to alleviate the problem, extending far beyond my stay in the country. Apparently solutions were found, because Pakistani agricultural production rose dramatically. It was their Green Revolution.

We also had occasional problems concerning the award of contracts after bidding. This is a continuing feature of aid programs everywhere losing bidders complaining that they are being "robbed." One particularly nasty dispute during my tenure concerned the award of a contract for the purchase of locomotives by the Pakistan Western Railway with our financing. I don't remember the exact number of locomotives 20 or 25 I think, costing perhaps a quarter of a million dollars apiece. The invitation to bid with exact requirements was prepared by PWR experts and approved by our project team, in the normal manner. The three big American manufacturers at the time General Motors (GM), General Electric (GE), and American Locomotive Company (ALCO) submitted bids. PWR with our approval decided that GM's bid was best was considered responsive and the lowest priced. It proposed to award the contract to GM. But GE complained on grounds that GM's bid was not responsive in a number of ways, especially regarding turbochargers on the locomotives, whereas their bid was fully responsive. When GE could not persuade us in Pakistan to either overturn the decision or rebid, they took their case to Washington, first to USAID, State, and Commerce officials, then to Capitol Hill. I recall that Senator Scoop Jackson of Washington was one who vigorously supported GE. Naturally GM counter attacked with its supporters and lobbyists. Even the White House became involved. I was summoned back to Washington urgently to help respond to queries and criticisms and participate in re-review of the whole matter. I also participated in meetings on the Hill. After a week or so of great anguish, USAID decided that GM indeed was not responsive, and the award should go to GE. I was not invited to the high level meeting in State when this

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decision was made. How GM was placated by the authorities I do not know. I was glad to get back to Pakistan.

Q: Is Kashmir a no-go area for aid?

MALLEY: As in the case of Waziristan, some general imports and food that USAID financed would in the normal course have gone to Kashmir. And I suppose that some Pakistanis that we trained worked in Kashmir sometime during their careers. We did not restrict this. I don't recall any aid projects specifically for Kashmir.

Q: We also had a big aid program in India. Was there much consultation and looking at the two programs, to see how they impacted on each other and ideas might be shared?

MALLEY: In this particular case, no. We did have exchanges with USAID advisors in Afghanistan notably our people working on irrigation systems and salinity problems in the Punjab exchanging experiences and ideas with teams working on similar matters in the Helmand area. But regarding India, it was difficult or impossible for us to go to Delhi or for their people to come to Pakistan, because of the animosities between the two countries and the controls. So there wasn't much exchange, except when one would meet colleagues occasionally at regional conferences or in Washington.

There is one interesting case of contact however. Ernie Stern, a classmate of mine at Fletcher, was deputy director in Pakistan for a brief period before being reassigned to India. We all enjoyed diversions and sports from time to time. One day there arrived in the diplomatic pouch a specially made leather gauntlet, like the glove used in the Middle Ages, with a message from the USAID mission in India challenging our mission to two American touch football games, one to be played in Lahore (where we were at the time) and one in Delhi. Stern had thrown down the gauntlet! Naturally we accepted. Dates were arranged. Both missions got permission from the Indian and Pakistani authorities to drive busses with players across the border there was a thaw in relations at the time. Their team came to Lahore, and we beat them. I played quarterback for our side. The return match in Delhi

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never took placereactions had unthawed. [Laughter] And by the way, Stern later became number two man at the World Bank, in charge of operations, perhaps the most powerful position in the whole worldwide economic development business.

Q: Did any "localitis" occur, meaning you identify with Pakistan and your counterparts in India identify with India? I remember that sometimes there would be blasts from our embassy in Pakistan and a counterblast from our embassy in New Delhi, each taking the side of the country in which they were.

MALLEY: I don't recall such in my aid experience. There was another kind of "localitis" though. Occasionally some of our American staff grew so in love with Pakistan and their jobs that they resisted reassignments, wanting to stay in the country. We had one irrigation engineer that served something like 12 or 15 consecutive years in East Pakistan. Such people often supported the Pakistani view when we had disagreements.

Q: Earlier we discussed the problem of accumulation of rupees in India. Did the equivalent situation develop in Pakistan?

MALLEY: Yes, but less because the PL 480 program was smaller. As in the case of India, we used some rupees to finance U.S. government local currency expenses. I assume that the rest was eventually written off. I was not involved in thiit was a macroeconomic matter handled by our program people.

Q: Was AID involved in sending many Pakistanis to the United States for technical training?

MALLEY: Some yes. But I don't remember that it was a major activity of ours. In country we were assisting the ministry of education with policies and curriculum development, and we did finance some local training and the import of books from the U.S. A local training segment often was part of our project loans. I believe that the British had quite a

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large training program. There was a tradition of studying in England among higher class Pakistanis.

Q: How was your life in Pakistan?

MALLEY: Personally we had a wonderful, fulfilling time. It was especially interesting to live in three quite different cities. I played a lot of tennis, usually on grass, and often in the miserable humid heat. I also learned golf and squash. Rita was active in diplomatic and Pakistani circles, and she managed or started nursery schools for the children of expatriates. She did this at other posts and in Washington also. We traveled. We took part in music and plays. I even arranged and directed a full-scale production of Neil Simon's comedy *The Odd Couple* in Islamabad. After months of rehearsals, it played six times on two consecutive weekends, and was a huge success. But I never saw it! On dress rehearsal night I had to leave for Washington to participate in the PWR locomotives dispute that I mentioned earlier. My deputy play director, Manny Silberstein, took over, and was widely praised. Oh woe! [Laughter]

Q: The war in Vietnam was going on all this while. Did you get involved?

MALLEY: Twice I volunteered for service in Vietnam in response to circulars that came from Washington asking for volunteers. I was not selected, principally I was told because I was more valuable to our government where I was, managing big chunks of the taxpayers money in Pakistan. Secondary considerations were that the number of posts for senior officers was limited, and I was a family man.

The Air Force also wanted to call me to active duty you will remember that I was an intelligence officer in the reserve. USAID and State nixed that in Washington, stressing that I was more valuable where I was rather than being yet another field grade officer in Vietnam.

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But in the early 1970s when I was serving in Washington, I was asked if I would go to Laos as deputy director of the large USAID mission. I agreed, and was tabbed for training and reassignment. But Vietnam fell to the communists during that period, and our activities in all of Indochina ceased.

In 1962 while in DLF's Far East Division, I was involved briefly in implementing a loan for a water distribution system in Saigon. And since leaving the Foreign Service I have visited Vietnam both as a businessman and a lecturer.

Q: Very interesting. Now in 1969, you were off to where?

MALLEY: Zaire, in the midst of Africa. At the time it was named the "Republique Democratique du Congo" (Democratic Republic of the Congo). The name was changed while I was there.

Q: How did you find working there?

MALLEY: The USAID program was smaller and less complex than those I had worked on in Asia, although I believe it was the largest in Africa. But I was at a higher level, and there were different challenges. I went as the number two maresponsible for all program and operating matterreporting to the USAID director and the ambassador. The USAID director also served as economic counselor of embassy for a time. Don Brown was director when I arrived, but he soon left on reassignment. Tim McLure took his place, but soon was called back to Washington to head the office dealing with humanitarian assistance. After considerable time, Herman Davis was named to replace him. The result of all this shuffling was that directors were absent for long periods, and I was acting director and economic counselor for half or more of my two year stint. The ambassador was Sheldon Vance. He and I got along very well. Foreign aithe economic aid provided by USAID and military assistance provided by DOWere major diplomatic tools he had to influence Mobutu and his government.

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We were providing hundreds of millions of dollars of economic aid money to Zaire. Much of it went to finance the ministries of the central government, which were being administered, formally or informally, by United Nations advisors—Americans, Canadians, French, etc. There were few Congolese who could run anything of scale. The Belgians had deliberately avoided educating them. We also made large annual commodity import and PL 480 commitments to keep the economy running and people fed. And we financed technical advisors, had project loans, and conducted many smaller activities through grants to private voluntary organizations. It was a very extensive program, spread over the whole government and country.

Our USAID mission was also responsible for the limited amount of aid activities in Rwanda and Burundi, former Belgian colonies like Zaire. Later separate missions were established in those two countries.

The total USAID direct hire staff, American and local and other nationals, was in the neighborhood of 50 people as I recall. In addition there were that number or more consultants on our payroll. Professionals that I recall include John Doerr and Joe Svoboda, supply officers who played major roles in administering our import commitments (it may be that Doerr also worked for me in Pakistan—my memory is not clear). They had to pay intense attention to possible corruption. I don't recall the names of the project officers, engineers, and agricultural and education experts. Dino Mastrantonis was our economist. I often argued that his balance of payments forecasts were too pessimistic but in the end he usually turned out to be more accurate than me. Ted Lewis was another economist. Bob Keating headed our very important group of advisors working on roads and ferries rehabilitation and development. A person named Moody was head of Catholic Relief Services (CRS) in Zaire; we provided them with local currency to support their network of schools and clinics. Pierre Sales, an American, was head of the many United Nations advisors; I had extensive contacts with him.

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Q: Very interesting. Please continue.

MALLEY: Yes. The U.S. was undertaking a very important policy initiative when I was posted to Zaire. We were trying to reduce our presence, our footprints so to speak, and our expenditures, by getting other donors and more Congolese involved. We succeeded. The French, British, Germans, Canadians, and others increased their small aid programs or started programs. We persuaded the World Bank to form a consultative group of donors of the type I mentioned for Pakistan, to call periodic discussion and coordination meetings and twist arms for more money. The U.S. could have formed this group but we did not want to take the lead. We also persuaded others to join us in the education and training of Congolese; some did, especially French speaking countries like France and Canada. We put some Congolese at the head of ministries in place of the UN advisors, although the advisors remained as their assistants. And in such manner, over the course of years, our prominence in Zaire diminished, although we remained the largest single donor.

I played my role in this successful policy shift, but I don't want to exaggerate. It started before my arrival, and continued after I left. Other USAID officials and our ambassadors were of key importance. And representations by U.S. diplomats in Washington and European and other capitals no doubt were helpful.

Q: Did the roads program go anywhere?

MALLEY: As you well know, Zaire is a huge country, most of it consisting of the Congo River and its tributaries, with vast and almost impenetrable jungle. Only the south, where the major mines are located, is geographically different, consisting of the large plateau of Katanga. Considering the obstacles, the Belgians had constructed and maintained a decent transportation system throughout much of the country. Roads, most unpaved, and ferry systems connected many parts. There were many small river ports and airstrips, and some large airfields. Maintenance depots were located in important centers. But

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unfortunately, almost all of this network had deteriorated or been destroyed during the civil wars of the 1960s. The Belgian managers fled and local workers dispersed.

USAID made a major effort to rehabilitate the roads and ferry network and organize and train Congolese to maintain it. Under project loans, we financed advisors to work with the roads division of the Ministry of Public Works. Upon their advice, we financed the import of large amounts of equipment—bulldozers, graders, trucks, etc. and the establishment of maintenance facilities and depots. And we supported training of Congolese at all levels of operation, from senior managers to equipment operators. This program moved along slowly but reasonably well while I was there and thereafter. But it was ruined when civil strife resumed in later decades. It is a good example of a sound foreign aid development activity ruined by outside circumstances.

