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**ROBERT STEPHEN BRENT**

*Interviewed by: Carol Peasley  
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## INTERVIEW

*Q: This is Carol Peasley and it is July 9th, 2018; and this is the first interview of Steve Brent. So with that, Steve, if we can get started. Maybe if I could just ask you first a little bit of where you were born and grew up in, and a little bit of background about yourself, education, all those kinds of things that might help us understand how you ended up having the career that you had.*

BRENT: My career developed late. I was a Navy brat, grew up all over the country, went to school at Duke in economics. Was in the Navy for six years, went to Vietnam. And then went to graduate school. Got a PhD from Harvard’s Kennedy School of Government in 1985.

*Q: When you were moving around as a kid, you moved all around the country and—*

BRENT: Only in the United States. I had no knowledge of anything outside the U.S. I developed an interest in foreign affairs through studying defense issues in the Navy. I was at the Center for Naval Analyses and the Arms Control Agency and started getting interested in foreign affairs. Went to graduate school thinking I would be a foreign policy person. And then late in that process I decided to do, by happenstance, a thesis on South Africa—which was just picking a subject out of the air and I knew nothing about it.

Ended up taking almost seven years to get that done. It was a huge ordeal. That was what led me to a job on the Hill with Senator Kassebaum.

*Q: What was your research on South Africa?*

BRENT: I had the crazy idea that I would demonstrate how to do a better job of a NSC options analysis for a country. There had been a national security study from the Kissinger period on South Africa that had leaked.

*Q: So that would have been...*

BRENT: The study was from the early seventies. And because I had that counterpoint, I said "I'll do another kind of option study to see if I can do it better." It ended up not being that at all but instead a massive study of U.S. policy towards South Africa, from soup to nuts. Got a grant from the Ford Foundation that allowed me to visit South Africa for a month. My thesis ended up being 700 pages, single spaced. It was a nightmare, the worst ordeal I ever went through. But as a result of that, I became part of the small cabal of people who followed South Africa. Terry Myers was another one.

*Q: Right, because Terry was, at that point was at the Corporate Social Responsibility group and wrote a book about it, on disinvestment in South Africa.*

BRENT: Yes. And I read Terry's book. I read every book on South Africa. I didn't know Terry at the time. I finished my thesis in '85.

*Q: Okay. But before we go on to you working on the Hill... In the Navy, you were in Vietnam. Did you have any exposure to USAID when you went to Vietnam, or the civilian side of the efforts there?*

BRENT: USAID was all over the place in Saigon. I knew nothing about it. They had a nice cafeteria, that was all I knew. Most military guys didn't know what USAID was.

*Q: And the same with CORDS. You wouldn't have had any—*

BRENT: Actually I had some dealings with CORDS (Civil Operations and Rural Development Support), because I worked on Vietnamese Navy Welfare. I met with some CORDS people, but I really know what it was all about. I was a Lieutenant JG, you know, in my first job. I didn't know a lot.

*Q: (laughs) Okay. We won't tell anyone that's what Lieutenant JGs are. So you finished your thesis, your magnum opus on South Africa.*

BRENT: Yes. And I came to Washington to find a job, having no idea where to start.

*Q: This would have been what year?*

BRENT: '85. I met with various people who knew South Africa, among them Helen Kitchen, who was the grand dame of Africa at the Center for Strategic International Studies. She said, "I know a senator who is looking for a staffer." That turned out to be Senator Kassebaum. Helen made a connection, and I interviewed with Kassebaum's chief of staff, gave him part of my thesis. This was the summer before '86, which was when South Africa hit the front burner in Washington, leading to the Comprehensive Anti-Apartheid Act.

*Q: Right. They hadn't started drafting it by the time, but there was an inkling of doing something.*

BRENT: Senator Kassebaum thought something might be coming, and she was Chair of the Africa Subcommittee of the Foreign Relations Committee. She wanted somebody to complement Phil Christensen, who was the committee staffer. So I was hired on her personal staff, but focused almost totally on Africa issues. In the summer of '86 Soweto blew up, and South Africa was on the TVs in the U.S. That was the summer of South Africa in the public and on the Hill. South Africa was a main issue.

*Q: In the beginning of the Reagan Administration, Chester Crocker was the Assistant Secretary for Africa at State Department and the policy was constructed, the engagement.*

BRENT: Yes. Chet's policy was constructive engagement. The idea was: the best way to get change was to work with the National Party-led government and try to encourage their reformism. That was Chet's domestic thesis, but he was also trying to do a Kissinger-style negotiated settlement in Namibia and Mozambique at the same time. It took him his full term to get a settlement in Namibia. Senator Kassebaum had been supporting him in that effort. It took a long time, but finally happened.

*Q: So the regional dimension actually really added to the complexity of any policy towards South Africa.*

BRENT: The State Department was actually, in the shorter run, more focused on stabilizing the region. It was events in South Africa that thrust the domestic issues there to the fore. But otherwise Chet was more focused on regional settlements. The Administration wanted to get the Cubans out of Angola.

*Q: Right. And then Mozambique had Samora Machel—*

BRENT: Yes, Machel. Chet was trying his best on both Mozambique and Angola. But on these issues conservative Republicans were killing him for not being hard enough on supporting so-called freedom fighters.

*Q: Right. But this is also where we ended up at when we're looking at it objectively, our policies in Angola and Mozambique were sort of 180 degrees different from one another. Because in one we supported Machel, who was a socialist. And then we supported Savimbi. But the conservatives probably weren't happy with this.*

BRENT: They wanted a stronger anticommunist position across the board. So, Chet was caught in that. His whole thesis of constructive engagement had been about internal South Africa issues, but he took a lot of flak over the regional issues. Until South Africa blew up, and then he got even more flak, this time from the liberal side. The internal South Africa issue turned on one thought incremental change would work. That view took a bit hit in the summer of '86 when President P.W. Botha —and I can still remember this, I was in Senator Kassebaum's office, we're all sitting there watching the TV—and Botha said, "we will never cross the Rubicon."

We looked at each other and said, "Okay, that's where he is. Now where are we going to be?" Because that seemed to pull the feet out from under constructive engagement. I had come to that same personal conclusion a couple of years earlier when I visited South Africa as part of my academic work. I had a grant from the Ford Foundation that paid for a trip out there. I spent a month there. And the main conclusion I came away with was: they are willing to liberalize within limits, but they are absolutely not going to accept a full (or close to full) political transition.

*Q: Did your thesis also kind of come to that conclusion as well?*

BRENT: I had the conclusion that they were not going to accept big political change, but I did not go so far as to advocate full sanctions. I said the threat of sanctions was going to have to play a central role. I sort of waffled—because the politics of sanctions were quite sensitive at this time. You had a Reagan administration that was completely against anything that put pressure on the National Party.

So we had an Administration that didn't want to do anything and was even to the right of Chet on internal South Africa issues. And then you had the Democrats that wanted to go to full sanctions, and a few liberal Republicans like Senator Matthias who agreed. But when Kassebaum shifted, that turned out to be a big deal, because she had been in the center and had good credibility. She shifted incrementally, only supporting a limit on new investment. But it was a sanction and that was what counted. Very shortly thereafter, Senator Lugar, Chairman of the full SFRC, went even further and supported broader economic pressures. This shift of the Republican moderates is what altered the balance of power in the Senate and allowed the Comprehensive Anti-Apartheid Act to be passed overwhelmingly.

*Q: So let me just ask one other background question. Was Leon Sullivan, the Sullivan Principles, was that before—*

BRENT: The Sullivan Principles had been going on for years. That was an alternative reform idea, which was that by companies reforming their employment practices, that would exert a constructive influence. That view quickly got overwhelmed.

*Q: So he would have been identified a bit with the constructive engagement policy.*

BRENT: Yes. It was hot political debate, and moderate Republicans moving from one side or the other made a big difference. That resulted in the President's veto being overwritten, which was quite unusual.

*Q: Okay. So in '86 when the Comprehensive Anti-Apartheid Act was passed overwhelmingly. Was there report language that also went? Because part of the legislation imposed sanctions; it also talked about USAID.*

BRENT: Yes, it gave directions to the USAID program. The gist of it was to support the majority population. And that set up a tension, because USAID had one direction from the Hill and another one from the Administration. But over time, that eased as the Administration appointed a new Ambassador.

*Q: I think it was Ed Perkins, wasn't it?*

BRENT: Perkins, yes, exactly. Perkins was approved by the Hill, and supported the gist of the legislation. It was before that where there was tension, where the Embassy wanted AID to do one thing and the legislation was directing them to do a different thing.

