

MY GLOBAL LIFE

A CONVERSATION WITH
RAYMOND MALLEY



RAYMOND MALLEY

My Global Life

My Global Life

A Conversation With Raymond Malley

*Interviewed by: Charles Stuart Kennedy
March 14, March 22, and April 16, 2007*

Final editing fall 2012

*Diplomatic Oral History Series
Association for Diplomatic Studies and Training*

Raymond Malley

Copyright © 2012 by Raymond Malley and the Association for Diplomatic Studies and Training

ISBN:	Softcover	978-1-4797-1988-4
	Ebook	978-1-4797-1989-1

All rights reserved. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without permission in writing from the copyright owner.

The opinions and characterizations in this book are those of the author and do not necessarily represent official positions of the United States Government or the Association for Diplomatic Studies and Training.

This book was printed in the United States of America.

To order additional copies of this book, contact:

Xlibris Corporation

1-888-795-4274

www.Xlibris.com

Orders@Xlibris.com

104726

CONTENTS

Foreword.....	9
1: Growing Up	11
2: Higher Education	22
3: Big Oil—Texaco.....	33
4: Foreign Aid—Korea And The Far East	37
5: India, Ceylon, Nepal	47
6: Pakistan, West And East	55
7: Democratic Republic Of The Congo (Zaire)	73
Photo Gallery.....	81
8: Washington, Usaid Bureau For Program And Policy Coordination (PPC)	95
9: OECD, The Development Assistance Committee (DAC), Paris, France	108
10: Washington—PPC Again, And The Lecture Circuit.....	119
11: Four Troubleshooter Assignments, Then Botswana.....	123
12: Retire From Foreign Service, Jobs In Private Sector.....	134
13: Halla Business Group, Korea And Worldwide.....	142
14: Active Semi-Retirement	151

I humbly dedicate this work to the numerous people who have helped and supported me during my life and career: family members, friends, teachers, advisors, bosses, and fellow workers. And most especially to Rita and Josette.

FOREWORD

The ADST Diplomatic Oral History Series

For over 235 years extraordinary diplomats have served the United States at home and abroad with courage and dedication. Yet their accomplishments in promoting and protecting American interests usually remain little known to their compatriots. The Association for Diplomatic Studies and Training (ADST) created the Diplomatic Oral History Series to help fill this void by publishing in book form selected transcripts of interviews from its Foreign Affairs Oral History Collection.

The text contained herein acquaints readers with the distinguished career of Raymond Malley as a senior Foreign Service officer with the U.S. Agency for International Development and an international business executive. We are proud to make his interview available through the Diplomatic Oral History Series.

ADST (www.adst.org) is an independent nonprofit organization founded in 1986 and committed to supporting training of foreign affairs personnel at the State Department's Foreign Service Institute and advancing knowledge of American diplomacy. It sponsors books on diplomacy through its Memoirs and Occasional Papers Series and, jointly with DACOR (an organization of foreign affairs professionals), the Diplomats and Diplomacy Series. In addition to posting oral histories under "Frontline Diplomacy" on the website of the Library of Congress, ADST manages an instructional website at www.usdiplomacy.org.

Kenneth L. Brown
President, ADST

CHAPTER 1

Growing Up

Born in Cambridge, Massachusetts, of Acadian French parents—grow up with mother and stepfather Freeman in Cambridge and Watertown—my schools—my jobs and saving money for college—sports

Q: These interviews are with Raymond Malley, retired senior Foreign Service officer of the United States of America. I am Charles Stuart Kennedy of ADST, also retired from the Foreign Service. Now, do you go by the name Ray?

MALLEY: Oh, either one. Ray, Raymond.

Q: And which do you prefer?

MALLEY: I prefer Raymond, but I'm most often called Ray.

Q: Let's start at the beginning. When and where were you born?

MALLEY: I was born in Cambridge, Massachusetts on December 22, 1930, just before Christmas.

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

MALLEY: Oh, I know considerable because of genealogical research, actually back to fifteenth century France. The family name on my father's side is 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 Acadian people.

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

MALLEY: Well, Quebec in his case, which was named "Nouvelle France" (New France) at the time. Mallet is a relatively common name in France. The Mallet of my line, François Mallet, was born in Normandy. He served in the French navy for many years, then became a professional fisherman. In 1729, at age 29 or 30, he settled in Pabos, a town on the south shore of the Gaspé Peninsula. He was associated with a large cod catching and producing business.

Q: And your mother's side?

MALLEY: My mother's family name is Vautour.

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 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, skills 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. That descendant was one of the first French settlers in Shediac; there were already Anglos there. My mother was born in Shediac.

Q: 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 François Mallet had moved there with his family from the Gaspé in the late 1790s. In fact, his was one of the three founding families of Shippagan. Numerous Mallets live in that area today, and some occupy government and business positions of importance.

Both my Mallet and Vautour grandparents owned some land and they grew crops for their own consumption, although the soils were not particularly good. They also kept some animals, and they hunted and fished. They participated in church and village activities. They led quite normal lives for the time in those lightly populated areas.

Q: Your father—was he born in Gaspé?

MALLEY: No, he was born in Chatham, New Brunswick, not far from Shippagan.

Q: Did your father go into higher education?

MALLEY: Oh no. My parents and their parents had the normal limited education of the time—some school, usually through grade school, maybe some high school, and mostly in Roman Catholic schools. Not many youngsters finished high school, and very few went beyond. It was quite different from today.

Q: What brought your parents to the United States?

MALLEY: Well, my parents married in Canada in 1919, and a few years later moved to Massachusetts for work. Many French Canadians did this. While in the U.S. they had four children, of which I was the last. They

divorced, and my mother married a person named Walter Freeman, who was employed in the sewing machine business. The Boston area was the center of that business.

Q: What did your father Malley do?

MALLEY: He worked in the construction industry, as did many 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 ten. But we made frequent visits to Shediac to visit my mother's family, which was very large. She was the eldest of fourteen 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 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 Malley 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?

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 that we were below average income during the Great Depression of the 1930s. Lower middle class, working class. But we advanced as time went on.

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

MALLEY: We did when I was an infant, in a tenement house. 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 nice middle class 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 beginning at age fourteen or fifteen. 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 said, paperboy was one. But often I worked in restaurants. Why? Because one could usually get work on weekends or on short notice, and the pay was okay and you got transportation money and free meals. I worked mostly for the Waldorf chain of cafeteria-style restaurants catering to the working man—they 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.

I had other jobs also. I was a telegram delivery boy, a weed picker on a farm, a clerk in an insurance office, and 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 also went to school in Boston. 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 was 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 and formulas in that way, for example.

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

MALLEY: Well, books concerned with 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 too—I 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 TVs, or radio, or the newspaper.

MALLEY: I and some of my brothers were newspaper boys at one time or another, so we usually had newspapers around. My parents kept up with events through newspapers and radio. Television 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 Boston and 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. Also, there was much talk about conditions in Canada, especially when we would get together with my aunts and other Acadian 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.

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 United States 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?

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—one might think you were Irish.

MALLEY: Yes, that was often thought.

Q: There are lots of Irish in Boston. It was like you were in the middle of Ireland.

MALLEY: Well yes, there were many Irish around. Sometimes I was called "O'Malley." But Cambridge contained a lot of French Canadians, from both the Maritime Provinces 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?

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, but I also played football and ice hockey.

I have always exercised a lot—it is good for the body and mind. I work out in gyms and I hike. I have long been active in tennis—social tennis and senior tournament tennis. Some years ago I had a left knee replacement, complicated by infection. But the treatments were successful and I have no problems.

Q: What position did you play 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.

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 the Peabody School on Linnaean Street in Cambridge, not far from Harvard Square. It was almost a mile walk on small neighborhood streets from our house. Today it has offices and some special education facilities of the Cambridge education department.

I particularly remember handwriting, doing various handwriting exercises to develop a nice script. I also remember being introduced to poetry and 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. My Cambridge and Watertown schools were public schools. I never went to a parochial school. I don't know why. Of course 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 finished grammar school and went to junior high school and high school in Watertown. I graduated

from high school at age seventeen in 1948. We think that the 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, politics and geography. And a course dealing with government—I think it was called civics at the time. I enjoyed such studies more than mathematics and sciences. 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. 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 and could be on those high school sports 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 during and after my paperboy days. And the military

draft existed; one registered for the draft at age eighteen. 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 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 related 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.

CHAPTER 2

Higher Education

I earn a journalism degree from Boston University—commissioned Air Force officer—pilot training and public relations assignment—leave active duty and join the active reserve—the GI Bill—I earn graduate degrees in international relations and economics from The Graduate Institute in Switzerland and The Fletcher School of Law and Diplomacy

Q: How many of your high school classmates were going to college? Did you know what you wanted to do?

MALLEY: A number were going to college. I don't know what percent—certainly a significant 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.

BU 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 5 or 10 percent, so probably would not have been accepted into Harvard or MIT, 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 applied for and received some small scholarships from BU, and I believe that I received a modest stipend in my last two years from the United States 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?

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 much better in college than in high school. I had learned how to study and pass examinations.

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 cub 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 comments 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.

Q: In my case, I earned a master's 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, the same university, isn't that interesting. What did you study, 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 also have another similarity—the U.S. Air Force. I was also, and in fact I still am, in the Air Force, the retired reserve. While at Boston University I was accepted into 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 communications—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 radio and public relations. But when I could take electives, I would usually take something in international affairs. Courses in European history, world politics, and 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. Or when there were special family gatherings, or when I played some baseball in season.

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. She was very pretty, popular, and a good student. 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 The Texas Company (later renamed Texaco), 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, tactics, and the like. I was one of the leaders of the cadet corps during my last two years. I graduated as a distinguished military student, which was quite 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: Normally aspiring pilots first learned to fly Piper Cubs, then went on to the Texan T-6 trainer. But we started immediately with the T-6 because the Air Force needed pilots fast. The T-6 was big and heavy, and quite hard for neophytes to fly. You probably know it—it had a long history. Following that we were scheduled to progress to the first jet trainer, the T-33. We were training to fight Soviet-made MIGs in Korea.

Q: Did you go to Korea?

MALLEY: Not at that time. 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, were not needed for the war. There was a military manpower surplus. The services began to downsize.

Nevertheless the Air Force made me and a few others an attractive offer—to be appointed a regular officer rather than being a reservist on active duty, continue flying, and have a career in the Air Force. If I declined, I would 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 age 21, 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 less—downtown Manhattan! 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. It was a remarkable change—from training to fly and fight in Korea to public relations and journalism in Manhattan!

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

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 things—plays, concerts, sporting events. It may be the best job I ever had! [Laughter]

Q: You were there from when to when?

MALLEY: From early 1953 until I left active duty in the fall of 1954. Actually I didn't leave the Air Force. Instead I volunteered and transferred into the active reserve. I attended military intelligence schools and became an intelligence officer. And over the years I completed other short-term military courses in a variety of subjects, in residence at bases and by correspondence.

I had interesting and rewarding reserve assignments in intelligence for many years while in graduate school and the Foreign Service, including at Strategic Air Command (SAC) headquarters at Offutt Air Force Base near Omaha, and at Air Force headquarters in the Pentagon. I received

promotions to major. Then, when directing the USAID mission in the Democratic Republic of the Congo (DRC) 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. So 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 unusual—study 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 Higher International 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.

I might add Stu, that a few years ago the school absorbed another in Geneva that specialized in economic development, and the official name now is the “Institut de Hautes Etudes Internationales et du Developpement” (Institute of Higher International and Development Studies). But most often it is just called The Graduate Institute.

Q: Yes, I know of that school. It is quite famous. And of course your French kicked right in?

MALLEY: Yes, French was the primary language of instruction, but courses were also conducted in English, German, and Italian. One could study,

research and write papers in any of 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 a master's, yes, for one academic year.

Q: How did you find the course of instruction?

MALLEY: Different and wonderful. There were only about fifty or sixty students, mostly European plus a handful of Americans, Israelis, and Japanese, all 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 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. 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 for a student—it 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 '55? What happened afterwards?

MALLEY: Yes, early summer of 1955. Well, this colleague I mentioned met a girl at the university and married her at the American cathedral in Paris at the 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 for some reason 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 another master's 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?

MALLEY: Top grade. Small like Geneva; my class was only fifty students. Challenging and difficult, close ties with the professors. I did well at Fletcher and earned the master's degree in one year. I passed French and German language examinations. Then I was awarded a 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 As, the top grade, 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. I had already earned

two of the normal terminal degrees suitable for the active operational career that I was contemplating. The PhD was necessary only for those pursuing an academic career, which I was not. I am a PhD ABD, “all but dissertation.”

Q: Well, what areas of study?

MALLEY: I specialized in international economics, finance, trade, and development. But I also took courses in history, political science, and law.

You may know Stu, that Fletcher is a small semi-independent school, located on the campus of Tufts University and run at that time by Tufts in conjunction with Harvard University. Some faculty is full-time, but professors also come from Tufts, Harvard, MIT, Boston University, and others, to teach their specialties. Students study primarily at Fletcher, but can also go to those other universities to take courses.

Fletcher professors that I recall include Halm on finance, Bartlett on diplomatic history, and Gross on international law. At Harvard I followed courses by Galbraith on economics and Kissinger on international politics. Fletcher also had and has joint programs with other schools—with Harvard law for example. And now it even has a joint program with The Graduate Institute in Geneva from which I graduated, and with Dartmouth’s famous Tuck business school in Hanover, New Hampshire, where I now live part of the year.