Q: What was your impression of Mobutu and the people around him?

MALLEY: We liked Mobutu at the time. He had been selected and supported by the U.S., and helped the West win the contest with Moscow for orientation of his country. Although certainly not a democrat, he was not as oppressive a dictator as he later became. His government seemed to control most of the country. Corruption was a problem, but not on as large and blatant a scale as later. Overall it was a relatively good period in the history of the country—relative calm, political stability, and economic rehabilitation.

Q: I would think that you would have a real problem, as you mentioned before, of not having Congolese who were well enough educated or experienced to do the technical tasks required in these programs.

MALLEY: That is certainly true. You cannot educate and train people quickly. That was a constant problem, and is now. We did find some in the military with training—Mobutu himself for example. Some modestly educated people came from religious schools. And we and

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other donors found and hired some non-Congolese who had stayed in the country after independence—Belgians, Portuguese, Asians.

Q: Did you feel in the Congo at that time that you were in competition with the Soviets and their influence?

MALLEY: No. That battle had been won before I arrived. We were able to carry out our aid activities with relative freedom. My staff and I traveled to many parts of the country without much danger.

Q: I would think that getting around the Congo was a problem. It is a huge country, and there are those tribal divisions.

MALLEY: All of that is true. Fortunately the DOD people running our military assistance program had an airplane with crew which we could also use. I went on several inspection trips, sometimes with the ambassador, in that way. I also delighted in visiting villages with a driver and aide by jeep over tortured roads and run down ferries but I did that only from Kinshasa in the western part of the country. As I said, the times were relatively peaceful, and such travel reasonably safe.

Let me mention the change of the country's name to Zaire. Mobutu declared a three-day holiday to celebrate this. There were great parades and elaborate celebrations. And not only was the name of the country changed, but also that of the great river, from the Congo River to the Zaire River. However, other countries on the river, such as Congo Brazzaville, did not acquiesce to the change; it remained the Congo to them. Mobutu also proudly introduced a new currency called the Zaire, worth two U.S. dollars. It held near this value for a time, but in subsequent years deteriorated markedly.

Q: I talked to someone later on who was very critical about a massive project we got involved in — taking power from near Kinshasa and running it to the copper fields of Katanga.

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MALLEY: Only preliminary work by private interests was going on when I was there. It involved harnessing the water power of the Congo River as it falls in rapids to the Atlantic Ocean, and delivering it to the mining areas of Katanga via massive transmission lines. A costly, complex project. It exists in some form today, but I don't believe that any foreign aid was ever involved. I could be wrong.

Q: What was your impression of the copper business? Was it good for Zaire, or just for the foreign owners?

MALLEY: I think the business was profitable for both while I was there. There were continuous tensions between the government and the Belgian owners, and between owners and workers, but nevertheless most of the mines seemed to operate most of the time. They provided lots of local employment. Royalties flowed to Mobutu's government, and some have no idea how much were used for good works. Of course the country's leaders also profited personally.

Zaire has great natural resources not only copper, but many other minerals plus forests and agricultural riches such as palm oil. It is one of those countries that are resource rich but mired in continuous poverty. The people do not benefit from the resources. Nigeria and Brazil are other examples. This phenomenon has been called the curse of minerals wealth. A country's best resource is educated people. Japan, Switzerland, and Denmark are wealthy despite having few natural resources.

Q: Were there any great crises or problems you were dealing with?

MALLEY: No. It was a period of political stability and economic recuperation, with a lot of help from the West.

But I do recall some interesting matters not crises, but interesting matters concerning our PL 480 program. One year we were negotiating with the Zaire authorities the quantities of grains and rice we would provide over the coming period, and under what conditions. Then

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Washington told us that Zaire had to accept a certain amount of tobacco as part of the package. They protest they did not want tobacco. We supported them. But Washington insisted, and Zaire had to take tobacco to get the grains and rice.

In another case, we were late on conclusion of a PL 480 agreement. Time was running out. I had to get it signed by the Zaire authorities before our June 30 end of fiscal year, otherwise the food set aside would be committed elsewhere. I had the finance minister's signature, but on the last day we could not locate the agriculture minister, whose signing was also necessary. Even his immediate staff did not know where he was. We spent hours driving between his offices and two or three government houses in the countryside. Finally we located him in one house, upstairs with "friends." I carried on a shouting conversation with him. He came down in a bathrobe, signed, then went back upstairs. We cabled Washington, saying something to the effect that we had successfully completed difficult negotiations and gotten the necessary signatures before the deadline.

Q: Oh boy! Regarding the tobacco, I suppose Jessie Helms was involved. On another point, it must have been difficult to ship things in and out of the country. What sort of port did they have?

MALLEY: There are the port cities of Matadi and Boma, situated near the mouth of the great river on Zaire's narrow Atlantic coast. They are 150 to 200 miles west of Kinshasa, which is located on a plateau. A rail system and road connect the cities; they follow the steep, tortuous rapids by which the river falls to the ocean. The railroad originally was built by the Belgians in the 1880s and 1890s, at tremendous financial and human cost. It has been much improved and expanded since. Imports and exports move over this system it operates reasonably well most of the time. Kinshasa itself is the eastern terminus of a vast water network of barges and boats moving materials and agricultural products to and from the many ports on the river and its tributaries. In much of Zaire produce and people move significant distances mainly by water, not land.

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There are other transportation networks independent of Kinshasa in Katanga and the eastern part of the country. Copper and other minerals mined in Katanga are shipped by rail and truck through Angola and Zambia. In the east there is extensive trade with and through the countries of east Africa.

Q: You left Zaire in 1971?

MALLEY: Late 1971, via Kenya, where I tried to climb Kilimanjaro. I didn't make it within a couple of hundred feet or so of the summit, but couldn't continue because of lack of oxygen. That is the main reason so many climbers don't make the top.

Anyway, I requested a Washington assignment for two reasons. First, I had spent many years running operations and specific programs and projects. Now I wanted, if possible, to work on broader policy and programming matters, to go from the microeconomic to macroeconomic so to speak, and in the center of power, Washington. Second, it was time for the family to get to know their own country better.

Q: So what did you get into?

MALLEY: To answer that, let me mention how USAID was organized in Washington, which in fact was not unlike the State Department. It was headed by an Administrator and his deputy. Under him were several bureaus headed by assistant administrators responsible for geographic areas, others handling various worldwide functions. There were also some independent offices servicing all the bureaus, general counsel for example. I joined the central policy and planning bureau called the Bureau for Program and Policy Coordination (PPC). It was considered the "brains" of the organization. The head of PPC was considered the number three person in USAID. Philip Birnbaum held the position at that time.

PPC was divided into four offices I recall. One contained economists and analysts doing or managing research on economic and social development topics; another was responsible

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for management of the foreign aid budget; and a third was concerned with agency policies and reviewed proposed new commitments above a certain size by the geographic and other bureaus. The fourth, to which I was assigned, was responsible for relationships with other parts of the U.S. government and other aid agencies, bilateral and multilateral. It was headed by John Kaufmann; other colleagues I recall were Larry Berlin and Clarence Gulick. Within that office, I was chief of the International Financial Institutions Division (IFI). My responsibilities were twofold. One was to review the program and project papers of multilateral financial organizations that flowed into the office, identifying issues and matters that we might want to address or call to the attention of other parts of the agency. The other was to represent USAID on an interagency committee called the National Advisory Council on International Monetary and Financial Policies (NAC), chaired by Treasury.

Regarding the first task, program and policy papers and documents were sent to us from the offices of U.S. representatives in the multilateral organizations. The most important were the World Bank, the International Monetary Fund (IMF), the Inter-American Development Bank (IDB), the Asian Development Bank (ADB), and the United Nations Development Program (UNDP), but there were others. They came in great volume. I had only four or five people to assist me in reviewing them. Fortunately I had extensive background in the preparation and review of such material. To keep up we had to be selective concentrating on countries and topics of high priority to the agency. We informed other parts of USAID orally and in writing of items that we thought would be useful to them or they should know about. The job provided a quick, intensive education into the workings of multilateral financial organization like learning to swim by being thrown in a pool.

Regarding the NAC, it was established in the bill by which the U.S. joined the World Bank (whose official name is the International Bank for Reconstruction and Development, IBRD) and the IMF. Management of the U.S. role in them and other international financial institutions that were established later (jointly called IFIs) was given to Treasury rather than State or the aid agencies apparently in belief that the former would be a better steward of the taxpayers money. The NAC was a forum where concerned agencies could review,

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ask questions, discuss, and provide opinions concerning major U.S. international financial policies and proposed commitments. Since USAID and the Export Import Bank of the United States (Ex-Im Bank) were the U.S. agencies making the most commitments, items from both often were on the agenda for discussion. We also discussed U.S. policies toward the IFIs. But NAC was not a decision making body. Discussions, explanations, and exchanges of views took place. This was often fruitful. But occasionally it could be controversial and counter productive. If the representative of an agency disagreed with others and felt strongly enough about a particular matter, he could move it to higher levels for consideration and resolution. But that did not happen much.

I recall that the permanent members of NAC were Treasury, State, USAID, Ex-Im Bank, and Commerce. Other agencies such as Agriculture, Labor, and Defense sometimes participated. Treasury, after consulting the other members, prepared and distributed agendas and the necessary discussion papers some days in advance. I felt it did good job in including important matters that deserved review and consideration, or that were controversial, and avoiding the routine. Any agency could also request that an item be included on the agenda. Meetings were held once a week at Treasury.

Examples of the kind of USAID items that might be on the agenda for discussion were: introduction of a major new policy initiative; the tying of aid commitments to purchases in the U.S.; the division between loans and grants, and what types of countries should get which; the undertaking of joint programs and projects with IFIs; and the like. We often cooperated with Agriculture to explain PL 480 policies and programs, since PL 480 was included in Agriculture's budget but administered by USAID abroad. And sometimes we joined Ex-Im Bank to explain proposed joint undertakings. Examples of non-USAID items that we discussed were: to what extent should Ex-Im Bank assist the exports of large, wealthy companies; should the U.S. government support proposed additional funding for the World Bank, at what level, and what should be our share; and, should the IMF's charter be broadened.

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Of course I had to get briefed by the appropriate people in USAID for many of the items on the agenda. After this, I could usually handle the matters myself, although on rare occasions I would have experts accompany me. My counterpart in State usually was Tezi Schaffer, sometimes Dick Benedick. Since we were both located in the main State Department building, we developed the habit of meeting a day beforehand to discuss the items and coordinate our positions. We agreed with each other most of the time, and provided mutual support at the meetings. Schaffer later became Ambassador to Pakistan. I believe that Benedick opened State's office of counter terrorism, but I am not sure of that. A very active, outspoken character at NAC meetings during my tenure was Reed Irvine, who represented either Ex-Im Bank or Commerce. It is Irvine who, after retirement, founded the well-known group Accuracy in Media, which looks for and rebuts what it considers gross errors and distortions in the press and media. It is said to be very conservative.