*Q: Yes. Can I ask a question? Because I've often heard people say that the legislation was really well crafted for USAID to be able to do the kinds of things that USAID wanted to do. I've always sort of wondered the degree to which there were people in the administration, even though the administration policy was against the legislation, were there people behind the scenes who were in fact talking to the Hill about "if you're going to do this, this is the way to do it, it would make it more implementable"? I've had inklings of that from various people and I was just wondering if you recall that at all.*

BRENT: I don't know, Carol. I was not involved in any discussions with USAID before the legislation. After the legislation, I remember discussions with USAID on how to implement it. I had actually drafted the first version of the compromise bill, along with others, but that quickly got taken over by higher ups in the committee. I don't know how all the terms were developed.

South Africa was a very big deal in Washington that summer. It was on TV daily. Finally, the South Africans ended TV coverage, which did have a cooling impact on the U.S. politics of it. But by that point they'd already lost the bubble. Things were starting to move, and you had all these forces that were arguing we had to do something. It was seen as a civil rights issue, and looked at very much in those terms.

*Q: I recall that what was on the television was a lot of the violence; and necklacing was one of the things—*

BRENT: Yes, necklacing was part of it, and that became a main argument on the other side. But what I remember was a particular incident, a clip of a truck going down a street in Soweto. The sides of the truck fold down and guys shoot out into the crowd from the truck.

This was on the U.S. news and really had an impact. People said, "This is outrageous. We have to do something." And then the political process worked its way. It was a tense time.

*Q: Right. Those moderate Republicans who ended up really supporting this and made the difference in passing the legislation, were they under a lot of heat? I mean, for these exhibitions of bravery that one would like to see on part of our legislators?*

BRENT: You know, the Hill is very upfront about its divisions. Necklacing was one of the main arguments that the critics of the ANC made very aggressively. So what happened in the end? The only ones who ended up opposing the legislation were the hardcore right. By the end it was down to a pretty small minority, partly because the bill was crafted to be a centrist position.

I'll just mention one other thing that happened. I remember when Senator Kassebaum was speaking on the bill, she ad-libbed a line at the end. She said, "We cannot stand by while a great nation destroys itself." You see, this was the moderate position. We have to help these people change. It's not to hurt them, it's to help them. That was her view. That's why her shift carried weight.

*Q: Right. And to call them a great nation!*

BRENT: It was a very emotional time. It was a time when the Hill functioned, I think. People knew the issues, they knew what they were doing. They were talking with South Africans, they were listening to various groups. And this had a lot of impact, because at this point every other major nation except the United States had come out strongly against apartheid. So when Reagan's veto was overridden, the National Party felt it had lost its last friend. Now they were alone.

And this was open ended. If Reagan had his veto overwritten, who was ever going to save them? Meanwhile, black South Africans knew that all they had to do was keep protesting in Soweto and they would be able to control the pace of conflict. So they had the instrument of power in their hands. South Africa couldn't suppress the protests, because people were willing to go out and put their lives at risk. So the government faced a dilemma: "Okay, the economy's not going to get better. The townships control the protest lever. The U.S. can't help us. What's our way out of this?" It still took quite a few years for the leadership to accept the need for change and it took a new President (F.W. de Klerk) to do it.

And then the last piece, just to round it out, was Mandela. If you remember, in the movie there was a critical point when the Afrikaners are talking to Mandela and they're saying, "We're trusting you not to throw us into the sea." And Mandela says, "Why would I throw you into the sea? You've got the keys to the kingdom that we're going to take over." He was acting basically on his own. All those pieces came together.

*Q: So the legislation is passed. Reagan vetoes it. The veto was overwritten by the Senate. And you said you did have discussions with USAID afterwards. Do you recall when, because Tim Bork was the first AID director. Did you have any dealings with Tim before you went out?*

BRENT: No, I got to know Tim later and I heard stories later about what he and Carlos Pascual had done in their time in South Africa. I had no firsthand knowledge of it.

*Q: Did the Hill require any kind of reporting back, do you recall? I'm just curious. Or was that kind of done through the desk and the Africa Bureau reporting?*

BRENT: Pretty much that. I don't remember any oversight hearings about how things were going. I imagine at that point nobody wanted to get back in a big food fight over this thing. We had a new U.S. Ambassador. We had a USAID mission doing it. There was no reason to raise a lot of questions.

*Q: Okay, so the Hill was ready to move on to new questions.*

BRENT: It did. As soon as that was done, they went on the next thing.

*Q: Yeah. Right. I remember years later, it must've been in the nineties, because Senator Kassebaum was the head of the Africa subcommittee, again in the—*

BRENT: Well, remember that the Hill turned over in '86. The Senate changed from Republican majority to Democratic majority.

*Q: And so it was in '86 that you left her staff?*

BRENT: Yes. Because what happened is, you know, when the Senate turns over, it's a 180 degree shift. When you're in the majority, you're running things, and when you're in the minority, you have very little to do. So when the Republicans became the minority, Senator Kassebaum could not afford to keep me on her staff. I was there for another couple of months because she was nice enough to let me stay until I found something. Toward the end of that period we ran a long set of hearings on AID oversight—four or five days, that I led the staff work for.

*Q: Just general AID oversight, or—*

BRENT: Everything to do with USAID; not just Africa

*Q: So this was for the Senate Foreign Relations Committee?*

BRENT: She was given permission by Lugar to do it. She personally chaired the whole thing. And in the course of that I got to know some of the AID people, especially in the Africa Bureau people, people like Mark Edelman, Ray Love, and Larry Saiers. They were looking for someone to work on the Administration's End Hunger Initiative.



So I interviewed and got offered a position as an AD (administratively determined, I think it is).

*Q: You were working in the front office of the Africa Bureau?*

BRENT: Yes, because the End Hunger Initiative focused on Africa. From that point on I got deeper into foreign aid, development, and related issues. That's where I began to learn some of these things about the Asian development model. Because later Scott Spangler came in as head of the Africa Bureau and set up a little think tank that involved Tim Bork, Sam Shoen, and me.

*Q: Yeah, but he came in later. It was after '88.*

BRENT: Yes, right. From '86 to '88, I did the End Hunger Initiative and wrote speeches and did things for the Assistant Administrator. I was a special assistant.

*Q: You hadn't started the democracy stuff yet, either. That would have been later, I think, because I went to Malawi in '88, and it was sort of midway through my Malawi time that the democracy stuff started happening. So I think it was a little bit later.*

BRENT: Yes, I think that was around '90.

*Q: That was after Scott came in.*

BRENT: I think so, I'm a little fuzzy on the dates. The democracy issue in Africa began to hit and they asked me to take a lead on it because it didn't have an obvious place in the bureaucracy. It was a new thing. So I sort of stepped in. Separate from that (I think this was earlier), Spangler was interested in some sort of new approach to African development. He formed a little unit that consisted of Sam Shoen (who was a political appointee), Tim Bork, and me said, "You guys go off and work on this and bring me some ideas."

Sam and I went to Africa for a visit to look at private sector development, and I wrote Scott a paper, which was the first time I began to sort of articulate these ideas of the East Asian model--Korea, Taiwan, etc. I read into the literature and didn't fully understand it, but began to sense that it was not the conventional wisdom. I dove into East Asian economics—how did the Tigers do what they did. It wasn't democracy--these were not democracies in the short run. It wasn't really classic economic reform—although that was the way some people perceived it.

It turned out their economic policies were business oriented, but not ideal from the perspective of neoliberal economics. The governments were much more interventionary than the Western model. It also wasn't quite the same as private sector development, which is another theme that took off about this same time along with democracy. None of

that really explained Korea, which was more about industrial policies and export-led growth.

We never really found a way to integrate this into USAID programs. The closest we came was the support for private sector development—which to this day tends to be a theme that Republicans embrace. Private sector development is related, but it's not the same thing as East Asian development states and neo-mercantilist promotion of manufactured exports, à la Korea or Taiwan. That was really the model. And people had trouble understanding it. The World Bank misinterpreted it systematically, and wrote an ill-informed report in 1993 that said it was all free market reforms, which it wasn't.

*Q: Yeah. It was much more industrial policy. People were a bit resistant to the concept of industrial policy—*

BRENT: Yes, very unpopular at the time and still unpopular.

*Q: —and like trying to pick winners and losers.*

BRENT: Yes, exactly. Americans, and particularly conservatives, hate the idea of industrial policy. But the USG supported it in Korea and Taiwan, even in the White House. And those two countries are the cases that get cited as great USAID successes. So how you square this whole thing has been an ongoing issue in my mind ever since, and in the last five years I have become obsessed with how this is working in China. I have read every book I could find on China, and China is very much industrial policy, really a bit like Taiwan. Because Korea and Japan kept the foreign investment out; Taiwan had foreign investment in; and China has relied very heavily on foreign companies. So this saga has been building for decades, and is now, in the shape of China, back at the forefront. We still have trouble understanding it because it doesn't fit with our paradigms.