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

MALLEY: Relatively, yes. Of course the Point Four program with Greece and Turkey and the Marshall Plan were foreign assistance programs provided to help combat Soviet expansionism. From them grew the economic and social development programs of today.

At Fletcher I studied economic growth and development under Charles Poor Kindleberger, a veteran of the Marshall Plan and expert in international economics. He wrote textbooks on economic development and international economics. As part of my doctoral studies at Fletcher, I edited drafts of sections of his books, and also drafted a few parts myself.

One I particularly remember concerned the concept of the optimum tariff for a product, the optimum being that rate which yields the most revenue to the importing country.

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 a child!

CHAPTER 3

Big Oil—Texaco

I have many job possibilities—elect to join The Texas Company (Texaco) in New York City as an industrial economist—my specialty becomes forecasting Free World demand for oil and gas products—also involved in analysis of many problems

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

MALLEY: I thought of 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 for three reasons: the negativity of news, the notorious low salaries in the profession, 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 the State Department 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 The Texas Company, which was later renamed Texaco, as an economist and analyst. It was one of the massive companies that controlled the world's oil and gas. Why this decision? The company 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 join the next Foreign Service or CIA class. And company headquarters, where I would work, were in Manhattan, in the famed Chrysler Building.

Q: How long did you work for Texaco?

MALLEY: About four years. I was 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 ten of us working on international problems. Warren Wilhelm was the boss, Tor Meloe his deputy. Analysts I recall were Bill Halliger, Frank Lanou (also a Fletcher graduate), and Jim Bish.

My specialty, occupying perhaps half my time, became five to ten year forecasts of demand for oil and gas products in Free World countries. Products such as gasoline, heating oil, bunker fuel, jet fuel, lubricants, and petrochemicals. To make these forecasts, I had to keep abreast of the economies and energy needs of Free World countries. I enjoyed the challenge.

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, but 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 interesting and important analyses. For example, where to locate new oil refineries—at the oil fields, near the major markets, or somewhere in between. Or, whether to transport crude or products by tankers or to build pipelines. And whether to use our own tankers or charter (that is, rent) them. There are numerous variables to weigh in making 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 do extremely well in boom times.

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 affected the company. For example, Fidel Castro came to power in Cuba in 1959. 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. Another example was the Suez crisis, which created numerous transportation problems for the company.

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 sources—publications, 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 information—as 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 all this.

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

MALLEY: I have the impression that it was less important than today. Texas was a great center of oil and gas production of course, but the overall management, economics, finance, and politics of the industry were primarily 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 national—armies, major highways, the postal system. But most everything else should be left to the private sector, operating under some general and sensible public rules and regulations.

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 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 and gas companies. I personally kept up to date on news concerning these other sources. And 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.

CHAPTER 4

Foreign Aid—Korea And The Far East

Washington calls—I leave Texaco and join the Development Loan Fund (DLF), a U.S. Government foreign aid agency—assigned responsibility for Korea—projects and programs in Korea—loans to Hyun Dai—creation of the U.S. Agency for International Development (USAID)—I receive promotions to GS-15—types of aid loans—how projects are assessed, negotiated, and implemented—humanitarian assistance—conditions of aid projects and programs—battling corruption—corruption in war zones

Q: Well Raymond, what brought you into the Foreign Service?

MALLEY: It was the direct result of a telephone call I received 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 assistance 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 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 and 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. 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.

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 and acquiring goods 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 and analysts. 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, with more or less one hundred permanent staff as I recall. It concentrated on financing large 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 DLF and ICA to create the U.S. Agency for International Development (USAID) in late 1961. It was a good move. It created a powerful, unified economic 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 was divided into a central staff tracking the overall development needs of client countries and handling the budget, and several geographic operating units preparing and managing projects. Initially I was assigned as an economist to the central staff, with understanding that I might 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.

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 consul 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 that government is 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, complex, 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 only of a director, Bill Hayes, and five or six project officers. I remember in particular Selig Taubenblatt and Ray Love. There was also a small support staff.

Our division was responsible for dozens of projects and programs totaling hundreds of millions of dollars in major countries such as Korea, Taiwan, the Philippines, Vietnam, Thailand, and Indonesia. 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 fifteen projects totaling in the neighborhood of \$60 million. We authorized several commitments totaling that amount or more during my tenure. Projects that we were financing 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.

Q: How did you select and analyze these aid projects?

MALLEY: There was a team responsible for each one. The leader was the project officer. Sometimes the title of the leader 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 operating a small contracting business had come into control of an old, run down ex-Japanese cement-making plant. They wanted to rehabilitate and modernize it. But they knew virtually 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.

The project seemed to meet our general parameters, so I put together a project team with myself as leader. We assessed the project from various points of view—economic, financial, technical, and legal. We came to a favorable conclusion, and wrote the necessary detailed paper describing all aspects of the project, recommending a loan of \$2.5 million to permit the company to finance contracts with an American cement consulting firm and suppliers of equipment. It was approved by USAID's top loan committee. We negotiated and signed with the Korean government and the brothers a contract, called a loan agreement, describing the respective responsibilities of the parties.

Then the brothers implemented the agreement—they solicited bids for the consulting advice and equipment and placed contracts with the winning firms, with our approval as required by the contract. And they worked hard at the site. In less than a year from start of the process, the rehabilitated and modernized plant opened. The project was a success. Not long afterward we extended a second loan to the company to expand the facility, and it eventually became one of the largest in Asia.

Now Stu, I want to give you a surprise. The Korean brothers that 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 as you well know 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. What we call a project loan is for a discreet activity, like my cement plant example. Other examples of discreet project undertakings are a power plant, a road, a medical clinic, 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—for example, seeds, fertilizers, and other inputs for the agricultural sector; training of midwives and nurses for the medical system; imports of raw materials for the private business sector; and so on. Another type is loans to development banks for relending to small and medium-sized businesses. There are also large loans made to governments to finance a wide range of imports. These go by various names—program loans, commodity import loans, and balance of payments loans. The very broadest types of loans are cash contributions made to fill gaps in the total national budgets of countries.

In sum, there are various types of loans made for many different purposes. At the margins they are often undistinguishable one from the other. For every type however, teams such as I described for project loans—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 negotiates and works with the borrower to implement the activity if it is approved.

I have been using the term loans in my explanations. But much of our foreign assistance was and is provided by grants, not by loans. With grants, there are no repayment requirements. Grants are the ultimate in concessionality, and usually are provided only to the poorest countries. Whether loan or grant however, the team approach is used.

I must mention humanitarian assistance also. Such assistance is another type of foreign aid. It is very large, as much as 20 or 25 percent of all aid given in some years. It involves of course the provision of emergency supplies such

as medicines and food to victims of calamities such as earthquakes, floods, and civil strife. Almost invariably it is provided on a grant basis.

So you see Stu, the provision of foreign aid is a complex, intricate business. I could explain even a bit more if you desire.

Q: Please do. It is very interesting. It is operational, business-like—very different from the reporting duties of most Foreign Service officers.

MALLEY: It is very important to understand that the U.S. almost always attaches requirements and conditions to our foreign economic assistance. 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 hire and pay the local labor, buy necessary equipment that was available on the Korean market, and improve the access roads. What we financed were the dollar costs of American advisors and machinery and equipment.

Division of costs between the lender and borrower are normal. In a road project for example, the local group might finance the acquisition of the right of way, the relocation costs of people and businesses adversely affected, and local contractors, while USAID funds American design and supervisory engineering services and the import of heavy construction equipment not available locally. 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 contracts that consummate the deals, then made even 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 borrowers are not meeting their end of the bargain. And assistance has sometimes been cancelled in cases of serious violations.

Stu, I hope all this is clear.

Q: Well, complex, but pretty clear. I see that USAID operating staff must be quite knowledgeable and experienced in many matters, and be good negotiators able to deal with all kinds of situations. But to Korea again, how responsive did you find 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 neighbors—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. Some of that spirit has dissipated with the passage of time and accumulation of wealth, but it is still very much there.

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

MALLEY: Yes, we were always on the lookout for that sort of thing. USAID had various controls set up to prevent it, plus auditors and investigators who were always on the prowl.

Stuart, we do not actually hand over money to our borrowers. Instead, we set up accounts in large, reliable American banks for the purpose of financing what we have agreed to finance in the specific projects and programs.

The borrowers must follow normal competitive commercial procedures. They select the lowest responsive bidders and negotiate contracts with these bidders. Each step of this process is subject to our review and approval. Then, as payments are due to the suppliers of services and equipment, the borrowers submit normal commercial documentation to the banks, which make the payments on their behalf if the documentation is satisfactory. Periodically we check some of this documentation and the banks actions. So you see, the borrowers themselves do not actually touch or control the funds. Therefore the risks of corruption are very much reduced.

Overall, during my career, I came to believe that not much stealing or diversion of funds took or takes place in aid-financed projects and programs. Every country, even the poorest, accumulates some funds of its own through taxes and import duties, and sometimes royalties. 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. A major one involves humanitarian assistance—the provision of relief supplies. Usually such assistance must of necessity be provided quickly. Normal rules often have to be skirted, and controls limited. The result is that portions of foodstuffs, medicines, blankets, and the like, can be siphoned off by non-victims and used or sold.

Another obvious exception involves assistance for development projects and programs in war zones during active military conflicts. It is very difficult to control things. It is almost inevitable that there will be substantial waste, abuse, and fraud. Usually aid professionals do not want to undertake activities in such situations—with the exception of humanitarian assistance—but are required to do so in support of national policy objectives. The result can be massive losses due to inefficiencies and corruption—as we had in Vietnam in the past, and have in Iraq and Afghanistan today.

Finally, I should mention the concept of fungibility and its relationship to corruption. Fungibility means the ability to substitute one thing for another. An example, suppose that an aid-receiving country is determined to build a dam to produce hydroelectric power. It sets aside some of its own budget for this purpose—remember that even the poorest countries raise some money on their own through taxes and the like. Now, if the government can persuade a foreign aid donor to finance the project

instead, its own resources that had been reserved for that purpose become available for other uses. And these other uses could involve some graft and corruption. Remember that I said that it is easier to steal from one's own resources than from foreign aid monies.

Q: Very interesting. Korea and Taiwan are countries which are extremely oriented toward hard work and have done very well. You put them on something and things happen. With the Philippines 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. Education and achievement do not have that priority in many other parts of Asia.

Q: I remember in my consular work, a young Korean 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 MIT and the other from Cal Tech. 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. That is a major reason why they have advanced so rapidly.

CHAPTER 5

India, Ceylon, Nepal

I am appointed head of loan operations for the ICN countries (India, Ceylon, Nepal)—aid program in India is the largest in the world—types of loans made—promoting the Green Revolution—division of river waters of the subcontinent between India and Pakistan—named project officer for the Tarapur nuclear power plant—the PL480 program and surplus rupees

Q: Ray, how long were you involved with Korea? And where did you go after that?

MALLEY: Actually I was responsible for Korea, and on occasion for Taiwan and Indonesia, for only a year or so. Then I was promoted and transferred to USAID's Near East and South Asia Bureau (NESAs), in charge of all capital projects in India, Ceylon, and Nepal, called the ICN countries. For the first time, I had significant staff.

At that time, Bill Gaud was head of NESAs; later he became head of USAID. Professionals I worked with in NESAs 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.

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

MALLEY: We had a much larger program in India than in Korea. In fact it was the largest in the world at that time. It was diverse and complex. I believe that \$2 billion or more had already been committed in loans and grants, and others were under review. During my tenure we committed about an additional billion dollars a year more.

Commodity import loans were very important. Indian businesses and public entities often had sufficient rupees, but could not exchange them 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. In exchange for rupees, 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 were used to finance steel and other manufactured and raw material 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. in dollars on concessional terms, say over fifteen or twenty years at 4 or 5 percent annual interest.

We also made loans for individual projects in the fields of electric power generation and transmission, roads, factories, and banks. And we provided a series of loans to the Industrial Credit and Investment Company of India, called ICICI, for relending to private businesses.

In addition to directing and assigning responsibilities and projects to my staff, I personally lead some teams. A particularly interesting project in which I took the lead was a loan to the government for use by the industrial group Birla to purchase stamping equipment from American suppliers for the pressing of bodies for the ubiquitous Ambassador automobiles.

This loan—or these loans, since there was a second, and maybe a third, later—was made using a special three party (tripartite) lending technique, devised by us 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 fifteen or twenty year repayment period at 3 or 4 percent annual

interest. The government then reloaned the dollars to Birla at the existing normal commercial rates on the Indian market—something like six or eight years to repay at 7 or 8 percent interest. So the Indian economy received foreign aid benefits, and the company the dollars it needed to pay its American supplier.

I believe that we also loaned funds for use by the industrial giant Tata to purchase American stamping equipment for the manufacture of trucks.

Operating separate from my operation were 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 them were financed from our commodity import loans. The U.S. also provided large quantities of food aid to India under the Public Law 480 (PL 480) program, called Food for Peace.

Kenneth Galbraith, Kennedy's friend, was our ambassador for a time. He took a personal interest in and provided comments and advice regarding our assistance to the agriculture sector. 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 problem—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 finally each year they and the Indians would reach an understanding on the overall level of aid that the U.S. would consider, some for technical assistance, the larger portion for capital projects and programs.