Stewart, I do not want to exaggerate the importance of NAC. Although we participants discussed international financial matters of considerable importance, our influence on them was not great. We were not high level. We were not taking any decisions. Rather, we provided information and the opinions of other agencies to our superiors who were involved in decision making. I wrote a memorandum to concerned USAID individuals after each meeting describing what was discussed and the implications for us. Actual decisions on major matter for example, should the U.S. support an increase in World Bank fund were made in meetings between department secretaries or at the White House, and after consultation with key Congressional members and staff. The NAC was then, and I believe still is, one of those many Washington committees that perhaps does not in fact accomplish much, but which cannot be ignored by its member agencies.

Q: How did the other agencies get along, particularly Treasury and State? Were there built-in conflicts?

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MALLEY: Yes. They stem from having different responsibilities. An ongoing dispute at the time involved the promotion and support of American business and commerce in foreign countries. Many in the business community felt that State was not assisting them sufficiently that State was too politically oriented and did not have sufficient expertise or interest in business. So Commerce made a play for this role, I believe supported by Treasury. And they won, as you know. The Commerce Department now has its international arm and assigns their commercial counselors to our embassies abroad.

Q: What about the aid budget, and overall policies?

MALLEY: Managing the foreign aid funds voted by Congress is obviously of key importance. Top people handle most of them GS types rather than Foreign Service, because you usually want long tenures in such jobs. It takes considerable time to understand the intricacies of budgeting and to build good relationships with key people at the Office of Management and Budget (OMB) and on the Hill. A certain amount of aid is appropriated. How should it be divided worldwide? What countries, what programs? The Congress is always putting requirements and restrictions on the use of the money "barnacles" we call them. All kinds of requirements that USAID management then has to live with. Often USAID is accused of not doing enough here, or giving too much there, or not supporting so-and-so programs. Very often such criticisms are unfair. The law has dictated certain things. It is a messy process.

By the way Stu, let me mention something else. We have been talking in our conversations about economic aid. The U.S. also has a military aid program, administered by DOD. They are two separate things. Economic aid funds are included in the international affairs appropriation, military aid in the defense budget. Further, economic aid is divided between that to be administered directly by the U.S., called bilateral aid, and our contributions to international agencies, called multilateral aid. Roughly three quarters is normally bilateral, the remainder multilateral.

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Also, consider the term “foreign aid”. It is the term most used and understood by the general public. But professionals prefer “development aid” that is the term used by the World Bank for example. But that in fact is incomplete it excludes humanitarian assistance, which is considered aid but is not developmental. So in recent years the term “foreign assistance” has come into vogue. It encompasses both the development and humanitarian types. It is a good term for bilateral donors. But not for the World Bank and IFI not being countries, nothing is “foreign” to them. So we have an imbroglio!

An example of a foreign aid program difficult to run is family planning. There are certain things that can be done, and certain that cannot.

Q: Is this because of the stand of politicians on abortion?

MALLEY: That is a major part of it, yes.

Q: This is of course the period of Nixon. Rogers is Secretary of State, Kissinger the National Security Advisor. How would you say they viewed foreign aid?

MALLEY: Foreign aid is an oft-criticized activity, as we all know. But it is striking that every administration, Republican or Democrat, finds it necessary to have a foreign aid program. The arguments that we shouldn't have one are silly. It is an essential element of U.S. foreign policy. Nixon and Kissinger recognized that, and used it.

Q: Did you feel at that time that people wanted to use foreign aid as a tool to further foreign policy? Were they saying, “Gee, we have a problem in Uruguay, let's do some foreign aid.” Was it a fine-tuned at the top, or was it pretty much field generated?

MALLEY: Stu, you are in a very important area. There have always been two basic divisions of thought concerning the use of foreign aid. One group might call them the purists want to use it only for economic and social development purposes, to reduce poverty, keeping it non-political. The other — which can be termed the realists sees it as a

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tool to be used for political purposes. Now I don't believe that many people are completely of one persuasion or the other most recognize that there are trade offs. But they do veer toward one or the other. My orientation is toward the realist.

In addition to the developmental and political, there are yet other purposes of aid. We have already talked about humanitarian aid helping countries in times of sudden emergencies. In addition there are business reasons — financing exports by tying aid to purchases in the donor country. The phrase “Buy America” illustrates this. The Marshall Plan was supported by big business partly because it financed their exports. There are even cultural reasons for foreign aid the French use it partly as a means to spread their culture.

In the 1970s the phrases “poverty reduction” and meeting the “basic human needs” of people began to be used to describe the purposes of aid. Beginning in the 1990s other stated reasons arose, such as assisting countries to become democracies, to help “failed states”, and to address world problems that transcend the frontiers of individual countries. Such problems include diseases, global warming and the environment, and mass migrations. I believe that all of these reasons and phrases regarding foreign aid can be subsumed under the more general objectives of economic and social development.

Usually there is no one reason why we give aid to a particular country there is a combination of reasons. Why were we in Korea and Pakistan back then? To shore them up as part of our containment policy, but also to promote long term economic growth and thus social stability. Additionally in the case of Pakistan, to use Peshawar as a base for U-2 aircraft to overfly the Soviet Union and track their military and nuclear weapons dispositions. I have already mentioned that economic and military aid was provided to Mobutu partly to deter communism, but also to promote development and reduce poverty.

A prime example of the use foreign aid as a political tool is the Camp David agreements and peace between Egypt and Israel. As part of those agreements, we have since given

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both countries about one billion dollars a year in aid. Imagine what the Middle East might look like today if there was not peace between those two countries!

Stuart, I want to stress that even when aid is decided upon primarily for political purposes, it is nevertheless managed to promote economic and social development. In Egypt, for example, we have a large USAID mission managing individual programs and projects in agriculture, transportation, sewage systems, and many others. So the two main purposes of foreign aid—political and development—are not mutually exclusive. They are usually combined, as in Egypt and many other countries.

Now if you want to have foreign aid be used only for development, to have almost no political purpose, the way to do that is to create multilateral development organizations and give them funds to operate. They are not a country, they do not have political objectives, so they can operate in the purist manner. And that is what we do. That is the purpose of the World Bank and other IFIs. I think that the U.S. division of aid funds between bilateral and multilateral, the majority being bilateral, is about right. It is a realistic approach to the use of foreign aid.

Q: But Raymond, what about my Uruguay example of trying to use aid politically? Did you ever get involved in that kind of thing?

MALLEY: When in Pakistan and Zaire, yes. But not in PPC. In Washington it was mostly the regional bureaus and very highest levels of USAID and State that had to deal with that kind of thing. The regional bureaus or desks of USAID sometimes would be in conflict with the State components dealing with the same country. State would want something done promptly to affect some political matter. The aid people believed that it could not be done quickly, was not in the long-term economic development interest of us or them, or that it was dubious or illegal. So you sometimes have such conflicts. Normally reasonable compromises are made. And as you know, State and the ambassador usually have a modest “slush fund” of their own that they can use as they wish.

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Q: You did this until when?

MALLEY: Well, like many officers in mid career, I had expressed interest from time to time in a long term training assignment. In 1973 I was chosen for onas a Federal Executive Fellow assigned to the Brookings Institution, the well-known Washington think tank. This was an honothere are not many Federal Executive Fellows.

Q: What did you do there?

MALLEY: Two things. Brookings holds many meeting and conferences on public affairs topics, as you know. I helped their staff prepare discussion papers for some of these meetings, especially on the international side. But more important, it was a period of reading and reflection for me, away from the daily grind and pressures of decision making and administration. I concentrated on the current state of international affairs and U.S. foreign policy, and the role of foreign aid. And especially the recent thinking and literature on these topics.

Q: Was this time lost for you in a way?

MALLEY: No, I would not say that. I had requested it. I grew and understood more. I especially put theoretical underpinnings to the practical things I had observed and done during my previous assignments. Looking back on it though, I wish I had worked a bit harder.

Let me say also, that some years later I participated in the Administrator's Senior Seminar, an intensive weeklong retreat in the Virginia countryside. It was the equivalent of State's famous Senior Seminar.

Q: And after Brookings?

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MALLEY: I went right back to PPC, but to a different and higher job. I was appointed deputy director of the Office of Development Program Review and Evaluation (DPRE), with the additional title of Deputy Associate Assistant Administrator (DAAA/DPRE). Quite a moniker! [Laughter] I worked under Art Handly. We had a staff of about 25 people.

DPRE had three main responsibilities. One was to review all proposed commitments for new programs and projects coming from the bureaus, and make recommendations to the Administrator to approve or not approve them, and under what conditions if any. This involved several hundred proposals a year totaling almost three billion dollars. A second was to revise or formulate new overall USAID policies regarding programs and projects, and brief and instruct the bureaus on them. Often this involved putting into practice new requirements coming from OMB or the Hill. The third responsibility was to assess and evaluate a limited number of finished programs and projects, to determine what went right and what went wrong, and draw and disseminate lessons for future such activities.

Let me talk more about the last responsibility evaluation. The foreign aid business had been going on for a long time now, but the system to review and learn from the results of completed programs and projects was still in its infancy. We started to expand the scope and importance of evaluation while I was in DPRE. This effort continued after I left, and became so important that it was made a separate office in its own right. I believe that Bob Berg was a key figure in this transition. USAID was a pioneer in the area. The World Bank and a few development agencies were also creating important evaluation departments of their own, and they are key components of aid organizations today.

One area in which USAID and DPRE led the way was to stress the role of women in development. In Africa and many other countries, women play an equal or more important role in the economic and social life of their families and villages than do men. Our aid programs and projects should be designed and implemented to reflect and build on this fact. At a minimum, women should not be discriminated against. We required the bureaus to address the role of women in all new activities, and created a division called Women in

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Development (WID) to instruct and assist them. This also grew into a separate operation, and was adopted by other aid organizations. In time it was expanded to include both genders rather than only women.

But there was one new area which USAID tried to avoid, but failed. The environmental movement was in full swing. A law was passed requiring that any activity under consideration for financing with federal funds had to be assessed from an environmental point of view. The activity then had to be designed and carried out to mitigate negative environmental consequences revealed by the assessment, or even abandoned if the consequences would be especially severe. The question arose as to whether or not foreign aid programs and projects fell under this law, since, as we have discussed, they are legally activities of the recipient countries. They are not U.S. activities they are foreign activities that we are assisting. I was sent to OMB and the White House to suggest that USAID should not be subject to this law. I did not succeed. So we had to instruct the bureaus that henceforth an environmental impact statement had to be part of the assessment of any proposed new undertaking. We wrote regulations and trained the bureaus in this.

Q: I am not surprised that you did not succeed. It is hard to say, "Well you know, we are building a dam, but we don't care what it does."