*Q: This is interesting, and we'll come back to this in various ways, as we discussed, but in this same period and I'm just wondering if you had any involvement with—I don't recall that you did, but this is in '85 when I went into the Africa Bureau—the African Economic Policy Reform Program, which was this sort of special model which was very much free market-oriented in supporting policy reform. We had an allocation of economic support funds from the State Department to basically do these project assistance policy reform programs. Did you have any involvement with the AEPRP or any discussions on it? Maybe it was already underway, and, probably, most of the programs had started?*

BRENT: It was already underway; there was an attempt to rank countries by how well they looked in terms of quality of their economic policies. One of the things I remember was that David Gordon, who was in the field, didn't agree with Washington's rankings. He thought they got some of the countries wrong.

*Q: David was the democracy/governance adviser—*

BRENT: He was an adviser in Kenya, and he was running all over East and Southern Africa assessing, where do these countries stand in terms of political economy. And he said, "I don't like your numbers. You people might think that this is the number one country, but that's not how I see it." But this question of what is a "good" country continues. From an East Asian perspective, some of the more promising countries might be Rwanda and Ethiopia. Rwanda doesn't pass anybody's indicators, it's not an MCC [Millennium Challenge Corporation] country, but it's a little bit of East Asia planted down there. So this debate has gone on and on and on: what criteria do you use? What is a good performer?

Now, in theory, a good performer should be somebody that's growing fast with equity, right? No, a good performer is somebody that scores well on the indicators we give them. We rank them, we tell them whether they're a good performer or not. Okay, you can do that, but is your model that they are suddenly going to jump from where they are to good institutions in absolute terms? Of course not. So that's the dilemma. And that tension still exists in the Millennium Challenge Account, which defines good performers very explicitly in terms of input indicators.

In my view, economic reform is a fine thing; but it's not the way countries make essential changes. They make essential changes by committing to a growth path and reforms are a means to that end. We seem to want people to become perfect reform cases first and then expect that somehow business development just happens. It's very much Adam Smith—all that is requisite is peace, easy taxes, and a tolerable administration of justice. All else follows naturally. Business development does not happen naturally. Governments have to help build it.

*Q: Putting aside what reforms one is eager to support through economic policy reform programs, but looking back at how the country itself determines the direction and route that it wants to take... You talked about the debates within USAID on these issues. Are you aware of countries themselves having that debate? And of cases where the U.S. has tried to foster that debate, and to support it, and to encourage countries to come to their own conclusions on this?*

BRENT: This gets into the essence of the model. Part of the East Asian model is land reform. And the reason land reform is so important is that you have to break the back of the elite landowners—which the Philippines has never done, and Korea and Taiwan both did, and Japan did. Now students of those argue that that was due to very special historical circumstances. Japan's land reform was pressed by the United States. Korea's was partly the same thing, and Taiwan had its own dynamics with the people coming over from China. But the point is there are political prerequisites. The government has to free itself from the old elites and be willing to support new industrial development policies. But this idea of picking winners, let's just take one second on that.

General Park did not pick winners. General Park gave subsidies to all companies that met export quotas, and if they didn't, he cut them off. He was using an export market test, and his strength was that he was willing to cut you off for non-performance. And he was willing to make big investments. But those things are had to do. It's hard to go to El

Salvador and say, "You know, what would it take for you to do a Korea?" I brought this up with the South Africans when I was there, with ANC people, and they said, "We don't want to do an East Asian low-wage strategy here. We want to make this economy work for black South Africans." I said, "Okay, but you're going to have a lot of unemployment." So yeah, it's talked about, but it's kind of a thing where you either have to go full bore or you don't go at all.

And most countries don't go at all because they're somewhere like the Philippines. They can never overthrow the elites. They come in, you know, different leaders. And who stays? The landowning elites. Never changes, hard to get business going. The Philippines started being the richest country in the region; now it's in the middle of the pack, and these other ones have taken off. So it is a hard prescription to apply. It's certainly not one that can be pushed in from outside. And it's very hard to tell when a country is on a course to do that.

I found this in Egypt. The temptation is, let's find some reformers and support them. What's very hard to do is to be able to assess, is this country ready for change or not? And if it isn't, there probably isn't a lot you can do. And if it is, your impact is probably going to be incremental. It's very hard to make this judgment when you're on the scene, because we haven't had any big success stories since the Tigers. Maybe the closest we have now are Rwanda & Ethiopia (you would know better). But they haven't had the kind of growth breakthroughs that Korea and Taiwan had.

*Q: So all this is festering about in your mind!*

BRENT: And it makes this whole thing of "what is the role of foreign aid?" very dicey. Because, in theory, what you would like to do is find countries that have a strong growth commitments and help them. I and a bunch of AID people went to hear a talk by Bill Easterly, and he said aid donors should look for Type A countries that have strong growth commitments and only aid them; aid to anyone else is wasted. We said, "Can you give us the name of one Type A country?" He could not. This is the problem. El Salvador looks great on the MCC indicators, but El Salvador's got all these other issues going on. In practice, we don't have any Type A countries. So what do you do in the meantime, and what is the purpose of foreign aid?

*Q: We're not going to answer that one right now (laughs), but we'll allude to it as we go through. But anyway, this period when you're in Washington, you have a lot of things that you're thinking about...*

BRENT: I'm reading all this stuff, and I'm thinking about it, and I'm not understanding this all in a bunch. I'm just beginning to get little glimpses that, "That piece is not right. This piece is not right." It's not a simple matter of good governance—yes, we all love good governance, but we can't insert it into a system that has massive corruption. So it was more seeing things that didn't work and then kind of, "Keep reading about this, keep thinking about this." And I found some critical initial books that opened my eyes. Robert Wade wrote a seminal book on Taiwan, and said, "Look, you people have completely

misunderstood this thing. This is what they did in Taiwan." Alice Amsden wrote a seminal book on Korea. But these people were not listened to.

*Q: But you were actually putting much more complex ideas on the table, which, again, I think is a lesson on a bureaucracy. It's really tough. It's very difficult for a bureaucracy to absorb complex issues and to try to change.*

BRENT: It is, Carol. Bureaucracies are in the business of implementing programs, and they have to work from existing bureaucratic bases; it's hard for them to make a big change. Moreover, the World Bank, which should have been doing all this stuff, was making fundamental mistakes by interpreting everything an example of the Washington Consensus—which it self-evidently was not. They actively mis-portrayed what had happened in the Asian cases, particularly in the case of Korea and Taiwan. It wasn't easy. And I've been obsessed with this ever since. Fortunately China has come in and clarified the issues, because it's been so spectacularly successful. Nobody argues that China is free market. But China is really just doing what Taiwan did on a bigger scale.

*Q: Well this is interesting and we will come back to it. So where are we at... In the early days of the democracy governance strategy*

BRENT: Yes. I was doing all that. Then John Hicks became head of the Africa Bureau and Cap Dean [Leslie "Cap" Dean] was going to be assigned to South Africa. I wrote a long memo to Cap, saying "Cap, you are about to go into the most political program on the planet, and everybody in Washington is going to be watching you like a hawk. And you don't know all these players. I do know them. Please bring me out as a special assistant." Now you know there no such thing as a special assistant in missions, but Cap took me on. And Hicks said, "Yep, send him out there."

And so I went out. I was a special assistant for the first year. Very soon I became the democracy/governance person and began running programs. Got into more U.S. domestic politics because Congressional delegations were coming out all the time to monitor the South Africa program. Then we had a change back to the Republicans. So now we've got the Comprehensive Anti-Apartheid Act, with some people overseeing us who don't like the legislation. And some people in the mission took up the cause, claiming that the mission was going too far in focusing on the ANC. Some said that private sector assistance should not be restricted to black South Africans. So it got very complicated.

*Q: You were running programs and also being that political?*

BRENT: Yes. One of the things I remember very vividly, Faarooq Mangera and I went to an early meeting of the Macro Economic Research Group (MERG) at Wits University. We're sitting there with all the future leadership of the incoming government. It would have been '92 or '93. They're not in power yet, they're ANC folks, Trevor Manual, Alec Erwin, all the top technical people. Not the big political guys, but all the guys that were going to become ministers. They're sitting around saying, "Okay, what the hell are we going to do with this economy? We're going to be coming into power. What should we

do?" Farooq Mangera (USAID FSN) and I are sitting in the back, just watching. They trusted us to be in there with them. It was a testimony to what a good job the earlier USAID folks had done.

*Q: So you were the only outsiders there?*

BRENT: Yes. There was nobody else there. And part of it was that Farooq's Indian and South African. But I'm not, I'm looking pretty American. They didn't bat an eyelash.

*Q: Because just to go back, Mandela was released in 1990, somewhere around there.*

BRENT: He was out. This was before he came into office. So there was time for some preparation. We had a program to aid in the transition, to help them figure out what to do. That's why we were there, because we'd given them money. But there was also a degree of trust, so that they could have said, "Yeah, we'll take your money, but stay outside the door there." They had no problem. AID had given grants to many of the NGOs whose heads moved into government. For example, Louis Coronado was very close to the Minister of Justice. Mission Director Stacy (William) Rhodes took the lead on support for a major anti-corruption unit (the "Scorpions").