Then it was my turn—to turn the macro into micro, that is, into practicality, into specific undertakings. The Indian development and financial authorities would present projects and programs from their plan for us to consider. Some we would be very interested in, others not. We in turn would express interest in some in their plan that they had not

presented. It was give and take. For those we decided to consider, we put together teams to do the assessment work, as I described earlier. Papers with recommendations would be prepared, 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.

Of course, the Indians also were presenting projects and programs for consideration to their other assistance donors, bilateral and multilateral. And many activities 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 economic aid program. At my level, we were dealing with ministries and departments that wanted our assistance, and their experts responsible for carrying out the projects and programs. 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 was our involvement in the division of the waters of the great rivers of the subcontinent between India and Pakistan. The other was 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 the mighty Indus in West Pakistan—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 politically and economically to assure Pakistan a reasonable share of these waters. India recognized this. So soon after partition the United Nations, the 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 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. My office routinely monitored the progress and approved periodic payments to the contractors and suppliers of equipment. We also made site visits and wrote reports. I made one to dams and channels that we were financing in and around the Punjab in 1964. It was the last trip I made to India before being assigned to Pakistan.

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

MALLEY: Yes they did, and 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 considering all the antagonisms between the countries.

Concerning the nuclear power plant, one day in May of 1964 I was called urgently to the office of the USAID 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."

It was a challenging assignment. 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 economic assistance 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 was temporarily relieved of all other duties and provided all the support I requested.

Then began a whirlwind six weeks. The technical expert chosen to assist me was a veteran electric power engineer named Art Vieregg. But he knew little about nuclear power, and I knew less. We had to learn fast.

We contacted and were briefed by the two major American 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 India's nuclear power activities.

We assessed all aspects of the project in the manner that I described earlier. With the help of our project attorney, we negotiated terms and conditions of our assistance 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 Pune 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 American suppliers. The Indians would fund the local currency costs. We explained and defended the project before the usual committees, and a loan was approved a day or two before end of the fiscal year.

I believe that it is the only time that the U.S. Government has ever provided foreign aid for a nuclear power project. Subsequently I and my successors implemented the loan successfully. Tarapur today, much expanded, is one of India's prime nuclear power sites.

Q: Was anybody raising concern about weapons?

MALLEY: Oh 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—they gave this commitment 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—they strongly supported the loan 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?

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 during my time we 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 standard method of communication between Washington and Kathmandu, and with many other posts in the Third World as well.

I visited Nepal when on an inspection trip to India. Stu, you perhaps recall from your own service, 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 partly 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! Meanwhile what was happening down in Ceylon, later renamed Sri Lanka?

MALLEY: Nice people, friendly people. I don't recall that there was the violent hatred and conflict between the majority Sinhalese and the Tamils that exists today. We had made 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. Being a Commonwealth country, Ceylon was 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. A large part of such rupee accumulations were the result of 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 rupee accumulations were not released into the economy because that would have played havoc with the country's fiscal and monetary policy, especially by stimulating inflation. Instead they were deposited 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 Congo/Kinshasa, my next posts, I was able to get use of some of our portion to support local projects like village schools and clinics. I don't know if this was done in India.

Stuart, the U.S. also accumulated rupees and other currencies, and perhaps still does, from program and project loans that we made repayable in local currencies to many countries. 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 much of 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.

CHAPTER 6

Pakistan, West And East

I join the Foreign Service—promoted to assistant director for operations of USAID mission to Pakistan, which includes East Pakistan, now Bangladesh—it is the world’s most complex aid program—description of the mission and my office—we move from Karachi to Lahore to Islamabad—description of our widespread projects and programs in both west and east wings of country—coordination with other aid donors—major problem with salinity of soils in west—resolution of major locomotives procurement dispute between two American companies—life in Pakistan—Vietnam

Q: 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. As I said earlier, 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, putting both capital and technical assistance together in USAID missions under strong mission directors with significant operating freedom and authority. It was in this context that I was asked if I would go to Pakistan to manage assistance operations. I agreed. So I joined the Foreign Service at a level equivalent to GS-15. In time I was promoted into the senior Foreign Service.

I believe that the U.S. economic assistance 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. There were many hundreds of employees—career people, contractors, and local national hires. And management of the program was most difficult because the country was divided into two separate parts, West Pakistan and East Pakistan, with a hostile India in between.

In addition to Pakistan, the largest U.S. economic aid programs in the world at that time were in India, Korea, Turkey, and Brazil. All together they were sometimes referred to as the Big Five. I had the honor and pleasure of working 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 United States of tens of thousands of refugees from the Vietnam War. Maurice Williams succeeded him as director. Williams somehow was close to Pakistan's President Ayub Khan, and became a personal intermediary between President Johnson and Khan. Later he became administrator of USAID. Bill Kontos followed Williams as director.

The four assistant directors of the mission 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 immediately, but assumed the position after a few months when my predecessor was reassigned.

We were 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, I lived in three different cities within Pakistan during my five year tenure—Karachi for about two years, Lahore for one, and Islamabad for two. This happened because the government was transferring the capital of the country from Karachi on the coast to the new city of Islamabad in the north.

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 much of the U.S. establishment, including most of USAID, moved to Lahore, almost 200 miles south of Islamabad. About one year later we transferred to Islamabad. All of the diplomatic community accredited to Pakistan had similar problems and found varying solutions.

Q: How did you get along with the other 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.

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. In the whole country because of oscillation between military governments and elected civilian governments. And tension between west and east because the peoples of the two wings of the country were so different. Religion was their only unifying force, and ultimately that proved not enough to keep

them together. Ultimately the east rebelled and Bangladesh was born, but that was after I left.

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, with 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 assistance 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 fifty to sixty 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 committed and disbursed in big annual chunks—up to \$100 million at a time. Project loans and technical assistance took longer to prepare and complete—two to five years on average. Of course there were always some programs and projects terminating even while new ones were being made.

The total staff of the USAID 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, and security guards. 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 on site in other parts of the country.

There were between sixty and eighty people in my assistant directorship for operations. They were project officers, financial experts, engineers, public health experts, educators, and other professionals, plus support staff.

I remember some of them very well. Ken Greiner, Fritz Moenninghof, Mike Speers, and Scott Rutherford were project officers; the latter was my top man in East Pakistan. Fred Locher, 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 aid 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 others in the mission—attorneys (Nick Angell and Rod Heller), economists, programmers, auditors, translators, and the like. Also with embassy economic and commercial officers (Bill Krason was one), and with public affairs specialists of the U.S. Information Agency (USIA). 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 both our existing portfolio of activities and proposed new undertakings among the officers, then oversaw their work. I reviewed and sometimes 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 embassy 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 I 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 was enthusiastic, well trained, and experienced, worked long and hard, and was periodically replenished. And we had great support. Especially important were the permanent staffs that worked under or with us—the local nationals in the missions and the GS types in Washington, both professional and support people. They usually stayed in their jobs for ten years, fifteen years, whole careers—providing great continuity.

Also of importance were the extensive 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 become marginally up to snuff relatively quickly.

We also profited from the knowledge and talents of other U.S. personnel in country, especially embassy economic and commercial officers, and of course from professionals in Washington. We consulted continually with other aid donors. And we always sought the views of knowledgeable American and foreign businessmen and local public and private officials.

Things have changed since then. The whole civilian side of the U.S. foreign policy establishment has been downgraded and short changed in the last thirty years or so. 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 to the Foreign Service or other public service careers.

Regarding foreign economic assistance in particular, 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. The result of all this is a less efficient and effective U.S. aid program.

Q: I have 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 provided for our needs very well. On the other hand, we had a gripe too—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 for you working from 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 design and build small dams, diversion channels, and embankments to control water flows and flooding. East Pakistan was actually the eastern part of Bengal. India controlled the western part. 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 wreaks havoc. Interestingly though, irrigation is needed for agriculture during parts of the non-monsoon season—we 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 Khulna. 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

loans that we made to development banks such as the Pakistan Industrial Credit and Investment Corporation (PICIC) for relending to businesses.

Traveling to the capital city of 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 in 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 and cohesion 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.

MALLEY: Oh yes, that was essential, absolutely 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 assistance program.

Now Pakistan in those days had a centralized economic system and development plans just as did India. These plans reviewed the state of the economy and what needed to be done in a macroeconomic sense, and then listed and described a lot of specific needs in fields such as expansion of electric power facilities, communications systems, agriculture, irrigation channels, industrial promotion, education improvements, health services, and others.

The Pakistanis had the ability to finance some programs and projects from their own earnings. For others they would turn to foreign aid donors for help. In the meantime, donors including the United States would be indicating to their contacts what they would like to consider.

We would consider assistance in a broad range of areas. So would 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 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 United States 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 or many aid donors to discuss their problems and 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, while my office took the lead in discussing 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 met, and still does 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 long give and take, the donors would indicate what overall levels of aid they were prepared to consider and for what economic sectors, and even identify some major individual programs and projects that they would consider assisting. Major potential overlaps in activities among the donors would be discussed and hopefully resolved.

That was on a macro 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 donors, like my unit at USAID. It was our job to translate the U.S.-indicated overall level of assistance into sound individual programs and projects, using the team assessment methods I described earlier.

I should mention 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. Our people would 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 expected to do, myself and my colleagues met often 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 things were the same and some were different. Our large commodity loans and PL 480 agreements to Pakistan financed equipment, materials, and food imports for both parts of the country. Such commitments were an annual affair, started before I arrived and continuing after I left. Loans to PICIC also financed businesses in both parts of the country.

In West Pakistan itself, we made 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 also provided continual assistance to the Pakistan Western Railroad (PWR) for rehabilitation and expansion of facilities and rolling stock. We provided smaller amounts of funds to the equivalents of WAPDA and PWR in East Pakistan. And we made loans to the publicly controlled Sui Gas Company exploiting gas fields in the Sind.

The activities that I have just mentioned were large capital project loans, accompanied in some cases by technical assistance. But we also supported undertakings that were primarily technical assistance. One was to train Pakistani police officers and criminal justice officials. USAID had police training projects in other countries also, especially in Latin America I believe. In the 1970s they were all terminated and no more permitted, on grounds that they could be used to assist authoritarian governments oppress their own people. However 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 to advise the Pakistanis in mine safety. It was based in Quetta, around which many mines were located. It is an example of how USAID draws on other U.S. government agencies for expertise.

We had programs with the West Pakistan public health authorities. I recall 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 from the U.S. under our commodity import loans. The Pakistanis provided the people who did the actual spraying. We also provided some technical assistance to the education ministry, and financed some Pakistani students studying at American universities.

To go on, we financed American advisors to the board and administration of the Karachi stock exchange and government authorities responsible for the capital markets. This was for the purpose of modernizing and expanding the exchange and markets to attract investment capital and help the private sector. 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 companies on it! I wonder how much our assistance of long ago, started when I was there, contributed to its modernization and 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 in particular that we loaned a large amount to the American company Intercontinental Hotels for construction of their hotel in Karachi.

My office was also involved in Afghanistan. USAID-funded technical assistance teams were assisting the Afghans in agricultural development in the Helmand River valley and with some road projects, including the major Kandahar to Kabul road. (Ironically, we are doing the same thing once again today!) Our experts working on similar projects in West Pakistan exchanged visits with them to compare experiences and ideas and give advice. Also, USAID staff in Kabul was limited at that time, so we provided some administrative support. This ended when Vince Brown, who served briefly as deputy director with us in Pakistan, went to Kabul and opened a full mission.

This is a long and not complete 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

one 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 into two parts a few years after I left, resulting in two separate, more easily managed USAID missions and assistance programs.

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

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

I took trips there and to Afghanistan with a driver and sometimes an aide. As long as one took reasonable precautions, there was no great danger. I did see many poppies—they are quite beautiful when growing.

Q: Pakistan is known for a lot of corruption including 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.

Another consideration for a major country like Pakistan is that they are trying to attract foreign private investments and companies into their country. They compete with numerous other countries for such investments. So they want to be known as reliable in international financial and business 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. One potential problem area that I did not mention at that time concerned our large commodity import loans. Under such loans, licenses to use our dollars to finance imports

were granted by the Pakistani authorities to numerous public and private businesses. There was always danger that individuals might give 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 slipups, but I don't believe many.

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 addressing them.

One of major importance involved agriculture in West Pakistan. We were helping WAPDA and the agricultural authorities dig wells and expand irrigation systems to increase the production of grains and cotton. Other donors were involved also. A serious 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 eventually rose dramatically. It was their Green Revolution.

I recall that similar salinity problems arose in USAID's assistance to agriculture in the Helmand valley of Afghanistan. Our experts exchanged advice and help with our people there also.

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—twenty or twenty-five I think, costing perhaps a quarter of a million dollars apiece.

The invitation to bid with exact specifications 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 the American Locomotive Company (ALCO)—submitted bids. PWR with our approval decided that GM's bid was best—it was considered responsive and the lowest priced. PWR proposed to award the contract to GM. But GE complained bitterly, 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 decision was made. Pakistan embassy officials were advised of the decision and accepted it. How GM was placated by the authorities I do not know. I was glad to get back to Pakistan.

Q: Again, very interesting. Now regarding the Pakistani-held portion of Kashmir, was it a no-go area for aid?

MALLEY: As in the case of Waziristan, some general imports and food that USAID financed for the whole country would in the normal course have gone to Kashmir. And no doubt some Pakistanis that we trained worked there sometime during their careers. We did not try to restrict this. I don't recall any assistance projects specifically for Kashmir.