MALLEY: The question was should U.S. law be binding on others. But to move on, have you ever heard of the Overseas Private Investment Corporation (OPIC)?

Q: OPIC? I believe so. Tell me about it.

MALLEY: OPIC was and is a U.S. government corporation that insures American companies against political risks in developing countries. This is to encourage companies to invest in such countries. It also makes loans to businesses, but insurance is its main activity. Let me give you an example. Suppose you own a company manufacturing surgical instruments, and are considering establishing a plant in Senegal to produce and sell such instruments in West Africa. You are confident that you can do this at a profit. But you

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hesitate to make the investment because you fear that civil strife or war could destroy your plant. You can buy an insurance policy from OPIC that protects you against that risk you will be compensated if rioters or soldiers damage or destroy your plant. You can also buy insurance against inability to convert your sales receipts in local currencies into dollars to repatriate to the U.S. These are political risks. You are not covered for normal business risks, such as poor quality instruments that do not sell, or a crooked bookkeeper that absconds with your funds. [Laughter]

By the way, I believe that this concept of political risk insurance was first developed in USAID. It is another example of how USAID spawned new development ideas.

Well, the Administrator of USAID was chairman of the board of OPIC. At the time the Administrator was Dan Parker, of the famous pen company. Parker wanted someone familiar with business to help him prepare for board meetings. I grabbed the job, to be part-time in addition to my normal DPRE duties. Weekly I attended OPIC pre-board meetings chaired by Marshall Mays, the president, at their headquarters in downtown Washington. We discussed each agenda item at length. I consulted further with their staff when I felt necessary. Later I would meet with Parker and explain each item, giving the views of OPIC and my personal opinions. Sometimes I attended the board meetings with him, but usually he went alone.

I enjoyed that assignment. Parker was quite satisfied with my briefings, and Mays pleased with this manner of operation. Just before I left Washington to go overseas again, OPIC had a small ceremony for me, and presented me with a plaque of appreciation.

Q: Interesting work. How long were you in that job?

MALLEY: Remember that I had wanted to get more involved in policy work when I left Zaire. You can see from my assignments in PPC that I had succeeded. But I was

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only in the PDRE job one year. I was in line to succeed Handy as Associate Assistant Administrator when he left. But politics and fate interceded.

Q: Explain that.

MALLEY: Political supporters of our presidents are rewarded with appointments to positions throughout the federal government, as you well know. This was a Republican period when Nixon was president, and when he resigned was replaced by Ford. A particular California supporter and colleague of them, Robert Smalley, got himself appointed to the U.S. delegation to the OECD (the Organization for Economic Cooperation and Development) in Paris, specifically to the job dealing with foreign aid and north-south issues normally filled by a USAID professional. The responsible OECD unit was (and still is) called the Development Assistance Committee (DAC), and his title was Minister Counselor and U.S. Representative to the DAC.

But Smalley was not equipped to do the job required substantial knowledge and experience of the developing world, U.S. foreign aid policies and operations, the technical aspects of aid, the relationship of aid to other economic topics, and their role in foreign policy. Additionally, the occupant should have some knowledge of other aid donors, and ability to relate to and influence the other representatives. Smalley was an advertising and public relations executive with no background in foreign aid. To his credit, he realized his limitations. He said, "I need a deputy, someone who knows these things. And he should be French speaking." I was completely unaware of all this until called to the Administrator's office and told that I had been selected to be his deputy. I accepted, even though I was of two minds. I relished my current position in PDRE. But the top Paris job was generally considered the highest, most prestigious one that a USAID professional could reasonably aspire to.

Before leaving for Paris I had another decision to make. There is an office in State whose responsibility it is to place Americans in the various United Nations organizations. Via that

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office, I had for some years been in touch with the UN Development Program (UNDP), which provides technical assistance to developing countries. They had offered me a position as deputy UNDP representative in Lesotho, which I turned down because it was only a mid-level position in a small country. We had also discussed possibilities in Indonesia and Saudi Arabia. Now they offered me the deputy representative position in Morocco, with assurance of moving to the top position in another country after about a year. But I opted not to join UNDP. We left for Paris in October 1975.

Q: Can I ask why you turned down the UN? I would have thought the salary was better. And also, dealing with a political appointee is tricky business.

MALLEY: It was a close decision. But I was senior and well known and respected in USAID, and the UNDP offer was at a somewhat lower level and salary than I already had. There was also the allure of Paris.

Q: What were you doing in Paris?

The OECD is where the rich countries of the world discuss international economic problems. The "rich men's club" it is often called. There were about 25 member countries when I was there the U.S. and Canada, the countries of western Europe, and Japan, Australia, and New Zealand. Today there are several more members, including Korea, which progressed from being terribly poor to relatively rich in not much more than a generation. OECD might be compared to the North Atlantic Treaty Organization (NATO). NATO is a military alliance of the rich democracies; OECD is where the same countries coordinate economic matters. Of course the comparison is far from perfect, but it is illustrative.

OECD has a secretariat of 100 people or so headed by a secretary general. It has offices dealing with specific international economic topics foreign aid (the DAC), finance, trade, agriculture, science, energy, education, labor, and so on. The secretariat organizes and manages meetings of the members on these topics, including the preparation of

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discussion papers describing problems and possible approaches and solutions. It also does research on international economic problems.

Each member country has a delegation accredited to OECD headed by an ambassador. In my time the U.S. delegation consisted of 25 to 30 people. Our ambassadors were Turner and then Salzman, but the key man was the number two, Abe Katz. He was State's OECD expert for many years, and eventually became ambassador himself. About half of our delegation consisted of State people; other departments of government such as Treasury, Commerce, Agriculture, and Labor provided attaches. Our USAID office consisted of Smalley, myself, two or three analysts (including Bob Asselin), and a couple of secretaries. We were a close knit and high morale delegation.

In our area of foreign aid and north-south relations we were discussing and dealing with policies, not with individual programs or projects. Such policies were very widespread they ran the gamut. Let me give you some examples. Having received development loans for some time, many developing countries now had considerable debts and were making large repayments to donors even as they received more aid. Should some of their debt burden be reduced or eliminated? And would such reductions count as foreign aid? These questions were discussed at the DAC over many years, before, during and especially after I was there. The members decided that the answers to both were yes. This is an illustration that, although the basic question of what is foreign aid had long since been agreed, it had to be periodically reviewed and updated to respond to new developments, such as debt relief and the creation of new financial instruments.

What is foreign aid may seem like a simple question. It is not. International financial flows are constant and in the trillions of dollars, but almost none meet the definition of aid. Most move under normal commercial terms. To be counted as aid, the flow must be on concessional terms that is, non-market terms. But only a slight concession from normal commercial terms, say five or 10 percent, is not enough. The DAC decided to define foreign aid as financial assistance provided to developing countries with a minimum 25

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percent grant element a technical term that is complex, but means partly that there must be at least a one-quarter reduction from the prevailing commercial rates. Of course the consideration of grant element is applicable only to loans. When aid is provided as grants, there is 100 percent concessionality.

Here are some other examples of what we discussed. Tied aid requirement that the funds be spent for goods and services from the donor country was a frequent topic. Obviously it is better for the recipient if it can buy from the lowest responsive bidders, regardless of nationality. But in donor countries, the tying of aid often is important to gain support from businesses and the public for significant aid budgets. This problem usually was compromised by donor by tying some of their aid, untying the rest. Often it was decided to untie aid for the poorest developing countries, but not for others. In meetings, those in favor of more untying usually did not want to get too much in front of the doubters. All would have to march along more or less together to get consensus.

Most donor countries have export credit agencies that assist their exporters. Ours is the Export Import Bank. A frequent topic of discussion was the relationship between export credits and aid. To what extent should they be mingled for the same project? When is the aid portion so diluted that it is no longer aid?

The United Nations prepared a list of the least developed countries, and argued that they should receive more aid under more favorable terms than the better off. DAC generally agreed, but discussed the details and ramifications at length. We also discussed aid to individual sectors of economies, such as agriculture, education, and health. Experts often would come from Washington to assist us in such meetings. All DAC members shared their experiences with others, and all profited. We described USAID's pioneer work in such matters as evaluation and women in development, to the gratitude of other members who introduced such considerations into their own programs.

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Another area of activity was the review of each member's foreign aid program by the other members, which normally took place every other year for each member. Criticisms and suggestions for improvements inevitably came out of such meetings. The U.S. program was criticized as being divided between too many agencies (USAID, OPIC, Peace Corps, and the Trade and Development Agency, which we will discuss later), and for being too small relative to our economic size. We were invariably near the bottom in the amount of aid provided as a percentage of our gross national product (GNP). The DAC had established a figure of 0.7 percent of GNP as a target for each donor country. We were usually around 0.2 percent, along with Italy and Austria. France and Britain were higher, but only the Nordic countries and the Dutch normally came near to or exceeded the target. We had a difficult time defending the U.S. record in these meetings. We stressed that because of our economic size the quantity of our aid was very great, often at the top of DAC, even if our percentage was low. Another argument was to note our preponderant role in military defense and NATO, where our expenditures well exceeded those of otherbut our colleagues usually refused to see the relationship between the two. I must say though, that the discussions were civil and diplomatic. There was no rancor.

Maybe that is enough to illustrate our work at DAC.

Q: It is quite a lot.

MALLEY: But I should mention one other very important undertaking that was not envisaged when I went to OECD. That is the Conference on International Economic Cooperation (CIEC) between the DAC countries and the so-called Group of 77 developing countries (actually more than 77). It was also called the North-South conference. It was hosted by the French government in Paris during 1976 and 1977, and was a major event at the time. The Group of 77 was pressing the rich countries for all kinds of concessionmore foreign aid, reduction of trade barriers to their exports, more technology transfer, more influence in the IFIs and UN bodies, and the like.

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The large U.S. delegation to CIEC was headed by Under Secretary of State for Economic Affairs Richard Cooper. It was divided into four or five segments, one of which was development assistance. Joe Winder headed that segment, and myself and Bob Asselin were appointed part of his team. Other sections of our delegation to OECD provided support in other areas. There were, as I recall, three long CIEC sessions lasting two to four weeks each. A vast amount of time and expenditure went into the meetings. Position papers on all manner of topics were prepared by both sides. We had to reach agreements on topics with our OECD colleagues before facing the other side. Night discussions and negotiating sessions were normal, all night on a few occasions. Diplomatic notes regarding results were negotiated to the last word and comma. There were daily meetings with the press. Finally it all ended in June 1977. I suppose it made some contribution to north-south relations. At least we understood each other better. Secretary Cooper sent me and Asselin commendation letters for our roles.

Q: During this time, how did you get along with that political appointee who was your boss?

MALLEY: Mr. Smalley turned out to be a good and reasonable fellow. He let me and the analysts do the work and represent the U.S. at almost all DAC meetings. He limited his role to attending the highest level meetings only, and representing us at formal functions. And he did not participate in CIEC. Later under the Reagan administration, he became the State Department's number two and then number one press spokesman. He and his wife then retired in France. They were real Francophiles.