It was an exciting time. Everybody was hopeful, at that time everything was going to go well. The other program I oversaw was under the previous Mission Director Aaron Williams: we sent seven classes of South Africans to the Harvard Business School. Seven classes, 70 each. Four hundred ninety and see who went to the Harvard Business School for Executive Education for 3 weeks and did another 3 weeks in South Africa.

Harvard came to South Africa, both the Business School and Kennedy School, and said, "We want to help in the transition." They both talked to the ANC. The ANC's problem was that they had no people to put in the government; they had the ministers, but they didn't have anybody under them. So USAID said we were willing to do something.

I had a problem, who's my South African interlocutor? I mean, I can't just go to the head of the ANC. So I dealt with a guy named Patrick Fitzgerald, who was a white ANC member at Wits Univ. and head of their school of public policy. I said, "Patrick, we have to have somebody to be our counterpart on this thing, to make sure we don't give money to the wrong people, to make sure we select them based on merit, and to make sure there are people that are going to end up doing something afterwards. And we need to make a call. Are we going to Kennedy School or the Business School?" Patrick agreed to do it, did his consulting with South African counterparts, and came back with the verdict: they preferred the B School.

It turns out that with U.S. training rules, there's not a problem with choosing a training institution. In Participant Training, you just pick a program. This program turned out to be quite a big deal, because the Harvard Business School welcomed these people with open arms—they had barbecues for them, African American faculty at Harvard Business School had them to their houses, etc. It was a love fest. Second, we helped improve the

U.S. political relationship with the ANC, which was still smarting from the constructive engagement days.

The local Wits Business School was involved in the in-country portion. After a while, the South African students said, "We don't want Wits faculty involved. They're not as good as the Harvard people. Let's do it all with Harvard faculty." As I recall, that is what we did. Patrick Fitzgerald was an ace. He never wavered. He ran his processes with integrity (some of which I sat in on).

*Q: And so this cadre was—you had talked about after the '94 election, when the ANC leadership went into ministerial positions and maybe the next level down, but it was that middle to upper technocratic level that they didn't have.*

BRENT: They had nothing below them. In many cases, it was simply the minister. That's all they had. All these guys are there and they're saying, "How do I get a hold of this thing?" They wanted to reform the education system, the whole local government system, all this stuff. They didn't have many people. By definition, there was no governmental experience in the ANC. South Africa is a big, sophisticated country. So there was a bit of an emergency to it. It wasn't perfect, but it helped fill part of the need.

*Q: Prior to '94 and the election, there was no USAID assistance to the government in South Africa. After the election, and the change to majority rule, how controversial and difficult was that? Did you have a lot of local partners?*

BRENT: In all honesty, we were a little slow in giving up the NGO programs. Many people said, "Look, we're now the majority, just give the money to the new government." We had 20 years of experience with NGOs being very effective, and government being dysfunctional. And so we were gun shy. We did start a local government program run by Peter Natiello. We had a brilliant counterpart for that, Chippy Olver, who was an MD and white ANC member. It worked great while Chippy was there, but not as great after he left. So we knew the government had limitations, we had to walk a line. We probably stayed with the NGOs a little too long. We should have probably been a little bolder, but we were having trouble finding good projects because the government was so new.

*Q: Did USAID provide any assistance when the '94 election was coming up?*

BRENT: Yes. We spent a lot of money spent on the election, to the extent when Brian Atwood (who knew a lot about elections) came out afterwards, he said, "How could you spend so much on one election?" Aaron said, "Well, we had all this stuff we had to do." I mean, it was not easy. They're running the first election they've ever had in the history of the country in which everybody could vote. You had to get the procedures down. Suppose you'd had all kinds of foul-ups in the election. That would have been a disaster. So yes, we spent a lot of money on it. The electoral systems, the ballots, electoral people, the money to NGOs. We really stepped in.

*Q: And for observation and all that?*

BRENT: Yes. And I think it went off pretty well.

*Q: Yeah, I think that's true. There was one other thing which I hadn't realized that AID had been involved with, until I did an interview with Aaron Williams. And that was the Truth and Reconciliation Commission. Could you talk about that?*

BRENT: I don't think we gave the TRC money; I don't think they needed it. It was a big thing for the country. Aaron might have been involved, but I don't think it was a funding issue.

*Q: He may have just been talking about having gone to some of the meetings.*

BRENT: I think that was probably it. And of course, when Brian Atwood was out, he was talking to Bishop Tutu, and we were in touch with those people all the time. One place we did give money was a little bit later, with the anti-corruption unit, and Stacy took the lead on that. The unit was quite aggressive in attacking corruption, I think it was called the Scorpions.

Tim Bork came out to visit South Africa after he was at the Ford Foundation. I had him over at my house. I said, "Tim, what should we do, post-election?" He said, "The single biggest thing in this country is going to be corruption. You have to get on that." I remembered that. Stacy personally led it, which was politically sensitive because they went after some quite senior people. Of course corruption in the ANC became a much bigger issue later. But at the time they were making an effort on it.

So the point is we were looking at, where are the weak points, what should we try to do? And again, it's hard when you're sitting there, particularly when you've got a new situation, like a new majority government, to figure out what the critical points of input are. It kind of comes up by proposals.

*Q: Were you involved at all with the Gore and Mbeki commission? Did you have any interface with that?*

BRENT: I did. I'm not a big fan of these mechanisms, Carol.

*Q: Well, I think most people in AID are not.*

BRENT: I guess the idea is that, if you get top principals involved, they're going to come up with brilliant new ideas that the bureaucracy has missed. I found to be not true. And what you're basically doing, you're trying to come up with deliverables all the time. I respected Al Gore for his attempt, but I didn't see a lot of payoffs.

*Q: I know. And it became a very time consuming for it.*



BRENT: Massively time consuming. And you divert stuff from other things, because you have to get deliverables done. It made it harder to hold money back, particularly in Egypt (because we had another one of these commissions in Egypt).

*Q: You were talking a bit about how when that change happened, you in many ways had a blank slate once the Mandela government came in; at least in terms of possibilities, and how you decided on what the priorities would be.*

BRENT: The mission already had a longstanding investment in basic education, which was one of the new government's top priorities. We created a new local government program. We created a new justice program, because Louis knew the Minister of Justice, we did the Scorpions thing, we did the executive education program, it was a bit of a mix. We also continued to support some of the NGO activities because they otherwise would have suffered a major loss of funding. People don't realize how much of the NGO sector in South Africa was foreign-funded. They would have gone under with aid money, including the think tanks.

We gave money to a think tank in Johannesburg, a very good economic think tank—can't remember the name. They wrote a report that was critical of ANC policy. I got called up to the front office and was told "Steve, you've got to fix this." I said, "How do you want me to fix it up? It's an NGO report." So I went to the head of the NGO, who I knew and who was a good guy, Steve. I said, "Steve, we have to ask you to take these points out.

He said, "Can you put a cover note on it to say AID edited this?" I said, "Yeah, we can do that." He said, "Okay, not a problem." So we just put a little note on there, "edited by USAID". He was OK as long as we took responsibility for the change, but he wasn't going to compromise on his own. Those were the kind of relationships we had.

*Q: You would hope that in most AID missions the relationships with local actors are so strong that it builds even as people move and come in. But I have a feeling that it was sort of stronger there, because of those early years, than in most cases.*

BRENT: I give a lot of the credit for that to Tim and Carlos. They did that under Ambassador Nickel, when they had to find their own ways. They took risks. Tim was out in the townships all the time. We had a lot of FSNs who were plugged in. I think Farooq Mangera started at USAID in this time.

We had some tough issues with NDI [National Democratic Institute] and IRI [International Republican Institute] because NDI would only work with the ANC and IRI would only work with Buthelezi. So I have these two groups; and they have completely different client bases. It wasn't easy.

*Q: Because there were still a lot of U.S. domestic political pressures that were on you all.*

BRENT: Yes.

*Q: You were there for a total of seven years, so that would have been from '92 to '99. During that period, the relationships with the Embassy—*

BRENT: They turned around entirely. As soon as Perkins got there, they turned around, and the whole time I was there, they were very positive.

*Q: Which ambassadors were there?*

BRENT: Princeton Lyman was there when I got there. And then I believe it was James Joseph, a political appointee and an ex-professor at Duke, an African-American, head of Cummins Engine social action, with a background in development. He loved AID. In fact, he liked AID more than he liked the State Department. Aaron was over there regularly.

The relationship was very close. I don't remember the Embassy being involved in the Hill issues. We handled those ourselves.

*Q: And so, throughout this period you had a lot of Hill visitors and staff delegates—*

BRENT: —particularly, Carol, after the republicans came in there—

*Q: —so they wanted to keep a close eye. That included a future senator, Mark Kirk.*

BRENT: Yes. Now that is a good story. What happened was that we had all these backs and forths with Republican House staffers. Mark Kirk was a senior committee staffer. He came in and said, "I'm here to check you people out. If I find a smoking gun, you will be in trouble. But if I don't, I will exonerate you."