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

MALLEY: At this time, no. As I said, we did have exchanges with USAID advisors in Afghanistan. But regarding India, it was difficult or impossible for us to go to New Delhi or for their people to come to Pakistan, because of the animosities between the two countries and the controls. So there could not be much exchange, except when one would meet colleagues occasionally at regional conferences or in Washington.

However there was one interesting case of contact. Ernie Stern, a classmate of mine at Fletcher, was USAID deputy director in Pakistan for a period before being reassigned to the equivalent position in 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 U.S. embassy in India challenging us to two American touch football games, one to be played in Lahore (where most of USAID and some embassy staff were at the time), and one in Delhi. Stern had thrown down the gauntlet!

Naturally we accepted the challenge. Dates were arranged. Both sides 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 never took place; relations had unthawed. [Laughter] And by the way, Stern later became head of operations at the World Bank, perhaps the most powerful position in the whole worldwide economic development business. He held this position for many years.

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 counterblasts from our embassy in New Delhi, each taking the side of the country in which they were located.

MALLEY: I don't recall being involved in such during my years there. 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 twelve or fifteen 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. And I got use of some for some of our aid projects, as I mentioned earlier. I assume that the rest was eventually written off. This was mostly a macroeconomic matter handled by our program people and the Treasury Department.

Q: Was USAID 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. But 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 United States. A local training segment was often part of our project loans. I believe that the British had quite a 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—Karachi, Lahore, and Islamabad. I took to making a rough comparison between them and New York, Boston, and Washington. Karachi and New York are financial and business centers in their respective countries, Lahore and Boston are academic and cultural centers, and Islamabad and Washington are political capitals.

We had an active social life. I played a lot of tennis, usually on grass, and often in the miserable humid heat. I also learned how to play golf and squash.

Rita was active in diplomatic and Pakistani circles. In particular, she taught at and helped manage nursery schools for the children of expatriates and well-off Pakistanis. She did such work at other posts also, even establishing completely new schools, and continued it in Washington when we returned.

Our children did well in the international schools attended primarily by the children of diplomats and expatriates. We traveled to various parts of Pakistan and Afghanistan, and on leaves visited Thailand, Iran, Israel, and several Mediterranean countries. We also had one long home leave.

We took part in music and plays. I even helped arrange and directed a full-scale production of Neil Simon's comedy *The Odd Couple* in Islamabad. After months of rehearsals, it played on two consecutive weekends, and was a huge success. But I never saw it! On dress rehearsal night I left urgently for Washington to participate in resolution of 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 diplomatic 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 active reserve. USAID and State nixed that in Washington, stressing that I was much higher level and more valuable where I was rather than being yet another field grade military officer in Vietnam.

But in the 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 I was involved briefly in implementing a DLF loan for a water distribution and sewerage system in Saigon. And in more recent years, after leaving the Foreign Service, I have visited Vietnam both as a businessman and a lecturer.

CHAPTER 7

Democratic Republic Of The Congo (Zaire)

Appointed deputy director of the USAID mission—later director—description of the mission and our very extensive program—our policy success in getting other aid donors to assist the country, thus reducing our footprint—our transportation rehabilitation program—Mobutu—relative calm and peaceful period in history of the country—change of name to Zaire—the curse of mineral wealth—PL 480 agreements

Q: Now you left Pakistan in 1969. Where were you off to?

MALLEY: To the midst of Africa, the “Republique Democratique du Congo” (Democratic Republic of the Congo). The name of the country was changed to Zaire while I was there, but today it is again called the Democratic Republic of the Congo, abbreviated to DRC. The capital city is Kinshasa, and the country often is termed Congo/Kinshasa, in contrast to the “other Congo” whose capital is Brazzaville and is called Congo/Brazzaville.

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 man, responsible for all program and operating matters, and reporting to the USAID mission 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 quickly 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 mission director and economic counselor for a majority of my two year stint.

Q: Who was the ambassador? And describe our program.

MALLEY: The ambassador was Sheldon Vance, a Foreign Service veteran. He and I got along very well. Foreign aid—both economic aid provided by USAID and military assistance provided by DOD—were major diplomatic tools he had to influence Mobutu and his government.

We were providing hundreds of millions of dollars per year of economic assistance to the DRC. 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.

For a time our mission was also involved with the limited amount of U.S. aid activities in Rwanda and Burundi, newly independent countries just east of Congo/Kinshasa. 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 fifty people as I recall. There were also consultants, long-term and short-term, on our payroll.

Professionals that I recall include John Doerr and Joe Svoboda, supply officers who played major roles in administering our import commitments. They had to pay intense attention to possible corruption of the type I described earlier. I don't recall many 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 CRS with local currency to support their network of schools and clinics. Pierre Sales, an American, was head of the United Nations advisory team; I had extensive contacts with him.

The U.S. was undertaking a very important policy initiative when I was posted to the Congo. We were trying to reduce our presence, our footprint so to speak, and our expenditures, by getting other donors and more Congolese involved.

We succeeded. The French, British, Germans, 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, 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 in key roles as their assistants. And in such manner, over the course of years, our prominence diminished, although we remained the largest donor.

I played my role in this successful policy shift, but I don't want to exaggerate. It started a bit before my arrival, and continued after I left. Our ambassadors and other officials played important roles. And representations by U.S. diplomats to foreign embassies in Washington and in European and other capitals no doubt were helpful.

Q: Did the roads program go anywhere?

MALLEY: As you well know, the DRC 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 an extensive and decent transportation system throughout most of the country. Belgian engineers and specialists had trained and managed a large local labor force. Roads, almost all 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. Unfortunately, most of this network had deteriorated or been destroyed during the civil wars of the 1960s. The Belgians 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 and ferry divisions of the public works ministry. On their advice, we financed the import of large amounts of equipment—bulldozers, graders, trucks, dredgers, etc.—and the establishment of maintenance facilities and depots. And we trained 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 assistance 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 prevail in the contest with the Soviet Union for orientation of his country. Of course he was not a democrat, but 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: True. You cannot educate and train people quickly. That was a constant problem, and still is. We did find some in the military with training—Mobutu himself for example. Some modestly educated people came from religious schools. And we and other donors found and hired some non-Congolese who had stayed in the country after independence; Belgians, Portuguese, Asians.

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

MALLEY: Not much. That Cold War battle had largely 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 serious danger, although there were areas where we were advised not to go.

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 and projects with a driver and aide by jeep over tortured roads and rundown ferries, but I could conveniently do that only from Kinshasa in the western part of the country. As I said, the times were relatively peaceful and such travel reasonably safe if one took sensible precautions.

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 name change. It remained the Congo River 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.

MALLEY: Only preliminary work on this project 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 the Congo, or just for the foreign owners?

MALLEY: I think the business was good for both while I was there. Most of the mines operated most of the time, despite the continuous tensions between the government and the foreign owners, and between owners and workers. The mining provided lots of local employment. Royalties flowed to Mobutu's government, and a considerable amount was used for good works. Of course the country's leaders also profited personally.

Congo/Kinshasa 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: Well, I mentioned our successful effort to get other aid donors to contribute more to the country, but otherwise no. For the DRC, it was a period of relative political stability and economic recuperation, with a lot of help from the West. It was perhaps the best period in the country's history.

But I do recall some interesting matters—not crises, but interesting matters—concerning our PL 480 program. One year we were negotiating with the government the quantities of grains and rice we would provide over the coming period, and under what conditions. Then Washington told us that the Congolese had to accept a certain amount of tobacco as part of the package. They protested; they did not want tobacco. We supported them. But Washington insisted, and the DRC 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 authorities before our June 30 end of fiscal year, otherwise the food set aside would be committed to other countries. 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 Jesse 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 Congo River on the DRC'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 run alongside the steep, tortuous rapids by which the river falls to the ocean. The railroad was built by the Belgians in the 1880s and 1890s, at tremendous financial and human cost. Of course, 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 agricultural products and materials to and from the many

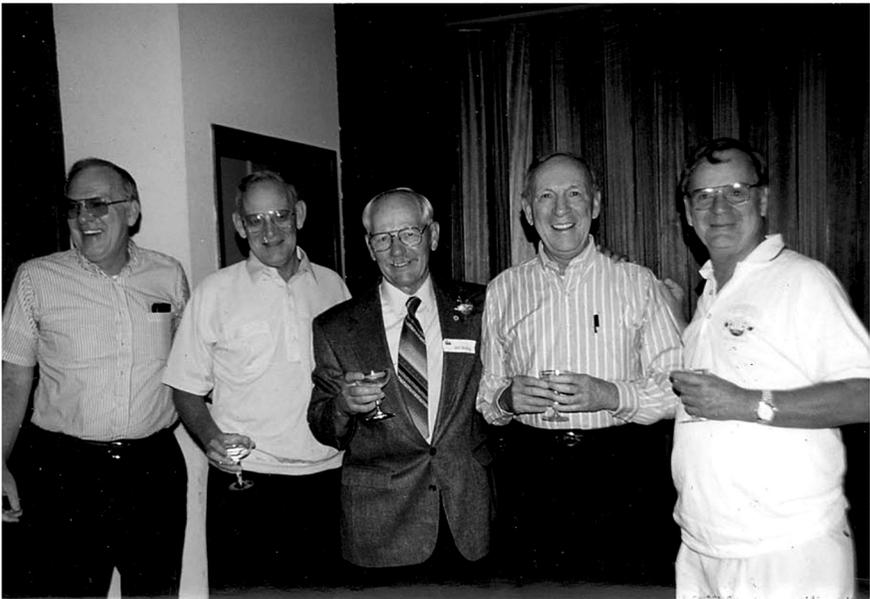
ports on the river and its tributaries. In much of the Congo produce and people move significant distances by water, not land.

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.

PHOTO GALLERY



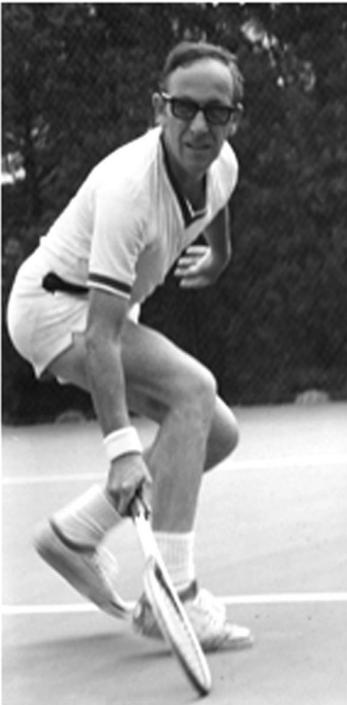
With Rita and our three boys. From left: Bruce, Ray, Keith, Rita and Gregory. (Circa 1972)



Five brothers. Ray is second from the right.



United States Air Force Captain at his desk. (Circa 1960)



Malley the tennis athlete in action.



**Malley with Indian electric power officials in Calcutta.
(1962)**



**Signing an agreement for the Mangla Dam in Pakistan.
Malley is at the far right.**



Congratulations from Lt. General Bakhtian Rana, chairman of WPSIC, after signing a project agreement in Pakistan.



On the road near the Pakistan-Afghanistan border.



Malley at a conference in Africa.



Malley with a Congolese riverboat captain.



Malley on the lecture circuit. (Circa 1980)



Malley signing a PVO agreement in Washington, D.C.



Malley (right) meeting with Dan Parker, USAID Administrator and President of OPIC.



Malley with Halla and Hyundai Chairman Chun In Yung and staff in Seoul, South Korea. (1997)



Malley speaking at the dedication of Halla's new shipyard in Mokpo, South Korea.



Malley at Bretton Woods, New Hampshire, where the World Bank and International Monetary Fund were created.



Malley in South Korea.



At the Great Wall of China.



Amboseli Park, Kenya.



Malley visiting classical ruins. (1997)



Malley with Josette at a Kennedy Center function
in Washington, D.C.



Keith, Bruce, Ray, Josette and Gregory. (2000)



**Marching with the American Legion on Veterans' Day 2011.
Malley is in the second row wearing a white jacket.**

CHAPTER 8

Washington, Usaid Bureau For Program And Policy Coordination (PPC)

Description of USAID headquarters and PPC in Washington—I am appointed director of the International Financial Institutions Division (IFI), and representative to the interagency National Advisory Council on International Monetary and Financial Policies (NAC)—description of the work of IFI and NAC—managing the foreign aid budget—the purposes of foreign aid—purists versus realists—bilateral aid as a foreign policy tool—I am appointed a Federal Executive Fellow and assigned to the Brookings Institution for one year—return to PPC as deputy director of program review and evaluation—we expand the aid evaluation program—and create a women in development office—introduction of environmental impact statements—I become assistant to the chairman of the Overseas Private Investment Corporation (OPIC)—description of OPIC and my work

Q: I believe that you left Congo/Kinshasa, called Zaire at the time, in 1971.

MALLEY: Late 1971, via Kenya, where I tried to climb Kilimanjaro. I didn't make it—got 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.

I was returning to Washington. I had 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 programming and policy matters, to go from the microeconomic to macroeconomic so to speak, and in the center of power, Washington. Second, the three children were growing, and it was time for them to get to know their own country better.

Q: So Ray, what did you get into?

MALLEY: To answer that, let me mention how USAID was organized in Washington. It was not unlike the Department of State. It was headed by an administrator and his deputy. Under him were several bureaus headed by assistant administrators—four 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 in effect the number three person in USAID. Ernie Stern, Philip Birnbaum, and Alex Shakow held the position at various times during my PPC tenures.