I had a fair amount of dealings with political appointees during my career. Unlike Smalley, many arrive with the attitude that they are going to change things to “run things right,” or “in a businesslike manner.” They imply that you have not been doing so. You have to tell them truths. Foreign aid is not a business it is a foreign policy and economic development tool. You have to say, “What you want to do is illegal you have to get the law changed.” Or, “We can cancel these activities if you want, but they are joint with the World Bank and

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the Dutch, so you will have to explain to them.” The newcomers are often irked by such responses. You have to be very diplomatic. , Q: How was life in Paris?

MALLEY: Well Stu, it was very nice. My work was high level, intense at times, but there was also considerable time off. That is the European way. Let me tell you about my involvement in baseball in France.

Q: Did you say baseball?

Yes. Baseball is a minor and amateur sport in France, say like rugby in the U.S. There is a baseball league, well organized with rules and regulations, in the French manner. The top team each year wins the French baseball cup.

Well, the U.S. marine detachment in Paris had several excellent baseball players, and wanted to form a team and enter the league. They needed a leader and manager. Somehow they discovered that I had a baseball background, and asked me to assume that role. I was glad to. We found other players in the American community, applied and were accepted into the league, and practiced regularly in the Bois de Boulogne. We had a great 1977 season, ending up as one of the top four teams in the country. We lost in the semi-finals to a team from Nice, which in turn lost to a Parisian team in the finals. The next year we were not so successful as our best players had been reassigned. Eventually the team disbanded and left the league. But I continued to attend meetings of the French baseball association. And I became an umpire, earning francs in the process.

At their annual ball in 1977 or 1978, the marine detachment presented me a nice award and plaque for my services, to my complete surprise.

Q: Let me ask a question about the French. So often we are at odds with them. At DAC, were you pretty much singing out of the same hymnbook, or not?

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MALLEY: In the foreign aid field, yes. The French had, and still have, a very significant aid program. It is much higher than ours on a per capita and GNP basis. We are one of the stingiest countries, although as I said before, our quantity of aid is still very high because of the massive size of our economy.

Q: Okay. That is probably a good place to stop. You left OECD when?

MALLEY: American politics again intervened in my life. Carter won the presidency in 1976, so Smalley had to leave. It was assumed by everyone involved that I would succeed. After all, I had been doing most of the work all along. I was highly recommended to the Carter foreign affairs transition team by our mission and our backstops in Washington. And members of that team visiting Paris virtually promised me the job is “only a matter of paperwork”, Ted Van Dyke said.

But in truth, they had other ideas. They decided to replace Smalley with their own political appointee. And more egregious, this favorite was a veteran USAID officer Lloyd Jonnes — who had retired some years before. Stuart, you may remember that the late 1970s and early 1980s were a period when senior Foreign Service officers were in surplus. Some were even “walking the halls” in Washington without assignments. For me to have been promised and then not get the DAC job, and then have a retiree be brought back to take it during a period of employee surplus, was disgraceful. Myself and the mission voiced our displeasure at the highest levels. Of course it did no good. Efficiency and cost did not matter to the newcomers. I assume that Jonnes had some great influence among the Democrats, and he and his wife wanted to live in Paris for awhile.

Actually I knew him from the past. He had been in PPC. He had been a perfectly competent senior professional, and we got along fine. But I could not stay in Paris under these circumstances. I requested transfer.

Q: And then where did you go?

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MALLEY: To Washington. But I almost stayed in Europe. You are familiar with the United Nations Industrial Development Organization (UNIDO) in Vienna. The number two position became vacant, and our OECD mission recommended me to Washington and Vienna to fill it. I did not get it.

More likely was assignment to a new multilateral development organization being set up in Rome called the International Fund for Agricultural Development (IFAD). During the 1970s, Arab oil exporting countries were accumulating huge amounts of dollars because of the oil crises. Petrodollars, they were called. The DAC countries urged the Arabs to devote some of their petrodollars to assisting poor countries, by making large additional contributions to the World Bank and other IFIs. They demurred because their voting power and influence in the IFIs was limited. But they did agree to participate 50-50 with the DAC countries in creating a new aid organization. Thus IFAD came into being.

An Egyptian had been named president of IFAD. The number two job had just been given to an American old colleague and boss in PPC, Phil Birnbaum. He tried vigorously to hire me as head of operations, in effect the number three job. It would have fit me perfectly had all the policy and project background necessary to set up and run operations of the new organization. I visited Rome several times for discussions. But it was not to be. The Arabs did not want a second American at the top.

Q: We'll pick it up there at our next session.

Today is April 16, 2007. I am interviewing Raymond Malley, retired senior FSO. Raymond, you are back in Washington about 1978, is that it?

MALLEY: It was the fall of 1978. I had been in Paris almost three years.

Q: What job did you go to?

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MALLEY: Initially I came back to an executive evaluation job. USAID had organized an office of senior officers to conduct high level program and management evaluations of problem situations. It reported directly to the Administrator. Don Finberg was the boss when I arrived. It was recognized that for some officers this would be their last assignment before retirement. But in my case, it was a sort of holding action until an appropriate opening came up.

Q: What sort of things were you looking at, and what did you find?

MALLEY: USAID headquarters got complaints from various sources from time to time of poor planning, mismanagement, bad morale, or inefficient use of funds, especially regarding field missions. Of course such charges had to be investigated.

There were problems with our mission in Manila. The situation was particularly tense because negotiations were underway with the Filipinos regarding our continued use of Clark air base and the Subic naval facility, which would require an increase in our ongoing aid program. Which by the way, is another example of foreign aid helping in the attainment of a political objective. I went with a veteran economist named Al Boucher to check the situation. We spent about two weeks there, then returned to Washington and made our report. It resulted in some changes in mission personnel and programs.

Q: What tipped you off? What did you find?

MALLEY: I don't want to get too personal in this. The USAID mission director had problems with his spouse. In fact, his spouse had stabbed him unfortunately he was not seriously hurt. He was not devoting sufficient time to management. Morale in the mission was low. The whole U.S. community in Manila was aware of this.

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Also, we assessed the type of aid program we had in the Philippines, and what kind of activities we should undertake with an increased aid package if we reached agreement with the government to continue using the bases.

I was only in this assignment for two or three months. I did a variety of other tasks, but the Philippine evaluation was by far the most important.

Q: I speak as an old consular hand in the Philippines. They have all sorts of problems concerning corruption. In the giving of visas for example. Was USAID having a problem with corruption?

MALLEY: I am not aware that we did with our program, but I was not close to it. We discussed corruption earlier. If officials want to steal funds, it is easier to do from their own resources rather than from foreign aid. But some stealing often takes place in emergency aid situations, humanitarian situations, where you are distributing goods quickly, rapidly.

Q: Such as blankets, tents, and food.

MALLEY: Yes. And medicines.

Q: After a brief time in evaluations and investigations, where did you go?

MALLEY: I went back to PPC again. As deputy director of the office I had been deputy director of before I left for PariDPRE. But as I recall, evaluation had become a separate function and was no longer part of the office, and the new name was Office of Policy Development and Project Review (PDPR). It was responsible for seeing that the policies of USAID were carried out by the bureaus, and initiating and disseminating new policies when required. And also, reviewing proposed new program and project commitments of over a certain size to assure that they complied with standards, and making recommendations to the Administrator as to whether or not to approve them, and with what conditions if any. Of course, if we disagreed with a bureau on a new

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commitment, we would first try to work it out with them; almost invariably we reached agreement. The workload was heavy and interesting.

It was also at this time that State and USAID stepped up their periodic efforts to explain foreign policy and foreign aid to the American people. I had previously been a speaker on an occasional basis, and volunteered to be part of this new effort. As you know, the foreign affairs agencies frequently receive requests for speakers from universities, international affairs clubs, and civic organizations such as Lions clubs. So I was sent out to fulfill some of these requests. I recall visiting universities in Maine, South Carolina, Kentucky, and California, among others. And civic organizations in Providence, Baltimore, Orlando, Phoenix, Tucson, and other cities. More elaborate were the special trips arranged by our public affairs people to get speakers on radio and television shows, and to meet with the editorial boards of newspapers and magazines. Normally an expert would arrange a three or four day trip, and accompany you and handle particulars and problems. The speaker did the talking. I recall that Wade Fleetwood accompanied me on such trips to Vermont, Mississippi, Louisiana, and Arizona.

Q: How did you find it out there? I imagine that a lot of people complained that we were spending too much on foreign aid.

MALLEY: Yes, even though foreign economic aid is only a minor part of the federal budget less than one half of one percent at the time. I recall that it was particularly challenging speaking to John Birch societies in Arizona. But an experienced speaker develops knowledge of the common questions and complaints, and standard ways to respond. After doing this for awhile, I prepared for other speakers a list of the 30 or 35 most common questions, with suggested lines of response.

Even Birchites might agree to foreign aid if you pose it in this way, for example. There are a series of typhoons in the Philippines. Ten thousand are dead, hundreds of thousands displaced. The Filipino government is overwhelmed and appeals for help. The Japanese

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are sending in teams and emergency supplies. The Australians are on the way. The British and French are coming. Should Washington say, "No assistance from you are on your own." Normally the debunker of aid of a few minutes ago will agree that we should give aid in such a case.

You can also pose specific questions to the skeptics. The U.S. wants to use air bases in Pakistan to overfly the Soviet Union and track disposition of their nuclear and other weapons. The Pakistanis agree on condition that we give them more foreign aid. Should we agree, or not? The skeptic might respond, "Well, in that kind of case, okay." In general, they are more likely to support aid when it is used as a political tool. They like economic and social development reasons less.

Another tactic we developed was to prepare and distribute lists of companies in each state that had sold goods and services under USAID-financed programs. Such lists put a practical face on foreign aid, and helped gain support especially with business people.

Q: What happened next?

MALLEY: I was called to the Administrator's office. Legislation had been passed by Congress and signed by the president requiring that every agency of the federal government set up a special, independent office to provide help to minority-owned businesses, and more specifically assist them to compete for and get more federal financed contracts. Politically it was a significant law supported by both parties. I was chosen to set up and run the USAID office. We were particularly important because we had many contracts. I had been with PDPR less than a year.

Fortunately I did not have to start from scratch. USAID had had for many years an office dealing with the small business community. We added the new requirements including a Minority Resource Center to this existing office, naming the whole thing the Office of Small and Disadvantaged Business Utilization (SADBU). Later I expanded the responsibilities of the office further to deal with larger businesses also, renaming it the

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Office of Business Relations (OBR). The administration also added women-owned businesses and traditionally black universities to those that should be assisted. I had about 25 people, including analysts, contracting officers, and lawyers. Senior ones included Bill Jennette, Nedra Rowe, and Gerry Patterson. And management provided me a top notch secretarPat Westfield. I reported direct to the Administrator, Doug Bennett at the time, and was a member of his senior staff. They included Joe Wheeler, deputy to Bennett, Jack Sullivan, and Goler Butcher, among others. I participated in the Administrator's weekly staff meeting.