*Q: Right. He went out with Cliff Kupchan, I think the two of them went together.*

BRENT: Yeah, but it was mainly Kirk. I invited Kirk to my house for dinner, with Cap and others in attendance. Both he and Cap are ex-military, so it was easier to talk than I expected. Mark put his concerns forward and we told them what we were doing. At the end of the visit, he said, "Okay, I didn't find anything. You're basically okay." And I thought, "Man, what a breath of fresh air. This is professionalism."

*Q: Right. And this is just for the record, because it is in some of the oral histories on South Africa, there were accusations of reverse discrimination and it got caught up in U.S. politics. I know that Mark went out and that did help to resolve a lot of that.*

BRENT: Yes, it did. I was actually gone when most of the big debates in the mission happened. I was away on home leave. Thank God. Otherwise, I would have been in the middle of it.

*Q: Well, that's good. We don't need to dwell on that because, fortunately, it's a problem that went away as well. Anyway, there are other things that are important to talk about*

*on South Africa. Because you were there. I mean, it's really extraordinary to have been at an AID mission for seven years. I should add that when you went out initially you had a time limited foreign service appointment. And then, while you were in South Africa, you were converted to a career Foreign Service employee.*

BRENT: Yes.

*Q: I only remember because I was asked to write one of the reference letters for your conversion (laughs).*

BRENT: Well thank you. I was not very clued in on how AID system work. After my first tour, I didn't know you were supposed to be looking around for your next job. So I just said, "Well, I like living here. I'm doing useful work. I'll just stay here." And they let me extend. But by '99 people were saying, "Okay, you got to go somewhere." At that point I looked around and decided to put in for Egypt.

My second son was born in South Africa, and my wife worked as a PSC [Personal Services Contractor] in the education portfolio. The mission was full of strong performers. Almost everyone there later became a USAID Mission Director. I was one of the few that didn't. It was an all-star mission.

*Q: In retrospect, is there anything that you would've done differently if you could have, programmatically?*

BRENT: Well, it would have been way above my pay grade. What somebody should have done is probably brought in some outside economists to help them figure out their economic policy. Because that ended up being their Achilles' heel. Trevor Manuel was a great guy, did everything a finance minister can do. But they could have used help on basic economic and business policy and trade. It would have been hard to do, you'd have to have had the ambassador and everybody else involved, you would have had to bring in some big names. It didn't occur to me. I did talk to people about a growth path for South Africa, but not at a senior level.

I wrote an article in Foreign Affairs called "South Africa: Tough Road to Prosperity," which laid out an East Asia argument for South Africa, suggest they follow policies similar to what Malaysia had done (combining growth with affirmative action for the bumiputra).

*Q: When did you do that? Was that during that period?*

BRENT: That was 1996. I published it while I was over there. Wayne Fredericks helped me get it considered. I said look, Malaysia had a problem with a suppressed majority population. This is what they did. This is how you could apply that model to South Africa. In hindsight, if I had it to do again, I would have tried to do something bigger on this issue.

*Q: This would have been something for a Gore-Mbeki Commission to have focused on, as opposed to having all those environmental stuff*

BRENT: Yes, we could have done that. We could have gotten them some top economic advisors and said, "You guys come over here, and you're going to go back and forth for two years. You're going to do work for these people, and give them some proposals. You're going to become their technical advisors."

*Q: You know, it's interesting because, in a sense, Steve Radelet played that role in Liberia with Ellen Johnson Sirleaf. He did a little bit in Malawi with Joyce Banda as well. And in South Africa we didn't even attempt that.*

BRENT: Could have been Radelet. But we didn't think of that. This is part of the thing. AID runs programs in bureaucratic boxes. It's hard to step back and look at the big picture. Mission Directors have 9,000 things they're trying to deal with.

*Q: It's more of a Washington thing, I think. I remember when Cap came in with the new country strategy, just before Aaron was going out as the mission director. Aaron sat in on the meetings in Washington and the only issue I remember that we pushed the mission on, with that strategy, was HIV and AIDs. Because we said, "You're not paying enough attention to it,". We were right to push on that, but we should have been pushing on this broader.*

BRENT: We should have pushed on two things, Carol. We should have set up, we should have given money to the Wits public policy program, and maybe had a long-term linkage with the Harvard Business School and/or the Kennedy School. Get them an on-going source of technical expertise, while doing the consulting on shorter-term industrial and employment policies. Those kinds of things might have made a big difference.

*Q: I was just reading something the other day and I don't know if it was true or not, but in Korea, the Korea Institute of Science and Technology—one of the ideas in creating it was to attract back Koreans who were working in the United States.*

BRENT: That would have been another thing we could have done. In fact, I'm trying to think. There were some South Africans at the World Bank. Probably others in academia or business in various countries. Helping the South Africans bring some of them back could also have helped a lot.

*Q: I think it's important to step back, because there's never going to be a South Africa situation again. But even in post conflict situations where increasingly AID is involved, it's important to step back and think of these bigger issues that tend to not be addressed.*

BRENT: Yes. We did try this in Egypt. My main thing in Egypt was what we call workforce development, but in particular I took them to the Harvard Business School. We told the Egyptians: "Look guys, Harvard Business School's created INCAE, and LUMS in Pakistan. You need a business school. Not just for Egypt, but for the Middle

East. And if you partner with Harvard, think of what that's going to do for you." I wasn't dealing with the government. I was dealing with the leading business people in the country in something called the President's Council. A leader in that group was Rachid Mohamed Rachid, who had three executive education degrees, from Harvard, Stanford, and Wharton. We visited HBS and LUMs, and the idea got pretty far along. Had a big meeting with Prime Minister and various government and business people on it. Mission Director Bill Pearson made a good call. He said "If the Egyptian private sector will put up half the money, we'll do the other half. But we're not going into this by ourselves, because if you just make it donor funded, it's going to die."

They couldn't come up with the money. So in the end it did not go forward. It would have been a big thing.

So the B School idea failed. But we did do one executive education program with Harvard; similar to the South Africa program, but it didn't go as well. The difference between Egypt and South Africa: South Africa's "You just give it to us and we'll do it." Egypt is, "You've got to convince us this as a good thing." So there was some learning there.

*Q: Okay. Well, let's go back. So in '99 you do leave South Africa, you go to Egypt, and you become...*

BRENT: I become the human resources associate mission director. So I had education, health, democracy/governance. In DG Dana Fisher was the lead. She did a great job.

I'm not the best bureaucratic manager. I did okay. But I wanted to innovate something. It took me two or three years to work into this thing with the business people and the President's Council.

We also worked on a leadership foundation; sort of a participant training foundation that the Embassy was interested in. We put a lot of work into exploring that. The idea was to endow it with \$100M and run it as a sinking fund.

*Q: Was there anything on this front when you think of higher education? And I think of the Middle East, I think of Egypt. Because the American University of Beirut was so well-known, but there was the American University in Cairo.*

BRENT: AUC, American University of Cairo. We looked at its business program as a possible base for the business school. Anthony Vance was my workforce lead. Anthony had an MBA and a law degree from Harvard. We went over it, and John D. Gerhart from the Ford Foundation was president of AUC at the time.

Anyway, we looked at AUC. We told the President's Council: "If you are going to do something, it can't be a little local school. It's got to have regional stature. Rachid really liked the new Indian School of Business in Hyderabad, which is truly world-class. Maybe not that high, but in that direction." But we probably pitched too high to them, because

that drove the price tag up. As I recall, it was \$40 million. In hindsight, maybe we should have been less ambitious, or done a phased approach.

*Q: We wanted something new and shiny that would get people's attention as well.*

BRENT: And we wanted the HBS thing because we said, "Look, you have to go big—because people are creating business schools all over the Middle East, you've got to distinguish yourself." Rachid was on board all along. So was Moataz Al Alfi, another leading business person. But they couldn't get others to go along.

*Q: Let me just ask an internal AID question, here. You're in this sort of mixed office with human resources, but there are a whole bunch of economic folks in the Mission. How are you working with them?*

BRENT: I wasn't. They had decided they didn't want to do workforce development. They said, "You can take it if you want." Education, people. Well, once we got into it, we started to grow it.

*Q: Right, because it wasn't just workforce. You were thinking much more broadly, about economic growth.*

BRENT: Yes. So the whole thing with the leadership foundation took place at a pretty high level—my office, the Mission Director, the Political section at the Embassy, and the Ambassador. They were all interested in the leadership foundation, but the money would have had to come from the rest of the USAID program, most likely from the economic portfolio, which may have been why it did not go forward. Making a big change like that would have been controversial somewhat in the Mission, but especially with the Egyptian government. So there were a lot of issues involved.

*Q: What were they doing?*

BRENT: They were doing economic reform and a commodity import program.

*Q: So it was just disbursing the money from these other initiatives.*

BRENT: Yes.