PPC was divided into four offices. One contained economists and analysts doing or managing research on economic and social development topics. Another was responsible for management of the foreign aid budget, and a third was concerned with agency policies and reviewed new financial commitments above a certain size proposed by the geographic and other bureaus.

The fourth office, 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 appointed 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 to 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.

This material came consistently and in great volume. Fortunately I had extensive background in the preparation and review of such, and had a small but experienced staff of four or five people to assist me. 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 that they should know about. The job provided a quick, intensive education into the workings of multilateral financial organizations—like learning to swim by being thrown in a pool.

Q: What about the NAC?

MALLEY: The NAC 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 in which agencies could review, ask questions, discuss, and provide opinions concerning major U.S. international monetary and financial policies and proposed commitments. Since USAID and the Export Import Bank of the United States (Eximbank) 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 they could be controversial and counterproductive. 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, Eximbank, 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 that it did a good job in including important matters that deserved review and consideration, or that were controversial, and in 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 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 Eximbank to explain proposed joint undertakings.

Examples of non-USAID items that we discussed were: to what extent should Eximbank 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.

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 discussions 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 Department of State 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 specialized in Indian subcontinent affairs and became an ambassador. I believe that Benedick opened State's Office of Counterterrorism, but I am not sure of that.

A very active, outspoken character at NAC meetings during my tenure was Reed Irvine, who represented either Eximbank or Commerce. After retirement, he was one of the founders of 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.

I do not want to exaggerate the importance of NAC. As I said, we participants discussed international monetary and financial matters of considerable importance. But we were not at the highest level and did not make decisions. Rather, we provided information and the opinions of other agencies to our superiors. I wrote a memorandum to concerned USAID individuals after each meeting, describing what was discussed and the implications for us. Actual decisions on major matters—for example, should the U.S. support an increase in World Bank funds—were made in meetings between department secretaries or at the White House, and after consultation with key congressional members and staff.

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

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 the department was too politically and diplomatically 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 foreign assistance budget and overall policies?

MALLEY: Managing the foreign aid funds voted by Congress is obviously of key importance. Senior people manage this—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 by outsiders 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 that certain things be done, others not done. It is a messy process.

By the way, let me mention something else of importance. We have been talking in our conversations about economic assistance. 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 itself 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 or a bit more of our annual economic aid is normally bilateral, the remainder multilateral.

Also, consider the term “foreign aid.” It is a popular term most used and understood by the general public. But professionals prefer to talk of “development aid.” That is the term used by the World Bank for example. But even that term 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 IFIs; not being countries, nothing is “foreign” to them. So we have an imbroglio! Actually in these discussions with you, I have been using all these terms. They mean generally the same thing.

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

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

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

Q: This was of course the period of President Nixon. Rogers is secretary of state, Kissinger the national security advisor. How would you say they viewed foreign economic aid?

MALLEY: Foreign aid is an oft-criticized activity, as we all know. But it is striking that every administration, Republican and Democrat, finds it essential to have a foreign economic 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 economic aid. One group—we might call them the purists—wants 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 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 purposes of aid, there are yet other purposes. We have already talked about humanitarian aid—helping countries in times of sudden emergencies. In addition there are business reasons for aid—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. Another purpose is the moral imperative—it is right and just that the rich help the poor. And there are even cultural reasons for foreign aid. The French, for example, 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 increasingly transcend the frontiers of individual countries. Such problems include diseases, global warming and the environment, mass migrations, and international drug trafficking.

That Stu, is a lengthy list of the reasons why foreign aid exists. In my opinion, all these terms, reasons, and phrases can be subsumed under the more general objectives of economic and social development.

Usually there is no one reason why the U.S. provides assistance to a particular country—there is a combination of reasons. Why were we in Korea and Pakistan? To shore them up as part of our Cold War 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. In Zaire, 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. Provision of assistance by the U.S. to both countries was an essential component of the agreements. For many years thereafter we gave both countries about one billion dollars a year in economic aid; this level has only been pared back recently. We also provide military assistance. Imagine what the Middle East might have looked like over the years if there had not been peace between those two countries!

But I want to stress that even when the U.S. decides to provide aid primarily for political purposes, the funds are nevertheless managed by USAID to promote economic and social development. It is very important to understand this. In Egypt, for example, we have a large 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 economic assistance 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 the 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 their State counterparts 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 the U.S. or the country concerned, or that it was dubious or illegal. So you sometimes have such conflicts. Normally reasonable compromises are made. And as you know, State and ambassadors often have modest “slush funds” of their own that they can use as they wish.

Q: You were in this assignment 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 one as a Federal Executive Fellow, and assigned to the Brookings Institution, the well-known Washington think tank. This was an honor; there are not many Federal Executive Fellows.

Q: What did you do there?

MALLEY: Two things. Brookings holds many meetings 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. And I participated in some of the meetings. But more important, it was a period of reading and reflection for me, away from the daily grind and

pressures of analysis, decision making, problem solving, and management. I concentrated on the current state of international affairs and U.S. foreign policy, and the role of foreign economic assistance, and especially on the most recent research and literature on those 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 USAID administrator's senior seminar, an intensive weeklong policy retreat in the Virginia countryside. It was the equivalent of State's famous senior seminar.

Q: And after Brookings?

MALLEY: I went right back to PPC, but to a different and higher level 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). So my title abbreviated was DAAA/DPRE. Quite a moniker! [Laughter] I worked under the director, Art Handly. We had a staff of about twenty-five 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. It was a major and important task, and occupied most of the time of my staff.

A second responsibility 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 Congress. The third 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 economic 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. Bob Berg was a key figure in this transition. USAID was a pioneer in the area. Subsequently the World Bank and other development agencies expanded or created their own evaluation departments. Today they are key components of most aid organizations.

Let us talk about new policies, for example the role of women in development. USAID and DPRE also led the way in this important area. In Africa and many other parts of the world, women play an equal or more important role in the economic and social life of their families and villages than do men. 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 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.

There was one new policy 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 activities 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 on how to do this.

Q: I am not surprised that you did not succeed. It is hard to say, "We are building a dam, but we don't care what effect it has on the environment."

MALLEY: Of course, the question was should U.S. law be binding on others. Anyway, the new requirement relatively quickly became a normal part of the assessment process and did not seem to hamper operations. 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 is a U.S. government corporation that insures American companies against political risks in developing countries. The purpose 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 hesitate to make the investment because you fear that your plant might be destroyed during civil strife that often besets African countries. 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 a policy under which you will be compensated if your operations are nationalized and you do not receive adequate and prompt compensation from the local government. And a policy to cover you against inability to convert your sales receipts in local currencies into dollars to repatriate to the U.S. All these are considered political risks.

But, 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 as part of a development assistance program also was spawned in USAID. It grew to such importance that a new agency, OPIC, was created to manage it. And the World Bank and other countries now have such programs. It is yet another example of how AID pioneered an idea subsequently adopted by other development agencies.

Well, the administrator of USAID was also by law chairman of the board of OPIC. At the time he was Dan Parker, of the famous pen company. Parker wanted someone familiar with business to advise and 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 ceremony for me, and presented me with a very nice plaque of appreciation.

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

MALLEY: Remember that I had wanted to get involved in policy work in Washington when I left Congo/Kinshasa. You can see from my various assignments in PPC that I had succeeded in a substantial way. And I was in line to succeed Handly as head of DPRE and become associate assistant administrator when he was reassigned. But as it turned out, I was only there for about one year. Politics and fate interceded.

CHAPTER 9

OECD, The Development Assistance Committee (DAC), Paris, France

Washington politics—Republican favorite is appointed U.S. representative to the Development Assistance Committee (DAC) of the OECD in Paris, and I am selected to be his deputy—I turn down UN job offer—description of OECD and DAC—numerous development assistance policy problems discussed, including reduction of poor countries' debt burdens, what is and is not aid, tied aid, relation of export credits to aid, and aid to sectors of economies—critical review of members aid programs—difficulty of defending the U.S. program because of our low level of aid relative to GNP, and our many aid agencies—my involvement in North-South (Group of 77) conference—dealing with political appointees—life and baseball in France—Carter wins presidency, I assume top DAC job on acting basis—Democratic favorite instead of me appointed to DAC, I request transfer—possible appointments to UNIDO and IFAD fail

Q: Explain how politics and fate interceded.

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. Nixon was president, and when he resigned because of Watergate, Gerald Ford replaced him.

A particular California supporter and colleague of both of them, Robert Smalley, got himself appointed to the U.S. delegation to the Organization for Economic Cooperation and Development (OECD) in Paris, specifically to the job dealing with foreign economic assistance and north-south issues that had always previously been 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—it 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.

Mr. Smalley was a political operative and public relations executive, with no background in foreign affairs or foreign assistance. 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 and probable coming promotion in DPRE. On the other hand, 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 and other international organizations. Via that 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. Instead we left for Paris in the fall of 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 very well known and respected in USAID and State, 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?

MALLEY: The OECD is where the rich countries of the world discuss international economic problems and attempt to coordinate their positions on those problems. They also learn from the experiences and successes and mistakes of others. The “rich men’s club” it is often called. There were about twenty-five 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. They include South 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 mostly the same countries discuss and try to coordinate economic matters. Of course the comparison is far from perfect, but it is illustrative.

OECD had and has a secretariat of one hundred people or so headed by a secretary general. It is divided into offices dealing with specific international economic topics—foreign aid (the DAC), finance, trade, agriculture, science, energy, environment, education, labor, and so on. The secretariat organizes and manages meetings of the members on these topics, including the preparation of discussion papers describing problems and possible approaches and solutions. It also does research on international economic topics.

Each member country has a delegation accredited to OECD headed by an ambassador. In my time the U.S. delegation consisted of twenty-five to thirty people. Our ambassadors were Turner and then Herb Salzman, but the key man was the number two, Abe Katz. He was State’s OECD expert for many years, and eventually became ambassador to the organization

himself. About half of our delegation consisted of State people; other departments of government such as Treasury, Commerce, Agriculture, and Labor provided attachés. Our USAID office consisted of Smalley, myself, two or three analysts (Bob Asselin was one), and a couple of secretaries. We were a close knit and high morale delegation.

Q: But Ray, what kind of problems did you work on? Give me some examples.

MALLEY: Regarding foreign aid and north-south relations, we were discussing and dealing with policies, not with individual programs or projects. Such policies were widespread—they ran the gamut.

I will give you some examples. Having received development loans for some time, many poor 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 two questions were discussed at the DAC over many years, before, during, and after I was there. The members decided that the answers to both were yes. This illustrates 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 economic assistance may seem like a simple question. It is not. International financial flows are constant and in the trillions of dollars. Almost all are private and move under normal commercial or investment terms. Only a small amount meet the definition of aid.

To be counted as aid, the flow must be government to government on concessional terms—that is, non-market terms. But the DAC decided that only a slight concession from normal commercial terms, say 5 or 10 percent, is not enough. It defined foreign aid as financial assistance provided by governments to developing countries with a minimum 25 percent grant element—a technical term that is complex, but means partly that there must be at least a 25 percent reduction from the prevailing commercial rates. Of course this is applicable only to loans. When aid is provided completely 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 donors—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 had 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. So another 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 occasionally came 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.

Q: Did you discuss and compare aid programs?

MALLEY: Oh yes. A very important activity was the review of each member's foreign assistance program by the other members. This 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 by our peers 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 much 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, usually 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 others—but our colleagues usually refused to recognize a relationship between the two. I must say though, that the discussions were civil and diplomatic. There was no rancor.

Another interesting task was assisting Finland as it set up a foreign assistance operation. The country was a member of OECD but not DAC. The government decided to establish a significant aid program and join DAC. Finland's representative to OECD asked myself and a few others to meet with their people setting up the program in Paris and Helsinki. We advised on the nuts-and-bolts, the kind of things that you and I have been talking about in these interviews. They included the preparation of assistance policies, handling of budgets, types of personnel needed, how to select recipients, how to assess the feasibility of projects and programs, the conditions of aid, monitoring and evaluation of projects, coordinating with other donors, and others.

And let me mention one more matter. The OECD staff compiled wonderful data and assessments on the foreign economic assistance flows of DAC member countries, but did little or nothing regarding aid flows from the Soviet Bloc and other non members. Our mission requested that they do so. True, there was not much hard data on such flows. But their experienced staff could find what data there was, and make appropriate estimates and judgments. The results would be useful for comparative and intelligence purposes. They agreed, and in time became the world's prime source for such data.

Maybe that is enough to illustrate our work at DAC. You can see that it was at the highest level of policy.

Q: Ray, that is quite an extensive list of policy work.

MALLEY: But Stu, I should also 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 concessions—more foreign aid, reduction of trade barriers to their exports, more technology transfer, more influence in the IFIs and UN bodies, and the like.

The large U.S. delegation to CIEC was headed by Under Secretary of State for Economic Affairs Richard Cooper. It was divided into four segments, one of which was development assistance. Joe Winder headed that segment, and I and Bob Asselin were appointed part of his team. Other staff 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 and press releases regarding the discussions and results were negotiated to the last word and comma. There were daily meetings with the press.

Finally CIEC ended in June 1977 with the issuance of broad communiqués indicating some areas of agreement and future intentions. I believe that it contributed a bit to better relations between north and south. At least the two sides 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 Department of State'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, when appropriate, “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 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 many times, but there was also considerable time off. That is the European way. We visited many parts of France and other countries. Our two younger children did well in the international school in Paris; Keith the oldest was at university in the U.S. But now, let me tell you about my involvement in baseball in France.