Q: How did this new law work? Were you up against bureaucratic opposition?

MALLEY: No. There was surprising cooperation from the leaders of the bureaus. Of course it was another hurdle they had to surmount in providing foreign aid. But it was a political imperative. The top officials of USAID and State are either political appointees or professionals acceptable to the administration. They are not going to oppose the administration's political requirements.

Myself and my equivalents in other agencies were called to the White House periodically about once a quarter to discuss implementation of the new law, and to agree on targets for the number and dollar amount of contracts awarded to minority businesses. I allocated our target among the regional and other bureaus, and presented and discussed them periodically at the Administrator's staff meetings. We tracked the record of the bureaus. We helped them to the extent we could, sometimes revising their targets. I am pleased to say that during my tenure, we met our overall target regularly, although of course there were differences between bureaus.

Occupants of this position in the major agencies met informally once a month for lunch. We became a sort of club. The majority were minorities and women. I was among the exceptions.

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Q: Let's talk about some of the things that you were doing. What would happen with a contract in Peru?

MALLEY: Peru receives USAID money for programs and projects. With assistance of the USAID mission, it invites U.S. companies to bid for the goods and services necessary to carry out the programs and projects. Copies of these invitations to bid would flow into our offices. My analysts would review them, then select some that seemed suitable for competition only by small businesses or by minority-owned businesses. We would discuss them with the appropriate bureaus, and reach agreement on which ones to “set aside” for these purposes.

Say a particular invitation to bid was for the supply of surgical equipment for hospitals in Peru, estimated to cost two or three million dollars. It was “set aside,” so that only small businesses or minority-owned businesses could bid. One such business would be the lowest responsive bidder, and get the award and contract.

Q: Suppose a firm says, “We are an African American owned company.” If someone looked closer, they would find out that the African American, or woman or Hispanic or whatever it was, was actually a front for some white entrepreneurs.

MALLEY: An important of our work was to prepare and maintain lists of qualified firms. There was already in place a procedure for defining small eligible companiewe extended this to include minority-owned and women-owned firms. Of course a company could have some majority owners, but to be acceptable it had to be substantially owned and operated by the groups we are talking about. Stu, we were not working in a vacuum on this. The U.S. government had guidelines of what constitutes such firms. We had to make sure that we were adhering to those guidelines.

Q: Did you find that firms were being formed in order to meet the requirements?

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MALLEY: Yes, firms were formed, and no doubt still are, to take advantage of legislation. But we had controls. For instance, there were percentage requirements. A 50-50 joint venture between African Americans and Caucasians might meet the requirement if the latter were very actively engaged in running the business. If the minority interest was only 20 or 25 percent, it would not meet the test. We had cases in which Caucasians would bring in minorities who would not substantively work in the business, although they might be significant owners. They were not eligible.

Q: Did you find, with so many being created in order to meet the law, their ability to produce a product would be compromised?

MALLEY: That could be true and that would be part of our assessment. You assess the ability of the company to do the job, whatever the job is. If a firm was new, the employees had to have a successful track record regarding the goods or services for which they are competing. If everyone was a neophyte, they would not be considered.

Actually, a great majority of contracts reserved for both small businesses and minority-owned businesses were awarded to firms that had existed for some time. They were known to USAID. They had often competed for contracts in the past.

Q: Did you find that you got pressure from Congress or other sources for the award of contracts?

MALLEY: This happened. We would occasionally get calls from lobby groups, from congressional staff, even from congressmen themselves, or White House staffers not asking that a contract be awarded to so-and-so, but saying they hoped so-and-so would be seriously considered. We would reply that yes, we shall. And of course we had to be very careful to support whatever decision we made. In some cases we had to call back and say that the firm was not qualified to bid, because of reasons I stated a few minutes ago. There was pressure like that. We had to do a very professional job to back up whatever

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the decision was, since we could be grilled later by interested parties. But I don't recall any major disputes along these lines when I was there.

Q: Here you are sitting there with a bunch of Washington bureaucrats. How did you find out information about whether a firm was all right?

MALLEY: My staff had experience in investigations, and we could call on the central investigative staff of the agency or other parts of the government. Such people were not Foreign Service they were domestic types who spent most or all of their careers on this kind of thing. In addition, we employed outside private investigation firms. Dun and Bradstreet was one. Pay a fee, they do an investigation for you.

Q: So in other words, you had a very qualified group of people and organizations that could give you information and help you defend your position.

MALLEY: Yes, and as I said, we never had any serious disputes while I was there.

I might add that another interesting part of the job was speaking to businesses at meetings and conventions. I had been doing this on the road before, as we discussed. Additionally during this period, the Department of Commerce was arranging shows for companies around the country, explaining the governments' procurement policies and operations, and how companies could compete for federal contracts. Some states organized similar meetings. Major agencies of government were encouraged to participate. We normally had a USAID desk with one or two of us in attendance.

Q: I imagine that when you were out on the hustings, you got an awful lot of questions about the Panama Canal, a controversial issue at that time. Did you duck that particular issue?

MALLEY: It certainly came up. I could try to duck it because it was not part of the development assistance business. Even today the turning over of the canal to Panama is

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criticized by certain groups. Of course, you go out to Omaha or Arizona, Butte or El Paso, and you are often seen as this representative from Washington who can answer anything. So anything can be addressed to you. You get all kinds of questions outside the stated reason you are there.

Q: Like "Malley, why have you not sent me the refund on my tax return?" [Laughter] How long did you do this? When did you leave?

MALLEY: Reagan and the republicans took over the government in early 1981. Late one Friday afternoon I got an urgent summons from the leaders of his foreign affairs transition team at State headquarters. John Bolton did most of the talking. He told me that on the following Monday morning I was to take over the Trade and Development Agency (TDA). It seems that the Carter appointee who headed it was trying to retain his job even under Reagan by secretly appealing to his democratic allies on the Hill. The Reagan people had learned of this, and were infuriated. They were about to fire him. I had been selected for this emergency assignment because I was already running a business-oriented office. It was a temporary assignment on they would appoint a new permanent leader of TDA in due course. I was also to keep managing OBR. If I encountered any resistance and problems at TDA that I could not handle, I was to contact Bolton or one of the others immediately for assistance.

Q: Very interesting.

MALLEY: TDA was and still is a small, independent agency. Its mission is to stimulate economic development in poor countries by promoting trade and the purchase of American goods and services. Actually, I believe it is the offshoot of an idea initially spawned at USAID. It was called reimbursable technical assistance for awhile, and then the trade and development program. The agency had only 20 people more or less when I was there it is larger now. We had a significant operating budget. We hired consultants

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regularly for special tasks. Dave Levintow was the program chief, and a big help to me. I was able to handle the few personnel problems I encountered without recourse to Bolton.

TDA operates in several ways. It finances the planning of projects in developing countries that have significant potential of using U.S. goods and services. It studies potential projects and provides the results to American companies. It helps U.S. companies fund feasibility studies of potential investments in poor countries. And it sponsors trips by leaders of private companies and government organizations in developing countries to visit American suppliers and consider buying their products.

Let me give some examples. TDA funds studies of sources of strategic materials such as shale, cobalt, and manganese and provides U.S. companies with the information and encourages further study and investments. Studies are also made of projects in infrastructure, telecommunications, hazardous waste, training, and other fields all with the aim of getting American companies involved either as investors or sellers of goods and services. Or, if your ABC company is considering an investment in Kenya but your board is dubious, TDA might join you and finance 50% of the cost of a feasibility study of the possible investment. If the investment takes place and is successful, the company will repay TDA. Another example a former communist country is expanding its contacts with the West. TDA might encourage their leaders to visit American companies to explore what we can supply.

So I was acting head of my own agency for two and a half to three months, until another fellow came in. I had the responsibilities and authorities of an agency head. Isn't that something!

Q: While you were there, how successful were you in getting U.S. businesses to invest abroad, and getting foreign firms to buy American?

MALLEY: The payoffs in this kind of operation are long term. They cannot be measured immediately. TDA does have ways of measuring the results of things approved five, 10, or

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20 years earlier, by looking for example at exports that resulted from feasibility studies and trips. I should look at some of those assessments and see what happened as a result of activities I approved or prodded along during my short stint.

I recall that one TDA financing that I approved was for a visit by a group of leaders of Chinese state-owned corporations to the plants of American manufactures of heavy industrial equipment. The TDA officer working on this had carefully prepared a solid itinerary for them, with help of our embassy in Beijing. I also approved the financing of a number of feasibility studies in Latin American countries I remember one regarding agribusiness in Jamaica. But my period at TDA was too short to accomplish a lot. My role was to keep the organization intact and moving along without problems, then pass it off to my successor. I did this.

By the way, the headquarters of TDA at the time I took over was in a building called Universal North, on Connecticut Avenue. My office was directly overlooking where President Reagan was shot. We were preparing to move to a building in Rosslyn another thing I had to oversee.

Q: You were by the Hilton Hotel?

MALLEY: Yes, right adjacent to the Hilton. I was in and out of that building that very day, but was not there at time of the incident. My other operation, OBR, was located in Rosslyn. And I would frequently have to be at the State Department building for meetings. So daily I was in at least two, and many days all three, of those places. I had plenty of taxi fares.

Q: What was the background of the person who replaced you, the political appointee? Did he or she have business experience?

MALLEY: Chris Holmes was the appointee who replaced me. He was from Michigan, in his mid-30s. I believe that his family was in the furniture business, although I am not certain of

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that. I assume that he or his family had a role in carrying Michigan for Reagan. He was a decent, respectable fellow. I worked with him for some weeks, and then left.

Q: Where did you go?

MALLEY: Well Stuart, don't forget that I was still head of OBR, a perfectly respectable job in an entity that I had helped create. But things were changing. The Reagan people were promoting the virtues of capitalism and free markets everywhere. In USAID they created a brand new bureau called the Bureau for Private Enterprise, with a large budget and staff to stimulate private sector growth in developing countries. Of course our regional bureaus had long been doing this, but the newcomers wanted yet more. Named to head the new bureau was Mrs. Elise Dupont, wife of the governor of Delaware she had little foreign affairs experience. To get it off to a running start, my office and another dealing with low cost housing in developing countries, headed by Peter Kimm, were moved into it. Myself, Kimm, and Ed Harrell were assigned to help her get the new bureau started. We did so over the course of several months.

In the midst of all this, I was handed another unexpected assignment. A large evaluation team was about to leave for West Africa. Its leader had to back out for some reason, and I was selected to replace him.

The team was unusually large professionals plus support staff. It was to investigate an ongoing program of loan and grant assistance to the Entente Fund of countries Benin, Cote d'Ivoire, Niger, Togo, and Upper Volta (since renamed Burkina Faso). The purpose was to stimulate growth of their private sectors by providing loans and technical assistance to small and medium-sized businesses through their development banks. We spent some weeks in the field, then completed a long report in Washington. We found the program too complex and not working well, and recommended that it be redesigned or terminated. I understand that our observations, lessons learned, and recommendations were referred to

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for many years thereafter by teams considering assistance to development banks in other parts of the world.