It was meant to be sort of a leadership development college scholarship to send the best and brightest to the U.S., mainly for undergraduate degrees. We wanted to do it, in part because of the Asian examples. The Taiwan reform movement was run mainly by Taiwanese-Americans who went back to Taiwan, went into the government or into companies, and then reached back and brought some of their company relationships with them.

So the lesson was the value of people from the nationality in the U.S. coming back. We were aware of that; we were thinking of it. That's another approach to try to support

reform: participant training, because there was a huge amount of U.S. participant training in East Asia.

*Q: But you couldn't go through with it.*

BRENT: Right. It's hard to do this sort of a thing within a Mission. Probably would have done better if it had been raised at the Washington level. It probably needed a political dimension.

Ideally, it would bring new money. You wouldn't be trying to rob from Peter to pay Paul. And you need to have a high level political dialogue with the government. .

*Q: But it's interesting in Egypt because now, putting the internal political situation in Egypt aside. I guess you can't really separate them but the workforce issues are so clear with.*

BRENT: Yes. But it's politically sensitive. In hindsight, the situation with Gamal Mubarak is now seen as very suspect because of what happened later with his father. But at the time Gamal was trying to do something with the youth. I went to a big conference in Cairo, it was all in Arabic, I couldn't understand a word of it for eight hours. And here's all the business leaders, including Rachid, Moataz, and Gamal. They're up there on the stage with all these young Egyptians in the audience, very yuppified. It looks like San Francisco, but it's in Cairo. And the business guys start talking, they take their jackets off, and they take their ties off. Then they roll up their sleeves. And they're all talking about youth development. I'm thinking, "Man, this is very un-Egyptian. I've never seen these guys take their ties off, ever since I met them." And the young people were excited: "Yes, this is what we need to do. We need to get modern business skills and business education." And I thought, "We're onto something here." Because these are the youth and the business leaders thinking about the future. That was what we were trying to build on.

The business school thing was a big disappointment. That would have really been big.

We probably went too big, but at the time the conditions looked favorable. The Prime Minister was Ahmed Nazif, who had a Canadian PhD in computer science. He was on board. Gamal was supporting it. We were thinking, "Well, it's not going to get any better than this. We have to go for this." Now some might say: the co-funding requirement killed it; why not just pay for it with all USG money? But I think Bill Pearson was absolutely right on that—we can't want it more than they do.

Bill was right on that. He was a good mission director. That's where you need a mission director that knows what they're doing. He stood his ground.

I think the challenge is: how do you diagnose branch points in the development of countries—and post a big political event is a very big branch point—and then think out of the box about what to do in that? Including a slug of money being available for support.

But maybe step back and say, "What would be transformation-supporting in this situation?" And give it your best shot.

*Q: Right. Now in Egypt, you were there '99 to '03. So you were there during September 11th, 2001. Did that have much impact?*

BRENT: It did not have much impact. We were supporting the government before, we were supporting the government after. I remember the incident, I was on duty when it happened.

*Q: So the Arab Spring—that was much later. Because it was after Obama and Obama was in 2008, 2009. This was really the time when things were pretty chaotic.*

BRENT: During this time the economy was doing okay but not great. It was muddling along. They had made some economic reforms, but they were resisting big privatization. In hindsight, we probably should have done something more with the President's Council on their youth programs.

The President's Council didn't take a penny from us. They ran youth programs with their own money; all with the business people's money. I'm over there meeting with these guys every two weeks, about business schools and executive education, all this other stuff, but we have no program with them. They're running their own workforce development programs, almost totally with U.S. contractors implementing them: IBM, AMIDEAST, etc. I think they wanted to keep them independent of the U.S.

The other thing was that the business people were telling us "Our Ministry of Education is weak and we're not sure a lot can be done about it right now." We also had our own views along the same lines. So we did minimal work with the central Ministry and worked mainly with the Governor of Alexandria on education reform. I think he was an ex head of intelligence, but he was an education reformer. So most of our education program was a pilot effort there and in another province in Upper Egypt that also had a strong Governor. This involved some interesting interactions. I sat in on a meeting with the Minister and Rachid and Moataz. They told the Minister, "Sir, you have to do more on education reform. This is what we're doing in Alexandria. You need to build on this." They're fighting with him in front of me.

*Q: Did you have the option in Egypt to then, if you didn't want to work with the national government, go work with officials at the local level?*

BRENT: Yes, that's what we did. The governor in Upper Egypt was similar, I think an ex police chief, but also an education reformer. The USAID staff loved him. Both governors knew what they were doing--both were progressive reformers.

*Q: I've done a number of interviews with people in post-conflict situations, and they all emphasize the local governance factor, and the importance of decentralized bases. So*



*again, while you were in Egypt, it was almost an ideal time though, because in the Mubarak government things were pretty stable.*

BRENT: Yes, but we also thought it was important to develop links with centers of influence outside the government. That was one reason for working with the President's Council of business leaders.

My dealings with them were about the bigger options, like the business school. We would have spent a lot of money if one of those had come to fruition, but they didn't. The Mission tolerated this. They didn't say, "Steve, what are you doing spending all your time there with the President's Council if there is no program?" Everyone knew what we were doing, including the Embassy. These business leaders were constant points of contact for the Embassy folks. There were all in the American Chamber of Commerce.

*Q: Egypt did have a democracy governance portfolio as well. It was in your rubric. And I'm just curious, was that mostly civil society work?*

BRENT: Yes. We had a big NGO program and a justice program.

John Blackman was the contractor for AMIDEAST. The program focused on judicial training. We didn't try to do main-line democracy stuff. We didn't do electoral support, we didn't try to get in any of that. It was too sensitive.

We also had a good program with the Minister of Health. The Minister of Health, we thought was good. The whole program was tailored to the local situation.

*Q: The advantage of having a mission on the ground; you can make those determinations.*

BRENT: Yes. I thought the economic side had more potential in Egypt than trying to take on political issues. South Africa was very progressive politically but had major economic challenges. Egypt was not going to move on the politics, but would have been interested in business if they could have figured out ways to do it.

My next step was around 2002, when I paid my own way for a 2-week visit to Washington. I have been reading all this time about this East Asia model, and I wrote a paper based on it called "Business Development." I talked to people in AID/W but could not find much interest in my ideas. I had given the paper to Andrew Natsios and on my last day there, he called me in. He said: "Steve, I read your paper. It says at the bottom: This is not the opinion of the U.S. government. In my view, this should be the opinion of the U.S. government. This is exactly what I want to do. Business development as the core of economic growth."

That started a relationship, which led to Patrick Cronin, who was the head of PPC [Policy and Program Coordination], later inviting me back to Washington to work on the Millennium Challenge Account (MCA). In the very beginning it wasn't clear whether this

was going to be in AID or not. Andrew wanted it in, but the NSC staff did not. They finally decided to make it separate. Patrick found an opening in PPC and asked me to leave Egypt a year early, which I did. I left in 2003 and Michelle and the family stayed another year so she could finish her work.

I was head of CDIE [Center for Development Information and Evaluation], waiting for the MCA to start up. I was in the working groups with Patrick when they're trying to figure out what MCA should do. Should they do scholarships? Should they do enterprise funds? At the beginning nobody knew.

*Q: Because it all arose because President Bush gave a speech, before the financing and development conference in Mexico City, at CSIS or somewhere, and said, "We're going to create this Millennium Challenge Account of x amount of money (like \$5,000,000,000 a year) to support economic growth.*

BRENT: Yes. That was the idea. In the early stages, Patrick led the interagency group.

*Q: So these were agency meetings that Patrick was convening?*

BRENT: Yes. So the strange thing is: even though the decision had been made, that this is not going to be in AID, Patrick chaired the group, I guess because of his NSC relationships—particularly with Gary Edson. Patrick soon resigned for reasons unrelated to MCA. Clay Lowery of the NSC staff took over as the interagency lead.

Gradually they began to refine the concept. I'm not sure of the timing, but somewhere around then the MCA got approved by the Hill. The Hill inserted the Threshold Program, which was not in the original concept. And the thing was legislated; not at \$5 billion, but at a much lower number.

At that point Barbara Turner directed me to move out of CDIE and focus full time on the MCC, the Millennium Challenge Corporation. They started with a very small group of people in temporary offices in Rosslyn. I went over there every day, working particularly with Sherry Kraham.

*Q: And Drew Luten went over. He was sent as a lawyer to help them.*

BRENT: Yes, Drew went over. And over time it became my job to run the Threshold Program, which was funded by MCC but to be implemented by USAID Missions.