Q: Did you say baseball?

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

Well, the U.S. marine diplomatic security detachment in Paris had several excellent baseball players, and wanted to form a team and enter the top 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. And we had a great 1977 season, ending up as one of the four best teams in the country. In the playoffs for the French cup, 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—some of our best payers had been reassigned and others could not spare the time. After only a few years the team disbanded and left the league. But I was well known and liked by the French authorities, and continued to attend meetings of the French baseball association. And I became an umpire of games, earning francs in the process.

At one of their annual balls, the marine detachment presented me a nice award and plaque of appreciation 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?

MALLEY: Frequently yes. But they were also among the biggest critics of our aid program—too small and spread out among too many agencies (spigots). The French had, and still have, a very significant economic 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, the quantity of aid we provide is still very high because of the massive size of our economy.

Q: So, you left OECD when?

MALLEY: American politics again intervened in my life. Jimmy Carter of the Democrats won the presidency in 1976, so Smalley the Republican had to leave. When he did, I stepped up from deputy to acting minister counselor and U.S. representative to the DAC. It was assumed by everyone involved that I would soon be appointed officially to the position. I was now in it, and anyway had been doing most of the senior work all along. I was highly recommended to the Carter foreign affairs transition team by our OECD mission and our backstops in Washington. And members of the transition team visiting Paris virtually promised me the job—it is “only a matter of paperwork,” said Ted Van Dyke.

But in truth, they had other ideas. They decided to replace Smalley with their own political appointee rather than me. And more egregious, this favorite was a veteran USAID officer—Lloyd Jonnes—who had retired some years before and begun another career.

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 top DAC job, and then have a retiree be brought back to take it during a period of personnel surplus, was disgraceful. I and the mission voiced our displeasure at the highest levels. It did no good. Efficiency and cost did not matter to the newcomers. It was clear 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 was 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?

MALLEY: To Washington. But I almost stayed in Europe. You are familiar with the United Nations Industrial Development Organization (UNIDO), with headquarters in Vienna. The number two position, deputy secretary general, 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 earning and 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 petrodollar excess to assisting poor countries, for example 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 and financing 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—my 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—I 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.

CHAPTER 10

Washington—PPC Again, And The Lecture Circuit

I return to a senior evaluation job at USAID Washington—conduct critical evaluation of USAID mission to the Philippines—appointed deputy director of policy development and project review (PPC/PDPR)—heavy PDPR workload—I am also on the speaking circuit around the U.S., explaining and defending foreign policy and foreign aid—answering the critics

Q: Raymond, you are back in Washington about 1978, is that it?

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

Q: What job did you go to?

MALLEY: Initially I came back to an executive evaluation job. USAID had a small office of senior officers responsible for addressing important program and management problems. 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, inefficient use of funds, and bad morale, often in field missions. Of course such complaints had to be investigated.

When I arrived, there were problems at our mission in Manila. The situation was particularly critical because we were starting negotiations with the Filipinos regarding our continued use of Clark air base and the Subic naval facility, which would require an increase in our ongoing assistance program. Which is, by the way, another example of foreign aid helping in the attainment of a political objective. I went with a veteran economist named Al Boucher to assess 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—fortunately 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.

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 executive evaluation 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 provision 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 foreign officials want to steal funds, it is easier to do from their own resources rather than from aid. But

as I noted, some stealing often takes place in emergency aid situations, humanitarian situations, where you are distributing goods quickly, rapidly, and also in war zone situations.

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 Paris—DPRE. But as I recall, evaluation had become a separate function and was no longer part of the office, and the name had been changed to Office of Policy Development and Project Review (PDPR).

This office was responsible for seeing that the policies of USAID were carried out by the bureaus, and initiating, disseminating, and explaining new policies when required. 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 commitment, we would first try to work it out with them; almost invariably we reached agreement. The workload was heavy and interesting.

Also at this time, State and USAID were stepping up their ongoing efforts to better explain foreign policy and foreign aid to the American people. I had previously been a speaker around the country from time to time, and volunteered to be so once again on an occasional basis.

As you know, the foreign affairs agencies frequently receive requests for speakers from universities, international affairs clubs, and civic organizations such as Lions clubs. 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 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 a public affairs expert would arrange a three or four day speaking trip, and accompany you and handle particulars and problems. The speaker did the talking. I recall that Wade Fleetwood arranged and 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 assistance is only a very minor part of the federal budget—less than one half of 1 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 thirty or thirty-five most common questions and complaints, 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 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 us—you are on your own.” Normally the debunker of aid of a few minutes ago will agree that we should provide 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, skeptics are more likely to support aid when it is used as a political tool, as in my example. They like economic and social development reasons less.

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

CHAPTER 11

Four Troubleshooter Assignments, Then Botswana

A new law is passed requiring every agency to create a SADBUC office and steer more contracts to small and disadvantaged businesses—the USAID administrator assigns me to set up and run it—how I did it and how it worked—I expand it into the Office of Business Relations (OBR/SADBUC)—I become member of the administrator’s senior staff—explanation of contracts and set-asides—Reagan wins presidency—his transition team gives me urgent temporary assignment to run the Trade and Development Agency (TDA)—I actually head my own agency!—explanation of TDA responsibilities and operations—how I did it and how it worked—I leave TDA, return to OBR/SADBUC, and help set up new bureau to promote private enterprise in developing countries—again I am given an urgent last-minute assignment: head of a team evaluating USAID assistance to the Entente Fund in West Africa—results of the evaluation—I leave OBR/SADBUC—am appointed USAID mission director to Botswana

Q: You certainly were doing plenty of things. What happened next?

MALLEY: I was again called to the USAID 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 win more federal financed contracts. Politically it was a significant law supported by both parties. I had been selected to set up and run the USAID office. We were particularly important to the new law because we had many contracts. I had been with PDPR less than a year.

This was another real challenge, but 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 requirement—including a Minority Resource Center—to this existing office, naming the whole thing the Office of Small and Disadvantaged Business Utilization (SADBU), as required by the legislation. Later I expanded the responsibilities of the office further to deal with larger businesses also, renaming it the Office of Business Relations, abbreviated OBR/SADBU. The administration soon added women-owned businesses and traditionally black universities to those that we should assist.

I had about twenty-five people, including analysts, contracting officers, and lawyers. Senior personnel included Bill Jennette, Nedra Rowe, and Gerry Patterson, and management provided me a top notch secretary—Pat Westfield.

In this job I reported directly to the administrator, Doug Bennett at the time, and was appointed a member of his senior staff, one of the few career Foreign Service officers ever on it. The staff included Joe Wheeler, deputy to Bennett, Jack Sullivan, who was head of the Asia and Near East Bureau, and Goler Butcher, head of Africa Bureau, among others. I participated in Bennett's staff meetings and other special meetings. I was in the top counsels. I could speak out on any issue and problem, and often did.

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

MALLEY: No. There was cooperation from the leaders of the bureaus. Of course it was another hurdle they had to surmount in managing their portfolios. 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.

I and my SADBU equivalents in other agencies were called to the White House periodically—about once a quarter I recall—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 USAID target among the regional and other bureaus, and we discussed progress and problems periodically at the administrator’s staff meetings. We tracked the record of the bureaus and 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; some bureaus faltered, but others picked up the slack.

Occupants of this position in the major agencies met informally once a month for lunch. We became a sort of club. The great majority of them were minorities and women. I was among the exceptions. SADBU offices continue to exist today in federal government agencies, and I presume function in generally the same way.

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

MALLEY: Okay, let’s use that as an example. 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, and then select some that seemed suitable for competition only by small businesses or only 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 medical equipment to hospitals in Peru, estimated to cost two million dollars. It was “set aside,” so that only small businesses or minority-owned businesses could bid. One such company 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 part of our work was to prepare and maintain lists of qualified firms. There was already in place a procedure for defining small eligible companies—we extended this to include minority-owned and women-owned firms. Of course a company could have some white owners, but to be acceptable it had to be substantially owned and operated by the groups we are talking about. 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?

MALLEY: Yes, firms were formed, and no doubt still are, to try 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 former 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 majority Caucasians would bring in minorities who would not substantively work in the business, although they might have some ownership. They were not eligible.

Q: Did you find, with companies being created in order to meet the law, that 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 the firm itself was new, the employees had to have a successful track record elsewhere regarding the goods or services for which they were competing. If everyone or most 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: Yes, 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 because of reasons I just stated. We had to do a very careful, professional job to back up our decision, since we could be grilled later by interested parties. But I don't recall any major disputes along these lines while 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 and 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 continued to speak to civic groups and universities from time to time, as we discussed earlier. But additionally during this period, the Department of Commerce was arranging shows for businesses around the country, to explain the governments' procurement policies and operations, and how companies could compete for federal contracts. Some states and even cities organized similar meetings. Major agencies of government were encouraged to participate. We normally had a USAID desk at these meetings 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, and 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 criticized by certain groups. Of course you go out to Birmingham or Dallas, Cleveland or Butte, and you are often seen as this representative from Washington who can answer anything. So you can be queried and criticized on anything. 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: President 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 was one, and he 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), a separate government agency! I was startled.

It seems that the Carter administration appointee who headed that agency 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 said that they were about to fire him. I had been selected for this emergency assignment because I had business experience and was already running a business-oriented office. It was a temporary assignment only—they would appoint a new permanent leader of TDA in due course. I would still continue to be head of OBR/SADBU. If I encountered any resistance or problems at TDA that I could not handle, I was to contact Bolton or one of the others immediately for assistance.

Q: That is very interesting! Describe TDA.

MALLEY: TDA was and still is a small, independent agency. Its mission is to stimulate economic development in poor countries by promoting trade with those countries and the purchase of American goods and services. Actually, I believe it is another spinoff of an idea initially spawned at

USAID, where it was called reimbursable technical assistance for awhile, and then the trade and development program.

The agency had only twenty permanent staff more or less when I was there—it is larger now. But we hired consultants regularly for all types of tasks. We had a significant operating budget. David Levintow was the program chief, and a big help to me. I encountered a few personnel problems, especially from people loyal to the outgoing chief, but was able to handle them without recourse to Bolton.

TDA did and does operate in several ways. It finances the planning of projects by business companies or consultants 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 foreign 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.

Again, if your ABC company is considering an investment in Kenya but your board is dubious, TDA might join you and finance 50 percent 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 they can supply.

So, I was acting head of my own United States government agency for several months, until another fellow came in. I had all the responsibilities and authorities of an agency head. Isn't that something! I had come a long way.

Q: That is certainly true. 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. I suppose that TDA has ways of measuring the results of things approved five, ten, or twenty years earlier, by looking for example at exports that resulted from feasibility studies and visits to American companies. I should look at some of those assessments and see what happened as a result of activities I approved or prodded along during my stint.

I recall that one TDA financing that I approved was for a visit by leaders of Chinese state-owned corporations to the plants of American manufacturers 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. Possible future activities were under constant assessment by TDA staff. And our embassies and USAID missions in developing world countries frequently asked questions and sent us ideas for new commitments.

But my period at TDA was relatively short. My major 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 there was directly overlooking where President Reagan was shot. But the agency was preparing to relocate to a building in Rosslyn, which happened during my tenure. It was another task that 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 the time of the Reagan incident. My other operation, OBR/SADBU, was located in Rosslyn. And I frequently had to be at main State for meetings. So daily I was in at least two, and many days all three, of those places. I ran up 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 Republican appointee who replaced me. He seemed to be in his mid to late 30s. I recall someone suggesting that he was from Michigan and that his family was in the furniture business; I have no idea if this was true or not. I assume that he or his family played a role in electing Reagan. He was a decent, respectable fellow. I broke him in and worked with him for several weeks, and then left TDA.

Q: Where did you go?

MALLEY: Well, don't forget that my assignment to TDA was temporary. I was still head of the Office of Business Relations (OBR), which included SADB, which I had helped create. That was an excellent, high level job.

But times were again 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 significant 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 done.

Named to head the new bureau was Mrs. Elise Dupont, wife of the governor of Delaware. She had little foreign affairs experience. To get the new bureau off to a running start, my OBR/SADB office and another dealing with low cost housing in developing countries, headed by Peter Kimm, were made part of it. Myself, Kimm, and another professional named Ed Harrell, were assigned to help her get the new bureau started. We did so over the course of several months.

And Stu, in the midst of all this, I was handed another urgent, last minute assignment. I seemed to specialize in such assignments. A large evaluation team was about to leave for West Africa. The leader of the team, Ted Lustig, had to back out for some reason. USAID selected me to replace him. As in the case of my TDA assignment, I would retain my OBR/SADB job.

The team was unusually large—nine professionals in such disciplines as economics, banking, small business, and social sciences, plus support staff.

Our mission was to evaluate an ongoing USAID 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 of the program was to stimulate growth of their private sectors by providing funds to their development banks for loans and technical assistance to small—and medium-sized businesses.

I promptly met the Washington-based team members, none of whom I knew. We left for Abidjan soon thereafter. We were joined there by three local members of the team. We met with Entente Fund officials. I divided the team into subgroups to visit the capitals of the countries for discussions with the concerned banks and government officials, and with bank borrowers. We spent weeks at this. Back in Washington, each team member gave me a report of their findings. Some were excellent, others mediocre. I used these reports, plus my own views and judgments, to write the final evaluation report giving our observations, lessons learned, and recommendations.