Meanwhile, as part of the shuffling going on in Washington, I was replaced as head of OBR by a woman named Otis, a political type with no foreign affairs experience. But the Reagan people did not forget me. They, and especially Bolton and Holmes, were appreciative of how I had helped them. They offered me a good onward assignment as director to Botswana. Considering that they were still in the midst of appointing political favorites to positions, and that there was a surplus of senior Foreign Service officers, this was a very good assignment. Botswana was a small country to be sure, but one that offered very rewarding professional challenge in fact it has since become one of the few economic success stories in Africa. I was elated, and began the usual preparations with the Africa bureaus of USAID, State, and other agencies. The traditional swearing in on the seventh floor was arranged. But then disaster struck. I could not go.

Q: Well Ray, why not?

MALLEY: I didn't mention this before Stu. My wife had a serious brain tumor, discovered when we returned from Zaire in 1971. For many years it was benign, but then became aggressive at beginning of the 1980s. There was always the lingering question of what is going to happen. Now the medical department at State said that she should not live overseas anymore. They would not clear her to go to Botswana. So of course I could not go. One cannot leave an ailing spouse.

That disappointment led me to consider other things. Foreign Service officers are eligible for retirement under the 50/20 rule at least 50 years old and have 20 or more years of service. Many take advantage of this to leave with a decent financial base and start a second career. Even though I met the requirements, I had not seriously considered retiring. Now I did. Even though I was a Foreign Service officer, I had to stay in Washington for the indefinite future. I was confident that the Reagan people would find me

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some kind of local job even under these new circumstances, but it was almost bound to be well below the high strata that I had been occupying.

Another point. I have already mentioned the surplus of senior officers that existed during this period. That led to poor morale. The foreign affairs agencies such as State, USAID, and USIA (United States Information Agency) were being short-changed, even as vast funds were poured into the military. USAID was no longer of equal weight with State and DOD, as it had been in the 1960s and early 1970s. Some of USAID's best activities had been spun off to new agencies TDA and OPIC are cases in point. There were continued admonitions to "do more with less." Overall, it was not a happy atmosphere in which to work.

Finally, I had been dealing with the private sector for a long time now, and companies occasionally approached me asking if I was interested to discuss joining them. It so happened that I had two specific offers at about this time from a well known consulting firm in Washington dealing a lot with USAID and the IFIs, and another from an agricultural equipment firm in Iowa that wanted to set up an international operation headquartered in Washington.

Once again there was the weighing of pros and cons at a juncture of life. Similar to past times whether not to make the Air Force a career, whether to stay with Big Oil or join the government, and whether to join the United Nations or go to Paris. I decided to retire from the Foreign Service and join the agricultural equipment company. Working with such a company would put me in a completely different atmosphere, away from foreign policy and foreign aid, and there was a good chance of earning some serious money. In retrospect, it was the worst decision of my life.

Q: I am sorry to hear that. Describe what happened.

MALLEY: The company was named Silopress. Its prime product was animal feed and silage systems, for which it had received valuable patents from Germany. It was growing

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in the U.S., and wanted to expand internationally. I was named vice president of a new subsidiary, called Silopress International, along with another individual who had much experience in selling equipment abroad for other companies. Our headquarters was Washington. Later I was also made president of Silopress Canada Ltd., with offices in Toronto.

The parent company gave us a decent budget. We developed a marketing plan, made contacts in a variety of countries with agricultural equipment needs, and went on the road to persuade and sell. I visited some new places western Canada, Romania, Australia, and New Zealand. We had some success. But not for long. Support from the parent company began drying up. There was a farm recession in the United States in the mid 1980s, and the parent was suffering. Without support, our international operation dwindled. Finally the parent went bankrupt and the whole edifice collapsed. All of this happened over the course of two years or so. I lost money from unpaid salaries and commissions.

Stu, I want to mention one “benefit”, if it can be called that, from my retirement. I had been named a member of the State foreign affairs team going to Lebanon in early 1983 to try to stabilize the country. I was already preparing for that role, in addition to preparing for my Botswana assignment. When I retired, Bill McIntyre replaced me. He was among the many killed when the embassy in Beirut was blown up.

Q: Oh gosh. And then?

MALLEY: During 1985 to 1989 I stayed mostly at home, in McLean right across the river from Washington. I took only occasional short term assignments. Rita passed away in 1989. The 1980s were the saddest period of my life.

Q: What kind of assignments?

MALLEY: Mostly assignments for consulting companies that had contracts to provide expertise to USAID. I remember one in Liberia, for example. USAID for some years had

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been providing funds to a government owned development bank for onward lending to local businesses. I was sent to give my opinion as to whether the bank was well managed, whether our funds were being well used, whether we should continue to provide assistance, and under what conditions if any. I had substantial, practical experience in this area, as you know from our discussions. I spent 10 or 12 days in Liberia, prepared and delivered my report in Washington, and that was it. Neither the company nor myself had any responsibility for implementing my recommendations. I did a similar assessment for another consulting firm regarding a development bank in Chad. This occurred right after one of Chad's wars with Libya, and the devastation and privation in capital city of N'djamena were substantial.

Another assignment took place only in Washington. I was leader of a team assessing the information side of USAID's relatively new Center for Development Information and Evaluation (CDIE) how it could be improved, expanded, and made more useful and integrated into the operations of the bureaus and USAID missions. USAID had joined the information bandwagon, and I think our report and recommendations helped propel it along.

I also began working part-time for a consulting company called Labat-Anderson. It had a long term contract with the Africa Bureau of USAID to provide experts to help promote private enterprise growth on the continent. Peter Leifert was the team leader; his counterpart and boss in the bureau was Warren Weinstein, a highly talented and super active individual. I began doing tasks for them in Washington in 1987 or so. They were very conscious and sympathetic to my situation. I joined them full-time in 1989.

We have talked about tennis before. In 1986 or the following year I enrolled in one of the two schools in the U.S. that teach and certify tennis teaching professionals. I was old for this, but I managed to pass their program and become certified, at the lowest level. The certification helped me get part-time tennis teaching work with local counties and private

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pupils. I earned some money, but mostly it helped me keep good health. I did not want the children to have two ill parents at the same time.

Q: Did you get from your friends any feel regarding the Reagan administration's relationship to USAID? How were things going?

MALLEY: I kept in contact of course. The Reagan administration, like every other, saw foreign aid as an essential element of foreign policy. Some among them may not have thought that way on the campaign trail, but they soon changed their mind when they had to govern. In Central America they used bilateral aid widely for political purposes. They liked multilateral aid less because they couldn't control it, and cut back on contributions to the IFIs.

Q: What sort of things did you get involved in with Labat Anderson?

MALLEY: The Africa Bureau and Labat selected a dozen or so of the most promising countries to work with. We then tried many things with them, working with and through our missions and embassies of course. We did elaborate, professional assessments of their private sectors, identifying areas that needed improvement, with specific recommendations. We sent experts to assist their governments to draft legislation, regulations, and commercial codes to promote free markets and private businesses. We helped local development banks that worked with the private sector. We stimulated the growth of local banks and financial exchanges, with experts and money. We identified products produced in those countries that were in demand in rich countries, and provided expertise to help them package and market the products. We prepared itineraries and financed visits by businessmen to meet with American companies to try to make deals.

In addition, we lectured on opportunities in Africa to business groups across the U.S., and assisted in the preparation of conventions regarding Africa. We established a council of large American firms to raise the level of business interest in Africa among the American business community. We stimulated the private sector arm of the World Banthe

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International Finance Corporation (IFC) to expand its work in Africa, notably by providing funds to a couple of their ongoing on-the-ground private sector promotion activities. We also funded an advisor to the African Development Bank (AfDB) to expand their private sector promotion work. And hardly least, we lectured on the virtues of privatization, and provided experts to assist governments to prepare and sell off state owned enterprises, and helped them do it.

This was quite an agenda. I did not have a specific assignment. I worked more or less on all of it at one time or another. I worked long hours. I was in effect the right hand man of both Leifert and Weinstein for about two years. We were in State's main building. In some ways it was like I had never left.

How successful were we? Labat had a long term contract 10 years or more and I was not around for much of it. Fundamental results from this kind of effort could only be judged well in the future. In the short term, we did many positive things in most of the areas of activity I mentioned. I recall positive results in Senegal, Cote d'Ivoire, Kenya, and Uganda. Unfortunately civil conflicts later broke out in the latter three countries, and many advances made in the past were negated. That is not a failure of foreign aid, as the critics might say. It is a failure of politics and society.

Q: I suppose that when your wife passed away, you could work a lot.

MALLEY: I worked long hours, yes.

Q: How would you put the business climate of Africa in this period?

MALLEY: At the local level, Africans are great entrepreneurs, particularly women. There is a free market and entrepreneurial spirit and drive, a desire to make money and improve standards of living. You see this in villages and at markets. But often it does not exist at the national level. Leaders try to control too much, to take advantage of their positions for themselves, families, and friends. And there is much local corruption also. The lack of

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good leaders is a major reason for Africa's malaise. There are exceptions of course. I think Botswana is one.

Q: How long were you doing this?

MALLEY: About five years. At first it was part-time, as I explained, then it became full-time and overtime. But in 1990 I began to slowly transition into another business, once again on a part-time basis initially.

Stu, all of us in the Foreign Service develop acquaintanceships and friendships with foreigners. I suspect that this is especially true in consular work. When we first talked many hours ago, I said that the first country for which I was responsible was Korea, and that during that time I was project officer on a loan made to the Chung brothers and their Hyun Dai company for a cement production project. The brother and especially the young one, Chung In Yun had kept in touch with me over the years. Not close though often it was only a Christmas greeting every year or two.

Hyun Dai had since grown into one of the largest industrial manufacturing groups in the world. Chung Ju Yung was Chairman, Chung In Yung was Vice Chairman. When they had policy differences regarding future growth, they agreed that some Hyun Dai companies be spun off to create a new independent entity called Halla Business Group, chaired by the younger brother. The new Halla itself was now expanding rapidly. It wanted to open an office in Washington to sell and seek work in the Americas. Chung In Yung contacted me and asked if I would help his people set up such office. I agreed. I helped a team he sent get the necessary local permits, look for and rent office space, buy furniture, and hire local secretaries. The office was high in one of those tall buildings in Rosslyn overlooking Key Bridge and Roosevelt Island.

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I was working full bore with Labat. But within Halla's new quarters, being renovated, there appeared a large corner office for me. And I began receiving salary checks. I realized that I had been hired without being asked. So go the strange ways of the Orient!

I did not protest. Instead I continued with Labat, but also went a few times each day to Halla. I could perform this virtuoso act because initially there was not much for me to do at Halla. That lasted for six months or so, then I had to reduce my Labat work as Halla required more of my time, including travel to Korea. Finally I had to leave Labat. I did so with regret. They had treated me very well. But they understood my larger opportunity.