*Q: But before we get to the Threshold Program—I remember vaguely, because I was there in the counselor job doing stuff with you a little bit on this—I remember one of the big debates with the MCA was how they were going to implement the programs, the compacts and these project implementation units. That whole model, there was a lot of debate about this as well.*

BRENT: Yes, they tried to copy the project implementation unit model from the World Bank. This was part of the idea of it not being a traditional aid program. They said, "We don't want to have a lot of Americans there. We will hire locals to run it." Their other principle was: "We're going to hold the country accountable. If it doesn't perform, we're going to cut them off." This was part of the good performer idea. The same logic implied that they wanted the country to develop their proposals for the MCA Compacts—after the country was chosen for a Compact based on the indicators, the content of the program had to be developed, and that was supposed to be done by the government of the country. So for the first two years, the MCA message to USAID was "Keep your hands off Compact design. The country's got to develop their plan and own it."

Later, when Condoleezza Rice came in as Secretary of State and chaired the MCA Board, she asked about USAID's role in Compact development. I don't remember why she was talking to me; Andrew Natsios must have missed the meeting. Anyway, I gave her the party line: we were not supposed to help. She said, "This is not a test, this is a tutorial. I want USAID to help them if they need it. The idea is to get a good program." Clay Lowery was then the Vice-President of MCC and at the table. He took me aside after the meeting and said, "Steve, we are going to change the whole relationship with AID. We are going to let your Directors help the governments develop their proposals." I was much relieved because some of the Directors had already been doing this. Now it became official. Clay, to his credit, turned around like that. As soon as Rice said it, he shifted direction 180 degrees. Very professional.

There were lots of teething problems. Implementation units were not the biggest difficulty. They had a lot of trouble getting decent Compact proposals. When Clay went to one country (I think it was Mozambique), he told the government to write up their desires on a piece of yellow paper; they would start with that. Also, MCC didn't have U.S. contracting officers and didn't know how to do contracts. We helped them with those kinds of things.

Over time they developed their systems. Some of their early programs drew heavily on off-the-shelf World Bank infrastructure programs. They ended up doing a lot of infrastructure (e.g., roads) because that was what the countries asked for. That added a capability to U.S. programs, because USAID generally doesn't have money for infrastructure. But in general MCC had trouble implementing the original idea of major growth-enhancing investments. The investments were helpful but not large enough to lift a country to a higher level of development.

There were tensions at the organizational level. Most of the staff in MCC were politicals or Iraq veterans, or some from the World Bank. They viewed USAID staff as old guard and they were going to show the new way. They would say things like "we are the first aid program to be results focused and to hold governments accountable," which angered USAID people. I was sort of the USAID ambassador to MCC. I worked closely with the first president of MCC, Paul Applegarth. He was later replaced by Ambassador John Danilovich, who came out of Brazil. Danilovich was a real pro, who instantly improved

relations with USAID and Andrew. He brought in Rodney Bent to be CEO. By that point MCC really began to hit its stride.

Back to the MCC Board meetings for a minute. These were quite high level: first chaired by Sec State Powell, with Sec Treasury or a rep, USTR [United States Trade Representative] (initially Zoellick), Andrew, Applegarth, and one or two NGO reps (CARE and there might have been another).

One of the problems was that most of the Board members didn't know much about the countries. They had the indicators, but they wanted more qualitative assessments. Andrew ended up mostly filling that role. They would hear the MCC staff presentation and then they would say, "Andrew, what do you think about this?" Andrew would then talk about the country. He often knew the history, the leaders, the development problems, etc.

The turn-around on USAID's role was Rice's personal judgement. Nobody told her to do that. She knew something about Africa; and she had more of a development point of view than most people realize. She said, "Well of course you're going to help them develop the plan! Why would we not do that?" I'm not sure she even knew what a big issue this had been up to that point.

And the last piece was the Threshold Program. I had a very hard time with it at first, because I would send over AID people to talk to the MCC people, and the MCC management and staff hated what they heard.

*Q: Right. And the Threshold Program was for countries that didn't meet the criteria.*

BRENT: Correct, but they were close to qualifying. They would get \$20 million dollars for their failed indicator, which in most cases was corruption. So we had the mission of reducing corruption in Kenya for \$20 million dollars. Here was my breakthrough, Carol. I started getting the Mission Director for the country to call into the MCC meeting on the phone and talk directly to the MCC leaders and staff. One of the early Mission Director to do this was Pam White. Wow, it turned around just like that! Because first of all, she knew the country cold. She knew the situation. She told them how it is, what the problems are. They're like, "This person knows what they're doing." Now the Threshold Program suddenly became gold. MCC hadn't liked it at first. Then MCC's view became: "This is a little secret weapon for \$20 million. We're getting quite a bit out of this." The AID missions liked it because they were getting supplementary money. I liked it because all I had to do was visit the country and work with the Mission on getting started with the government. The Missions would say: "Yes, we can figure out a way to address that indicator. We can do that." My job suddenly became easy.

MCC also started to get its act together. They hired John Hewko, who was a very capable lawyer, who worked extremely hard to formalize the Compacts. Clay Lowery was a good VP; very fast. They created an agency in 6-9 months. Ended up hiring 200 people. That was an impressive accomplishment.

*Q: Yeah, and over time they ended up hiring a lot of former AID people.*

BRENT: Over time the tensions between MCC and USAID went away, or way down. MCC ended up later hiring a lot of USAID folks, Stacy Rhodes, Patrick Fine, others. But in the beginning it was like two rebel armies, or the Army and the Special Forces.

*Q: And I believe that AID is no longer doing the Threshold Program.*

BRENT: MCC took over the program. One of the things Rodney said—Rodney's also a very good manager—he said, "Look, we only did that when we were building. If there's going to be a Threshold Program, we should run it, and we will build the capacity." After I left in 2006 to come to NDU, they took it over.

*Q: Because they developed in-country offices...*

BRENT: A lot of their in-country reps are AID people. The ground has become much more collegial since.

*Q: There were public members of the board as far as I recall, and so they had some NGO representatives—*

BRENT: Yes, CARE and another NGO. I and the NGO reps would get together before Board meetings and we would coordinate our positions. We would go over the countries, because the vote was on that: which countries? We had quite a bit of influence, because we were the ones with the detailed country knowledge.

*Q: I don't know if it was during this period or if it was later, but the Center for Global Development used to do its own numbers and give their recommendations. And if they thought there were any political pressures to do compacts and countries that might not really warrant programs. Had that started before you left? Or did you see any of that political pressure?*

BRENT: That went on from the very beginning. Steve Radelet had been in on the early conceptualizing of the MCA as a Treasury Deputy Assistant Secretary. Then he left and went to CGD. He knew the MCA indicator system, in which the data came from standard sources (World Bank, Transparency International, etc.). So he could run the numbers ahead of time and predict who would pass the indicator tests and who not. He would publish that.

It was not a problem because MCC was going by what the numbers said. One thing that was controversial was how to treat democracy. Because originally the only hard hurdle was corruption, which was decided by President Bush. You couldn't be below the median on corruption. That by itself would fail you. Political rights were one of the indicators, but not a hard hurdle.

But later, because of the Administration's freedom agenda, they made political rights (above the median) a tacit hard hurdle (and I believe later a formal hard hurdle). That hit Rwanda. Rwanda scores well on most of the indicators, but not political rights. So this turned out to be pretty important, especially if we go back to our East Asian cases since none of them were democracies at the time that they did their growth pushes.

*Q: None of them would've have gotten MCC programs.*

BRENT: Right.

*Q: It was interesting, I mean do you--. One of the things that's often said is the incentive factor—that the MCC threshold indicators provide some incentive for countries. Do you have views on that?*

BRENT: Yeah, I don't think it does. What I did see get affected was one of the indicators—days to start a business—because government could change that one indicator pretty easily. But as far as bigger policy changes to qualify for the MCA, I don't think you can demonstrate that. In my view, that was not due to failures by MCA but to the limitations of the preconditions model itself. We don't measure good performance by growth performance, or poverty reduction, or equity. We measure good performance by compliance with a set of indicators—which are input indicators, institutional descriptors--that we have constructed. If you do well by our test, we declare you a good performer, regardless of how well your economy is doing, how severe the obstacles are that you are facing. I just don't think that's the way growth happens.

Also some countries that are doing pretty well on growth and poverty reduction don't pass the indicator tests, like Rwanda.

*Q: You should do a little article on an MCC meeting done in 1955, in which Taiwan and Korea...*

BRENT: They would not have passed. As an example, look at this article by Andrew on Korea [hands Carol article]. Korea was the best example of a major USAID investment that paid off. In Taiwan we were late to game--what precipitated Taiwan's reform push was the notice that AID was going to be withdrawing. We had done a lot of rural development, so we laid the base. And I think we were involved in land reform, but we were not that instrumental in Taiwan's growth push. But in Korea we were. We were heavily involved. The USAID Mission Director addressed their leadership and said, "Look guys, you need to develop your manufacturing." And General Park had a similar view. Park was an extremely active leader, but USAID was involved, funding experts, giving advice, etc. This to me is one of USAID's biggest success stories, maybe the biggest.