We concluded that our assistance to the Entente Fund was too complex and not working well, and recommended that it be substantially redesigned or terminated. I believe that subsequently the Africa Bureau made significant changes to the program. And I understand that our report was a model that was referred to for many years thereafter by project teams considering assistance to development banks in Africa and other parts of the world.

Q: Ray, you were certainly called upon to do many important things, and, as you said, often at the last minute.

MALLEY: True. But meanwhile, as part of the shuffling going on in Washington, I was replaced as head of OBR/SADBU by a Republican appointee named Barbara Otis. She was a political type with no foreign affairs experience.

However the Reagan people did not forget me. They, and especially Bolton and Holmes, were appreciative of how I had helped them handle difficult problem situations. They were instrumental in getting the administration to offer me a good onward assignment—USAID mission director to Botswana.

Now, 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 excellent. Botswana was a small country to be sure, but one that offered very rewarding professional challenges—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. My traditional swearing in on the seventh floor of the Department of State was arranged.

But then disaster struck. I could not go!

CHAPTER 12

Retire From Foreign Service, Jobs In Private Sector

Wife is seriously ill, cannot go to Botswana—despondent, I decide to retire from the Foreign Service—take job as vice president international of agricultural equipment company Silopress—description of activities—Silopress parent company fails, and I leave—I perform occasional short-term consulting assignments for USAID contractors-wife passes away—I join consulting firm Labat Anderson, which has long term contract with USAID to promote private enterprise in Africa—become key player in numerous activities in many countries

Q: Oh gosh Ray, why not?

MALLEY: I did not mention this before Stu. My wife had a serious brain tumor, discovered when we returned from the Congo in 1971. For many years it was benign, but then it became aggressive at the beginning of the 1980s. There was always the lingering question of what was going to happen. Now the medical department at State said that she should not live overseas anymore; she should remain in the U.S. near expert medical help. 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. As you know, Foreign Service officers were and are eligible for retirement under the 50/20 rule—be at least fifty years old and have twenty 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 already met the requirements, I had not seriously considered retiring. But now I did. I was a Foreign Service officer, but because of my wife's condition I had to stay in Washington for the indefinite future. I was confident that the Reagan people would find me 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. Also, the foreign affairs agencies such as State, USAID, and USIA were being short-changed by administrations and the Congress, even as they poured vast funds into the military. USAID was no longer of equal weight with State and DOD, as it had been in the 1960s and 1970s. Some of USAID's best activities had been spun off to new agencies—OPIC and TDA 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 and excellent offers at about this time—one from a well known international 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 or not to make the Air Force a career, whether to stay with Big Oil or join the federal government, and whether to join the United Nations or stay with USAID and go to OECD/DAC in Paris.

I decided to retire from the Foreign Service and join the agricultural equipment company. I would be based in Washington, but working with

such a company would put me in a completely different atmosphere, away from foreign policy and foreign aid, which seemed desirable for awhile. And there seemed a good chance of earning some serious money. Thus I retired in 1982 as a senior Foreign Service officer, with total government service time of over twenty-five years, I was age 52. But in retrospect, it was the worst decision of my life.

Q: I am sorry to hear that. What happened?

MALLEY: The company that I joined was named Silopress Inc., with headquarters in Sioux City, Iowa. Its prime product was the manufacture of animal feed and silage systems, for which it had recently received valuable patents from a prominent company in Germany. It was growing 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. Later I was also made president of Silopress Canada Ltd., with offices in Toronto.

Initially the parent company gave us a decent budget. My colleague and I developed a marketing plan, made contacts in a variety of countries that had agricultural equipment needs, and went on the road to try 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. Unfortunately there was an economic recession in the U.S. in the mid-1980s, and the agricultural sector was severely affected. The parent company was suffering. Lacking adequate 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.

If I was going to retire, I should have joined the international consulting firm. It was well known and growing, and more down my alley of experience and interest. It prospered over the years. I probably would have been happy there.

Stu, I do want to mention one “benefit,” if it can be called that, from my retirement. I had recently received yet another high level special assignment, member of the Department of 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 swearing in and Botswana mission directorship. When I decided to retire, a colleague named Bill McIntyre replaced me. He was among the many killed when the embassy in Beirut was blown up by terrorists.

Q: Oh gosh! Ray, considering your years working and traveling in difficult countries of Asia and Africa, you perhaps experienced other dangerous situations.

MALLEY: Yes, there were others. For example, being caught in the midst of anti-U.S. riots in Karachi and Lahore during Pakistani conflicts with India. The Pakistanis felt that we were pro-Indian, partly because the Indians were using American-made tanks. But Pakistan also was using American-made tanks!

But one of the most dangerous incidents I encountered was in London. One evening I was in a taxi going from the airport to my hotel. Suddenly not many yards in front of us a bomb or bombs exploded in and around a bus, causing havoc, several deaths, and many injuries. The taxi was scraped slightly, but fortunately I and the driver were not harmed. The bombs were the work of the Irish Republican Army (IRA).

Q: The company that you joined had failed. Your wife was terribly ill. What did you do then?

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

Q: What kind of consulting assignments?

MALLEY: Mostly assignments for consulting companies that had contracts to provide expertise to State and USAID.

There was one in Liberia, for example. USAID for some years had been providing funds to a government-owned development bank for onward lending to local businesses. The project was overseen by an AID-funded consulting company. I was sent to give my opinion as to whether the project was well managed, whether our funds were being well used, whether we should continue to provide assistance when the existing commitment expired, and under what conditions if any. I had substantial, practical experience in this area, as you know from our discussions. I spent ten or twelve days in Liberia. I found the operation satisfactory, but made several recommendations for improvements.

I did a similar assessment for another consulting firm regarding assistance to a development bank in Chad. I also recommended changes in that program. My visit to Chad occurred right after one of the wars between that country and Libya. The devastation and privation in the capital city of Ndjamena were substantial.

Another of my assignments took place only in Washington. I was leader of a team that assessed 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 field 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 Inc., with headquarters in Rosslyn. It had a long term contract with the Africa Bureau of USAID to provide expertise 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 occasional tasks for them in Washington in 1987 or so. They were very conscious and sympathetic to my personal situation at home. Eventually in 1989 I joined them full-time.

And on the side, I pursued another work activity—tennis! I enrolled in the two week program of one of the two schools in the U.S. that train and certify tennis teaching professionals. It is called the U.S. Professional Tennis Registry (USPTR), located in Hilton Head, South Carolina. I was

quite old for this kind of thing, by far the oldest in my class, but I managed to pass their program and become certified. The certification enabled me get part-time tennis teaching work with local communities and private pupils. I earned some money, but mostly it helped me keep in good health. I did not want the children to have to deal with 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, regarded foreign economic assistance 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. Especially 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: USAID's Africa Bureau and Labat selected a dozen or so of the most promising countries to work with. We then tried many things with these countries, working with and through our missions and embassies of course.

We did elaborate assessments of their private sectors, and came up with specific recommendations regarding what to do to stimulate private sector investment and business growth. We sent experts to assist their governments to draft legislation, regulations, and commercial codes to support and promote free markets and businesses. We helped local development banks that worked with the private sector, and stimulated with experts and money the growth of commercial banks and financial exchanges. 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 African businessmen to meet with American companies to try to make deals.

In addition, we lectured on investment opportunities in Africa to business and financial groups across the U.S., and helped arrange meetings regarding

them. We established a council of large American firms to raise the level of business interest in Africa among the American business community.

We helped the private sector arm of the World Bank—the 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) in Abidjan to expand their private sector promotion work. And hardly least, we lectured in African countries on the virtues of privatization, and provided experts to assist governments to prepare and sell off state-owned enterprises, and helped them do so.

You see that this was an ambitious agenda. I did not have a specific assignment. Instead, I worked more or less on all of it at one time or another. I worked long hours. I became the right hand man of both Leifert and Weinstein. Our offices were with USAID's Africa Bureau in State's main building. In some ways it was like I had never left, and I was treated by bureau staff in that manner.

Q: How successful was all this?

MALLEY: Labat had a long term contract—ten years or more—and I was not around for much of it. Fundamental and lasting results from this kind of effort can only be assessed and 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 several countries, including Senegal, Cote d'Ivoire, Kenya, and Uganda. Unfortunately civil conflicts later broke out in some of them, and many advances made in the past were negated. That was not a failure of foreign aid and our program, as critics might say. It was a failure of local politics and tensions.

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

MALLEY: I worked long hours, yes, and I travelled in Africa and around the U.S. a lot.

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

MALLEY: At the local level, many 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 unfortunately, this local spirit often does not exist at the national level. Leaders try to control too much, to take advantage of their positions for themselves, families, friends, and ethnic groups. And there is much local corruption. The lack of good leaders is a major reason for Africa's malaise. There are exceptions of course—in Botswana, Ghana, and Mauritius, for example.

CHAPTER 13

Halla Business Group, Korea And Worldwide

In Korea, Halla Business Group spins off from Hyun Dai—at Chairman Chung’s request, I help them set up Washington office, which later moves to New York area—I leave Labat—am appointed chairman of newly created Halla America, and personal advisor to Chung for global operations—description of size and operations of the group—in mid-1990s consisted of 35 companies, 25,000 employees, and had between six and seven billion dollar annual sales—some products we manufacture: power, chemical, cement, and steel plants; heavy construction equipment; automotive parts; cement; pulp and paper; climate control equipment; cargo ships; etc.—I travel the world with executives exploring investment opportunities and negotiating deals and joint ventures—then comes the 1997 Asian and Korean financial crisis—Halla downsizes to pay bills—the smaller Halla of today

Q: How long were you doing this with Labat?

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

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

Hyun Dai had since grown into one the largest industrial manufacturing groups in the world. Chung Ju Yung was chairman, Chung In Yung was vice chairman. In the late 1980s they had serious policy differences regarding future growth of the group. I also believe that the younger brother chafed at always being number two to his sibling. They finally agreed to split up. A few of Hyun Dai's many companies were spun off to create a new independent entity called Halla Business Group, chaired by the younger brother.

The new Halla 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 an office. I agreed. He sent a team, and I helped them understand the local ways of doing business, get necessary permits, look for and rent office space, buy furniture, and interview and hire local staff. The office we established was high in one of those tall buildings in Rosslyn overlooking Key Bridge and Roosevelt Island.

I was still working full bore with Labat and USAID on Africa. But within Halla's new quarters, being renovated, there appeared a large corner office designed for me. And I began receiving salary checks from Halla. 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 a few months, but then I had to reduce my Labat work as Halla required more of my time,

including travel. 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.

MALLEY: The Halla Business Group at its height in the mid and late 1990s consisted of about thirty-five individual companies and affiliates, many overseas offices, and about 25,000 employees. It had many manufacturing plants, mostly in Korea, some in other countries. It had annual sales volume of between six and seven billion dollars, about half in Korea and half abroad. All of this was big. In some ways it was bigger than all of USAID, maybe bigger than USAID and State combined. Hyun Dai and a few other Korean business groups such as Samsung and Daewoo were larger, but Halla was in the very next tier.

I have here a Halla brochure from the 1990s. Should I read to you the names and activities of some of our most important companies?

Q: Oh yes Ray, please do.

MALLEY: Well, here we go. Our company Halla Engineering and Heavy Industries Ltd. manufactured and installed industrial equipment for power plants, cement plants, chemical plants, and steel and iron mills. In conjunction with the construction company, it also built such plants on a turn-key basis. And it built heavy construction equipment and cargo vessels. The company Halla Engineering and Construction Corp. built plants and undertook civil works such as ports, highways, tunnels, and buildings. Halla Cement Manufacturing Co. produced cement. Halla Pulp and Paper Co. produced those products.

Very important was Mando Machinery, Korea's largest manufacturer of vehicle parts, including steering systems, brakes, shock absorbers, instruments, heating and air conditioning systems, and many others. It also produced machine tools and environmental control equipment. Halla Climate Control Corp. manufactured and installed heating and air conditioning systems for office and apartment buildings and hospitals. Nam Yang Timber Pty. Ltd. exploited forests in Papua New Guinea in conjunction with the government of that country. And Halla Merchant Marine Co. operated about 130 cargo vessels around the world.

Many of our industrial production lines resulted from joint ventures and licensing agreements that we negotiated with other global companies. For example, with York of York, Pennsylvania, for climate control systems, with Fiat of Italy for heavy trucks, and with Voith Sulzer of Germany for pulp and paper machinery.

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

Q: Ray, describe your role in that huge operation.

MALLEY: I became important. Our local company was named Halla America Inc. I was appointed chairman. The president of my company was at first Won Chung, later Tae Choi. They ran day-to-day operations. We were well financed and supported by Halla headquarters in Seoul. We grew to about thirty employees, which is not large, but we also signed contracts with dozens of dealers and distributors of our products across the U.S. and Canada.

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 industry and financial organizations in the metropolitan New York City area. Also, we rented warehouses to store products, primarily heavy construction equipment, shipped from Korea for distribution and sale through our dealer network.

I retained my house near Washington, but lived the majority of time in Manhattan in a large studio apartment in a prestigious building right behind Carnegie Hall rented by the company. It was a wonderful location from which to visit companies and banks important to us, and also to attend cultural events in Manhattan.

As chairman of Halla America, I avoided relative details and day-to-day operations and spent time visiting new and important potential dealers and joint venture partners. I also represented and promoted the whole Halla group with large American companies and banks, and with financing institutions such as the World Bank and Inter-American Development

Bank. I identified new projects or procurements being financed by such organizations for which Halla might want to compete. We joined business entities such as the Business Roundtable and the American Chamber of Commerce, and I was active in them.