Q: Describe Halla's operations.

The Halla Business Group at its height in the mid and late 1990s consisted of about 35 individual companies, many overseas offices, and about 25,000 employees. It had annual sales volume of approximately three billion dollars, about half in Korea and half abroad. That was big. It was bigger than all of USAID, maybe bigger than USAID and State together. Hyun Dai and a few other Korean groups such as Samsung and Daewoo were larger, but Halla was in the very next tier.

Halla was, and is, an industrial manufacturing and construction group. One company, Mando, was Korea's largest automotive and truck parts manufacturer parts such as steering systems, brakes, instrument panels, small motors, and horns. Another manufactured construction equipment such as bulldozers, graders, fork lift trucks, and heavy trucks, the latter under a joint venture with Fiat of Italy. Another manufactured air conditioning systems for buildings and hospitals, with licenses from York of Pennsylvania. We built large cargo ships and tankers at a brand new shipyard at Samho in southwest Korea, said to be the most modern in the world when it opened. We also had our own shipping fleet, Halla Maritime, of about 130 vessels. Halla was a major cement producer (assisted initially by USAID), and an important producer of pulp and paper. Another company was involved

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in engineering and construction of major facilities such as apartment and office buildings, roads, bridges, and ports. Those are the major undertakings.

The Chairman also established the Halla Institute of Technology (HIT), a degree-granting institution specializing in engineering and the sciences. He said that he wanted it one day to rival MIT. I don't believe he said that in jest.

Our local company was named Halla America. I became chairman. Day-to-day operations were run by the company presidents, Won Chung and then Mr. Choi. We grew to about 30 employees, which is not large, but we also had contracts with many dealers and distributors. After two years in Washington, we moved to New York City for a year, then across the river to New Jersey. We moved to be closer to the shipping and financial industries. Also, we rented warehouses to store products, primarily construction equipment, shipped from Korea for onward sale through our dealer network throughout the U.S. and Canada. I retained my house near Washington, but lived the majority of time in Manhattan in an apartment right behind Carnegie Hall rented for me by the company.

I avoided relative details. I spent some time for Halla America visiting potential dealers and joint venture partners. I also represented and promoted the whole group with large American companies and banks, and with financing institutions such as the World Bank and Inter-American Development Bank. And I identified new projects anywhere in the world that our companies might like to explore. As time went on, I traveled more with the Chairman, becoming his senior advisor on worldwide activities and an occasional trouble-shooter. He spent much of his time traveling and exploring new opportunities, despite having had a stroke some years earlier and having to spend most of his waking hours in a wheelchair. We usually traveled with a large entourage. I was particularly useful in meetings with non-Korean companies and foreign governments. They would often confide and discuss with me when they felt that the Koreans did not understand the nuances of what they were saying in English. I could then try to explain to my colleagues. The Chairman also called upon me to make remarks at receptions and ceremonies.

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Q: How about China. Was it a competitor, or a place of opportunity?

MALLEY: Opportunity. Halla staff was often there. I was there two or three times. We got some business. Sales of heavy equipment and some construction work.

Let me go over some of the other things that we pursued around the world. As I do, you will see that the Chairman was a man of great vigor and vision. He worked constantly, and so did his staff. But he also enjoyed music and jokes, and Broadway musical theatre. He met with heads of state, ministers, and chairpersons of major companies. I was involved in many of the following undertakings and efforts, but certainly not all.

We signed contracts with two Egyptian cement producing companies to provide long-term advisors. We joined with a Russian company to manufacture air conditioning equipment in St. Petersburg; our partner had previously produced engines for MIG military aircraft. We visited and sold ships to Greek and Norwegian shipping companies. We produced parts, especially for wings, for McDonald Douglas (MD) for some of their long range aircraft; MD has since merged into Boeing. We built part of the launching system for Korea's first two satellites, launched from Cape Kennedy; I witnessed the launches. We investigated possible sites for Halla manufacturing plants in several southeast U.S. states, and Mando built a vehicle parts plant in Alabama. We opened a sales office in Vietnam and got contracts.

The following did not come to fruition. But they cannot be called failures. Big and growing companies explore many possibilities some succeed, others fall by the wayside. We explored buying the port of Puerto Vallarta in Mexico, and port facilities in Portland, Oregon, which were being privatized. We explored agreements with Newport News Shipbuilding and a company in Alabama to build Halla-designed ships in the U.S. We designed for Enron special tankers to carry gas from the Middle East to an energy plant they were building in Mumbai; this project collapsed with Enron. We were part of a joint venture led by the Zeckendorf real estate group (they built the United Nations complex in

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New York and the Reagan building in Washington, among numerous others) to reconstruct the St. Petersburg railroad station and the rail line to Moscow; Zeckendorf's negotiations with the Russians did not succeed. And we tried to get agreements with governments and form a joint venture to build a pipeline to carry natural gas from Russia through Mongolia and China to Korea.

You can see Stu, that any one or two of these projects would be important undertakings for the average company.

I was engaged as a senior executive in this fascinating global business for years. But in mid 1997 came the Asian financial crisis. You will recall that period. Major Asian countries came under financial stress Thailand, Indonesia, the Philippines, Taiwan, and Korea. They could not pay their official debts on schedule. The same situation filtered down to their major companies doing business overseas, among them Halla.

Q: Banking relationships were too cozy?

MALLEY: That was part of it. Both governments and companies, assisted by willing banks, had violated a major precept of finance don't borrow on a short term basis for activities which will yield returns only in the long run. Otherwise you run the risk of not being able to meet repayment obligations. There are exceptions to this rule of course. But governments had violated it wholesale in their urge to grow rapidly, too rapidly. Companies had too. Halla borrowed large amounts from favorite banks on a short term basis (which I opposed by the way) to build the Samho shipyard, which could only produce ships and thus receipts in the long term. The bubbles burst. We were part of it.

Governments and companies had to retrench. Governments do not go out of existence they renegotiate their loans and stop borrowing, or borrow less. If they have to borrow, the terms get much harsher. Companies have to try to get new loans, renegotiate terms of existing loans, sell off assets to get cash, and downsize. If this is not enough to pay their debts, they go bankrupt and out of business. Halla Business Group went through this

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process over the period 1998 to 2002. To cut expenses and raise cash, we sold or shut down many of our companies. Halla America was among them, and I can tell you that it is a dreary job to close down an operation. But we met our obligations and in the end survived, unlike some other Korean groups. I estimate that Halla today is about one-fifth of its maximum size, the prime remaining activities being the production of vehicle parts and engineering and construction. Almost all the business is in Korea and neighboring countries. In the U.S., Mando produces vehicle parts and maintains offices in Detroit and Los Angeles.

Q: As you know, I served in Korea. Their business people are very hard charging, in a way much more aggressive than us Americans. How did you survive in that atmosphere?

MALLEY: Personally I survived very well. There were never major problems, even when I advised against doing something that others wanted to do. If they disagreed, they hid it. The key was that I was a colleague of the boss and leader, who is very powerful in traditional Korean society, as you know. I had a personal relationship. He saw me as one who had helped Hyun Dai get started, and he never forgot.

I could have stayed a bit longer with Halla by moving to Seoul. But I did not want to. I had moved into my '70s, and was remarried and happy. Regarding the Chairman, he passed away at age 85 or so less than two years ago. One of his sons had replaced him as Chairman a few years earlier. Chung In Yung is known as the “father of Korean heavy industry.” He received numerous honors over the years from the Korean government, foreign governments, societies, and universities.

Q: Very interesting. Let's go back a moment. Did North Korea come up? Did you relate at all to North Korea?

MALLEY: It is always in the minds of Koreans of course. Actually the Chung brothers were from the north. Chung Ju Yung was personally involved in the opening of relations with them. His Hyun Dai Group donated thousands of cattle in a highly publicized effort, and

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built and now manages tourist facilities in the north that southerners can visit. He also ran for president of Korea, but did not win. Halla kept an eye on possibilities in the north while I was there, but had no direct business relationships. It could be different now.

Q: Now Raymond, when did you retire, really retire?

MALLEY: My wife and I call ourselves semi-retired. I married a wonderful woman named Josette Vidril Murphy. She was born and raised in France, emigrated to the U.S., and earned a PhD in anthropology from the University of California. Her career has been in development, notably with the World Bank, from which she is retired. Her specialties are rural development, monitoring and evaluation, and gender issues. She has published in those areas. She still does occasional work for the Banin fact she has some right now. And I am a member of the spouses club of the World Banhow about that! [Laughter]

I left Halla employment in 2002. There are still a few carryovers however. The most significant is that I am a member of the board of advisors to the college of management and business of Long Island University (LIU) in New York. This stems from a program we had in the 1990s to send executives to the college for short term training, and the award by LIU of an Honorary Doctorate to the Chairman. I also for a long time represented the Chairman at meetings of the board of trustees of the University of California at Los Angeles (UCLA), of which he was a member. But that has now ended.

I am also active in other areas. Occasionally I give lectures, mostly for cruise line companies. I have been doing that from time to time since the 1980s. My most recent assignment was on a cruise to the western Caribbean, during which I gave four lectures, one of which was on the diplomacy and politics leading to American construction of the Panama Canal. Josette and I also have been traveling to unfamiliar destinationwe have made several trips to the Arctic and Antarctica for example. I am active in DACOR (Diplomatic and Consular Officers Retired), AFSA (American Foreign Service Association), and alumni groups.

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I make my views known. They include the following. The U.S. military is much larger than necessary, and not properly configured to meet current challenges and those in the foreseeable future. It could be smaller and better. And it carries too much weight in foreign affairs. Our diplomacy, foreign assistance, and public affairs should be increased substantially, in both budgets and personnel. Foreign aid has too many spigots. Either they should be unified in one large, powerful agency, as USAID used to be, or completely incorporated within State, with development becoming a separate cone (specialty). In the latter case, we should distribute a higher percentage of our aid through multilateral channels.

Josette and I exercise a lot. I continue to play tennis. Our families have aged well. The three boys are married with children of their own.

We bought a second home in Hanover, New Hampshire some years ago, and now divide our time between McLean and Hanover. We also go to France a couple of times a year to visit Josette's parents and family. Hanover is a wonderful, small New England college town. Dartmouth College is located there, and we teach courses occasionally.

Q: At the business school there?

MALLEY: No. In the continuing learning program called ILEAD, which is an integral part of Dartmouth. We teach courses jointly in international affairs. The last one was a contemporary review of India and the sub-continent. We have also given courses on globalization, foreign aid, and Africa. We are now preparing to offer two more during 2008. One is on contemporary France, a popular course which we have given three times before. The second is a short course on vaudeville. Yes, vaudeville! Back to my Old Howard days! [Laughter]

Q: That is very funny! And maybe it is a good place to stop. I want to thank you very much for these interviews.

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MALLEY: Thank you for the opportunity. I have been lucky I have had a wonderful life and career. So far.

Q: You really have. You really have. And that ends these interviews with Raymond Malley, retired Senior Foreign Service Officer.

End of interviews.