*Q: That actually reminds me, with Michael Pillsbury's book, "Secret Successes of USAID". That was commissioned by PPC in AID. Was that you, or had that been done?*

BRENT: No, that had been done before. I believe Patrick Cronin had given Pillsbury funding for that some years earlier when he was head of INSS at NDU. Then when he came back to INSS, I think around 2007 or so, he tried to get Pillsbury to finish the book. But Pillsbury didn't do it. It would have taken a lot of work, as a lot of it was incomplete. Pillsbury had some wonderful stuff on Korea—he got into some archives. He had some fascinating material, which confirmed my sense that the USG folks knew what they were doing at that time. But some of his stories were more generally about economic reform and not so much East Asian growth pushes. It was a very interesting book.

*Q: Because you're thinking more transformational—*

BRENT: I'm thinking more industrial policy, transformation of the economy by export-led growth. And the problem is, not many people think that way. So in Pillsbury's view it was just: was USAID pushing for reforms? Yes, it was doing that in all the cases, but the big impacts of a Korea or Taiwan were not the norm.

*Q: But that's an important distinction to make too, about supporting reform efforts versus real transformation of a country's economic... life, almost.*

BRENT: What Pillsbury was good at was showing AID as a force for progressive change in middle ground countries. That's what most Pillsbury's examples are about. We haven't had any major breakthroughs like Korea and Taiwan since then. Joe Studwell's *How Asia Works*, which is another great book, says that even Indonesia, Malaysia, Thailand are not in that category. They were better than the Philippines, but not in the same class as Korea, Taiwan, Hong Kong, and Singapore. There really have only been six breakthrough cases. Those were Japan, Korea, Taiwan, Hong Kong, Singapore, and China. All of them did land reform, all of them did major industrial pushes, and all of them had major growth breakthroughs. Southeast Asia countries did some, but not the full Monty. And the Philippines has been much less successful. Most of the success stories are historical, except China. Which is why I think China is so important.

*Q: But an important part of this is also the political dimension of equity, and breaking down some of the inequalities. Or the power of elites.*

BRENT: Yes, they did that as part of their means, but their motivations often came from external security threats. This thesis is developed in Taylor's *The Politics of Innovation*, which argues that external security concerns have to be great enough to overcome domestic political obstacles to reform. Meiji Japan wanted to avoid being colonized by the Americans. In Korea, it was North Korea; for Taiwan, it was China. In Singapore, maybe not a good example of security, it was Lee Kuan Yew. Hong Kong is not really government led, that's just one of the points Studwell makes. Hong Kong and Singapore were special cases as port cities. So they didn't ever decide, "Look, we have to solve equity." What they decided was, we want to be a manufacturing power. We want to get rich and build things. We want industry. South Korea had been the non-industrialized part of Korea. Industry was in the North.

Park said, "What if we were to build industry for a decade, with the help of the Americans?" And then the Vietnam War came and Korea sold the U.S. forces a lot of equipment, which put them over the top. Yes, they did land reform, but it's not like these were social justice guys. These were economic growth guys. They wanted Korea to become rich and strong. Be a strong nation, same thing China wants to do.

*Q: So in a sense land reform was to get people to look for other ways to become rich.*

BRENT: Yes. You had to break the back of the old feudal structure. This is the problem in the Philippines; they have never gotten over the big land-owning families.

*Q: So it's not so much equity as it is breaking a feudal structure.*

BRENT: I think so. In the case of Korea, Park said, "Look, I may not love the chaebols, but they know how to export. Those are going to be my guys, and I'm going to go with them. I'll have export quotas. If they don't meet them, I'll cut them off."

He was a military guy. He didn't like business people. At first he put a lot of them in jail, showed them who was boss. Then he started giving them money and said, "Do these exports." And it worked. Then he made a big gamble on a massive push on heavy industry. The World Bank said, "We won't give you money for that. It's never going to work." But Park went ahead anyway. It took 15 years before it really began to pay off. But that was the base for a lot of Korea's later big industries.

Taiwan was a little different. Taiwan was led by technocrats. IT technocrats from America in the government saying, "Look, we're going to build up an electronics industry." A lot of U.S. companies helped them. That was almost more American-assisted than Korea, but not necessarily American-conceived. Korea was more American conceived. So what is the common element of this? You have to have a government that is dedicated to national growth. It has to be willing to sacrifice. It has to gut the old feudal elite. It has to suppress consumption, and give out cheap capital as a way to subsidize the industrialization process. They all did that. Everybody had low consumption, high savings, cheap capital. They all undervalued their currencies. They all ran trade surpluses.

Korea took on a lot of debt, violated IMF norms. Park said, "I don't care about your debt quotas. I'm going to get us eight percent growth. If I get that, I can pay the loans back."

So I would like to see good performance defined more in that way today. I'd like to see an NGO ranking global leaders and governments. Those who are doing the best they can with the hands they have been dealt. Maybe that's the way you do it today. Because we're not going to have breakout cases today, I don't think, like in the old days. For one thing, you have to compete against the China price. Nobody can beat China. Even Korea, if it were starting over today, couldn't go against China.

*Q: That's actually a huge point. So, in some ways you're really arguing that USAID and the international development community really needs to step back, and look quite*



*differently at what we're trying to achieve. The easy default position is to just say "We're going to go support basic education, we're going to support public health, we're going to do this.*

BRENT: That's the baseline. Nobody's against that. I think those are good things to do to lay bases for future growth.

*Q: But it's not enough.*

BRENT: Right. Aid can support social bases in a lot of places. But if you are going to go for economic growth, you have to focus on those that have strategies and political commitments to helping themselves. And look for branch points in the evolution of the country when change can happen. How do you find the time and people to get behind?

*Q: And when there is, then AID should make available the flexible resources to support it.*

BRENT: Exactly, and maybe that call has to be made from Washington. It will inevitably be linked with politics. I'd almost pick a country in every region. Because regions need examples that they can relate to. Would that be Jordan in the Middle East? I don't know.

Latin America? How about we stabilize one Central-American country. Or here's another strategy. We say to the U.S. companies who are thinking about getting out of China, we want you guys to take a hard look at Mexico. Because we have a strong interest in Mexico's economy growing solidly, so people will stay there and not come to the U.S. Mexico has some good technology and industry base in Monterrey. Build on that. Mexico's wages are actually quite a bit below China's at this point. This hits two birds with one stone: we put some pressure on China and we help Mexico. Or you can say, we are helping China achieve its objective of becoming less dependent on Western companies. The U.S. companies are already concerned about China, but they are slow to move.

This could be part of a broader U.S. strategy. We build up the North America nexus—the U.S., Canada, and Mexico. Expand trade and investment in our backyard. China is on its way to dominating East Asia; there isn't a lot we can do about that. But we could strengthen our base and they try to get Europe to lean our way, not to separate from China entirely, but to lean toward our side. That's a strategy. That might include a major investment program with Mexico. Use aid for basic education and health paired with a major business investment program that would be the real incentive for them. It wouldn't happen overnight, but if you stuck with it you could see real progress in 10 or 15 years.

*Q: Mexico and Central America both.*

BRENT: It would be good to something in Central America because that's where a lot of the current immigration is coming from. But that requires political stabilization and hard security. They have to break the gangs & the cartels. Very hard to do.

*Q: This is been very thought provoking. Just after this to say that when you retired from AID in 2006.*

BRENT: I've been teaching full time. I did some talks on the East Asian model when I got here, but in the last four years I have really focused on China. We have a lesson on it in the basic Economics course at the Eisenhower School. Plus for about four years I have been doing a lecture on China's economy to all the CAPSTONE classes for newly-minted one-stars (new flag officers and SESs). They have 4 classes a year and I usually come in the first or second day to talk about China, growth, and innovation. How did China accomplish its growth miracle, why did foreign technology help them so much, where is China headed with high tech? I'm focused on China pretty much 100% now. I find it fascinating and challenging. I have been captured by China, I admit it. I see the U.S.-China relationship as being the main foreign policy issue for the next 30 years.

*Q: Do you want to give just a quick view on the trade war?*

BRENT: I think that China has manipulated trade and taken advantage of the United States. I think we have to do something about China's IP theft and cyber theft. The challenge is how do you get China to make real changes? They're not going to be easy to convince. They are getting pretty easy access to American and other foreign technology. How do you control that? Tough problem.

What I would do is focus more on steps we can take in the U.S. to make ourselves stronger economically and more competitive in the new technologies. I would like to see a public research and technical education push like we did after Sputnik, which worked spectacularly. I would create a stronger cyber-defense for the U.S., in which the government not only protects government assets but also helps companies protect theirs. But these things would cost money, which means they would be very difficult to do in the current fiscal environment.

*Q: I think another important point you made is that even as the developing world begins to try to figure out how it can make the kinds of transformations that Korea or Taiwan made, they have to do it in the context of a China, which is a lot more challenging for them.*

BRENT: Yes, it's a lot tougher today.

*Q: Yeah. Well Steve, thank you much. This was great. And lots of things to be thinking about for the future.*

BRENT: Thank you very much.

*End of interview*