My role in the group expanded quickly. I traveled more and more with Chairman Chung on overall group business, 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 travel in a wheelchair. We usually traveled with a large entourage.

I was particularly useful to the chairman and other executives in meetings with non-Korean companies and foreign governments. Except in Japan, these meetings were invariably conducted in English. Officials of the other companies and governments 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. Except for some common expressions, I could not speak Korean. But I learned pretty well the ways and abilities of the chairman and senior staff, and could usually successfully explain to them in simple, clear English what other parties meant.

The chairman also called upon me to make remarks at receptions and ceremonies, often impromptu with no preparation at all. He would laugh if I later complained.

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

MALLEY: Opportunity. I visited several times. We opened sales offices in Beijing and Hong Kong, and won some contracts, especially for the sale of heavy equipment and engineering and construction work.

I will describe for you some of the 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. He crisscrossed the world—from Indonesia to Russia, from Canada to Argentina—meeting with heads of state, ministers, and chairpersons and presidents of major companies. But he also enjoyed relaxing evenings, music, and jokes. He especially enjoyed Broadway musical theatre, and we went to many productions.

Let me list some of my specific activities.

I was involved in contracts with two Egyptian cement producing companies under which we provided advisors to modernize their facilities. 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 opened a sales office in Vietnam and sold heavy construction equipment.

And to go on, I was involved in negotiations with McDonald Douglas (MD) to produce parts, especially wings, for some of their large passenger 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 an automotive parts manufacturing plant in Alabama.

The following possibilities that I helped explore did not come to fruition. But they were not failures. Big and growing business groups like Halla explore many possibilities—some move ahead, others are dropped.

We considered 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. And we tried to get agreements with governments and form a joint venture with other companies to build a pipeline to carry natural gas from Russia through Mongolia and China to Korea.

We were part of a proposed joint venture in Russia led by the Zeckendorf real estate group, the famous group that built the United Nations complex in New York City and the Reagan building in Washington, among numerous others. They proposed to reconstruct and expand the St. Petersburg railroad station and the rail line to Moscow. I spent weeks in St. Petersburg with other Halla officers on this. Unfortunately Bill Zeckendorf's negotiations with the Russians did not succeed.

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

I was engaged in this fascinating global business for many years, both as chairman of Halla America and senior advisor to Chairman Chung. But unfortunately, in mid-1997 came the Asian financial crisis. You may 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 international companies, including Halla Business Group.

Q: Banking relationships were too cozy?

MALLEY: That was part of it. Both governments and companies, assisted by too willing banks and investment houses, had violated a major precept of finance—be most wary of borrowing on a short term repayment 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 many Asian 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. We especially did so (over my objection) to build our Samho shipyard from scratch in southwest Korea, which could only produce ships and thus earn income in the long term. The bubbles burst. We and others could not repay our short term debts on schedule.

Q: What happened?

MALLEY: Governments and companies had to retrench. Of course 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. They might also default.

Companies are in a different position. First they try to renegotiate terms of existing loans, get new loans, sell off assets to get cash, and downsize. If this is not enough to pay their debts, they go bankrupt and perhaps out of business completely. Halla Business Group went through this process over a period of years. 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 in the end we met our obligations and survived, unlike some other Korean groups.

Halla Business Group today is about one-half or so of its previous maximum size. It has twelve companies and about 12,000 employees. In addition to operations throughout Korea, it has offices or factories in about a dozen foreign countries, including eight in China alone. Total annual sales volume is approaching six billion dollars.

There are now two major businesses—automotive parts and construction. Mando Machinery manufactures parts and some other equipment. It has several plants in Korea and overseas. In the U.S., it has the Alabama plant that I mentioned, plus sales and research and development offices in Detroit and Los Angeles. Mando's biggest customers are the Korean automobile manufacturers, but it also competes for contracts and sells to most other major vehicle manufacturers.

The second large business is the engineering and construction company, the bulk of whose work is now in Korea and neighboring countries, especially China and Vietnam. This company also designed and built a completely new port in southwest Korea which is operated by another Halla company, Mokpo Newport. There is also a trading company named Meister, an investment company, and Halla University. And the group sponsors a professional ice hockey team competing in a regional league comprising teams from Korea, Japan, and China; it won the championship last year.

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 other executives wanted to do. 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 with Chung. He saw me as one who had helped Hyun Dai get started way back then, and he never forgot.

I could have stayed longer with Halla by moving to Seoul, but I did not want to move. I was now well into my '70s, married again and happy.

Chung In Yung passed away in 2006 at age eighty-seven or so. He is known and revered in his country as the “father of Korean heavy industry.” He received numerous honors over the years from the Korean government, foreign governments, societies, and universities. One of his sons, Chung Mong Won, had replaced him as chairman of the group a few years before his death.

Q: That is so 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 the Korean people of course. Actually the Chung brothers were from the north. They and three more brothers had fled south to escape communism. They had no communication with their parents and other family members in the north for decades. I believe that they never saw their parents again.

In the 1990s there was a thaw in relations between South Korea and North Korea. Chung Ju Yung in particular was personally involved. His Hyun Dai Group donated thousands of cattle in a highly publicized effort to expand livestock production in the north. And Hyun Dai built and now manages tourist facilities in the north that southerners can visit. He also ran for president of Korea in the 1990s, but did not win. Halla itself kept an eye on possibilities in the north while I was with them, but had no direct business relationships. That is still the situation today.

CHAPTER 14

Active Semi-Retirement

I marry again to a World Bank professional—I leave Halla—she retires—we buy second home in Hanover, New Hampshire, and now divide our time between McLean, Hanover, and France—we remain professionally active, she with consultancies, I with lectures and articles—my views on current U.S. foreign policy and aid—the critics of aid, and why they are wrong—we teach international affairs topics at Dartmouth College—much travel and tennis

Q: Now Raymond, you had been working at many complex things for a long time. When did you retire, really retire?

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

I left employment with Halla after we closed Halla America. There were a few carryovers however. Until recently, I was a member of the board

of advisors to the college of management and business of Long Island University (LIU) in New York. That stemmed 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 Chairman Chung. I also for a long time represented the chairman at meetings of the board of trustees of the University of California in Los Angeles (UCLA), of which he was a member, but that has now ended.

I continue to exchange notes and talk with the current chairman and some other staff from time to time, and occasionally I am invited to functions in the U.S. and Korea. This October Josette and I have just participated in the 50th anniversary celebrations of the founding of the Halla companies in Seoul.

Fortunately I am in good health and remain a very active person. Occasionally I give lectures, mostly for cruise line companies. I have been doing that from time to time since the 1980s. A 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 destinations—we have made several trips to the Arctic and Antarctica for example.

I am a joiner. In addition to ADST, I am a member and active in the organizations Diplomatic and Consular Officers Retired (DACOR), the American Foreign Service Association (AFSA), the American Legion, the Reserve Officers Association (ROA), and the Air Force Association (AFA). Also, the Harvard Club of Boston, the Harvard Faculty Club, and alumni associations of The Fletcher School and The Graduate Institute. And I am honored to be included in *Who's Who in America* and *Who's Who in the World*, for many years now.

Q: And I imagine that you are still concerned about our country's foreign policy and foreign aid, in which you worked for so long.

MALLEY: Oh yes Stu. I make my views on foreign affairs known. They include the following. The Soviet Bloc was a massive threat which we wisely and successfully countered. In comparison, terrorism is a relatively minor threat. We must of course counter it, and we do, but sometimes in the wrong

way. In fact, some of our actions actually encouraged terrorism. And our lengthy Iraq and Afghanistan wars have been huge geopolitical mistakes.

I believe that our country's military and intelligence apparatus today are much larger than necessary, and not properly configured to meet terrorism and other current challenges and those of the foreseeable future. They could be smaller and better, and also less expensive. And the military carries too much weight in foreign affairs. Our diplomacy, foreign economic assistance program, and public affairs activities should be increased substantially, in both budgets and personnel. Fortunately there has been some progress in this recently.

Foreign aid itself has too many spigots. We have discussed TDA and OPIC. The recent Bush administration created yet another separate agency, the Millennium Challenge Corp. And there are other spigots. All of them should either be unified in one large, powerful agency, as USAID used to be, or be completely incorporated within State, with development becoming a separate specialty (cone). Additionally, the U.S. should distribute a higher percentage of economic aid through multilateral channels. I have made these arguments in articles in recent editions of the magazine *Foreign Service Journal*.

In recent years I have become particularly irked by critics claiming that foreign aid does not "work." I do not mean so much the man in the street, but professionals who should know better. They are demonstrably wrong. Numerous countries have advanced economically and politically with the help of foreign assistance, not only from the United States but from a wide range of donors. You and I have mentioned the success of Korea, Taiwan, and Botswana. Other success stories include Malaysia, Mauritius, Ghana, Chile, Costa Rica, Portugal, Turkey, and many countries of Eastern Europe and the former Soviet Union.

And further, numerous countries that remain poor overall still have benefitted greatly from foreign assistance. A superb example is the virtual elimination of river blindness in West Africa, the result of a massive long-term coordinated effort by the concerned countries and the international development community. Millions of Africans now do not go blind, and lands that could not be farmed or grazed are now productive. And consider the eradication of smallpox, the Green Revolutions,

improvements in transportation networks, provision of sewerage and potable water systems, reduction in population growth rates, increases in literacy, and so much more. Also, support for civic rights and democratic values, and humanitarian assistance to victims of disasters.

Of course there are disappointments and failures in foreign aid. There are in all big human undertakings, including private companies. But regarding foreign aid, failures are most often due not to the aid itself, or its management, but to civil strife and wars, and failed political and military policies.

The critics also overlook the political successes that foreign economic assistance has helped achieve. Like winning the Cold War for example!

So what are they talking about? I am so disappointed in them. They just overlook the facts to make money by writing negative tracts and giving lectures. Unfortunately one can often make big money in our society by being unfairly critical of something or other.

Q: Well, I guess you are concerned and do keep up. What about other activities?

MALLEY: Josette and I exercise a lot, both outdoors and in gym clubs to which we belong. I play tennis, socially and in senior tournaments in the U.S. and Europe. I am a member of both the U.S. and French tennis associations. I have long been a ranked player in our country, and in recent years I have been ranked internationally as well, in my age group of course. And I continue to be a mediocre golfer.

Our families have aged well. The three boys are well educated and employed, and married with children of their own. We are grandparents several times. My brother Bill and his family are fine, but my two sisters have passed away. My Freeman brothers and their families also are doing well.

Stu, you will remember from our very first conversation that I am of French Acadian background. The Acadian people have a two-week congress and festival every five years in an Acadian area. Thousands from all over the world attend and enjoy. We have participated in most of them. The last congress was held in 2009 in northeast New Brunswick, including the city of Shippagan which was founded by my ancestor and two other families

and is the *berceau* of so many Mallets. We met many Mallets and learned yet more about my background. The next congress will be in 2014 in an area called Madawaska, where northwestern New Brunswick, northern Maine, and Quebec meet. We will certainly be there.

Also, some years ago we bought a second home in Hanover, New Hampshire, and now divide our time between McLean and Hanover. Hanover is a wonderful, small New England college town. Dartmouth College is located there, and we teach courses occasionally. We also go to France two or three times a year to visit Josette's family and friends. Her parents live in a suburb of Paris, and have an apartment in the small city of Menton on the Cote d'Azur adjacent to Italy.

Q: At Dartmouth, do you teach at the business school?

MALLEY: No, not at the business school, but in the continuing learning program called the Institute for Lifelong Education at Dartmouth (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 Asian subcontinent. We have also given courses on globalization, foreign aid, Africa, and the role of the Quebecois and Acadians in Canada.

We are now preparing to offer two more courses. 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! It brings us up-to-date, and maybe is a good place to stop. I want to thank you very much for these extremely interesting interviews.

MALLEY: Stuart, thank you and the Association for Diplomatic Studies and Training so much for the opportunity. I have been lucky—I have had a wonderful life and career. So far, and life goes on.

Q: You really have. You really have. And that ends these interviews with Raymond Malley, retired Senior Foreign Service officer of the United States of America.

End of interviews.

Diplomatic Oral History Series
Association for Diplomatic Studies and Training



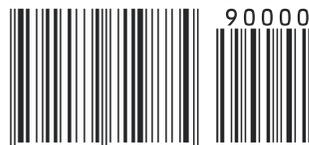
Persons interested in foreign affairs and global business will be fascinated by this conversation with retired senior diplomat and business executive **RAYMOND MALLEY**. It vividly describes his role during the Cold War in negotiating and managing foreign aid programs in key countries of Asia and Africa, and in formulating and introducing policies amidst political infighting in Washington and Paris. Reflecting on his experience as a senior executive with a major Korean industrial manufacturing group, Malley also shares his views on the complex operations of global business.



With grit and hard work, Raymond Malley forged his way to senior positions in the diplomatic corps and global industry. Born of French Acadian parents in Massachusetts, he graduated from universities in the U.S. and Switzerland, including The Fletcher School of Law and Diplomacy. He is a retired Air Force reserve officer, and veteran of the Korean War and Cold War. He holds various awards and is listed in Who's Who. He and his wife Josette (retired from the World Bank) live in McLean, Virginia and Hanover, New Hampshire. They teach, write, and lecture. He is also a ranked international senior tennis player.

Xlibris

ISBN 978-1-4797-1988-4



9 781479 719884