

The Association for Diplomatic Studies and Training
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AMBASSADOR OTTO J. REICH

Interviewed by: Charles Stewart Kennedy

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[Note: This interview was not edited by Ambassador Reich.]

Q: This is a continuation. We left off the last time, I think it was 1991 and here we are, 18 years later and you, like so many people in Washington, keeping having a career in diplomacy.

Otto, in '91, you'd left the government at that point, had you and what were you up to before you got back into the government?

REICH: What I was doing in 1991, I was a consultant in international trade and investment. At that time, I was working with former U.S. Trade Representative Bill Brock in something called the Brock Group that he founded in 1989, when he left the government.

I left also in late 1989. I stayed as ambassador to Venezuela until July of 1989 and left the government in September of 1989 and joined the Brock Group in December, started actually in January of 1990.

And I did that until 1996, when Bill Brock decided to do other things. He actually ran for the Senate in Maryland and lost and we broke up, amicably, the Brock Group.

I started then a very similar consulting group called Reich, Miller and Associates with one of my partners from the Brock Group, Jonathan Miller and we provided advice to U.S. corporations and other corporations, they didn't have to be necessarily U.S., on how to do business in Latin America.

Q: Could you just give me some examples, because I think it's one of these things that's not terribly well understood by people. We're sitting in the heart of Washington, D.C. with people who've had this experience. Can you give some idea of what this meant, what you were doing?

REICH: Yeah, I'll give you specific case studies, as they would do in graduate school. When I left the U.S. Government I didn't have any clients. Frankly, I had not followed the advice of some people who said, "You have to line something up before you leave." I thought I would err on the side of too much caution on the ethical side, but the ethics rules give you plenty of leeway, I should have lined something up.

When I joined the Brock Group, I had already spent four months out of government and I had contact with some of the companies that I had known in my government career, and I had positive responses from at least two of them: McDonnell Douglas and Bacardi, the distiller. At that time it was rum, they're now the fourth largest distiller on the world, they have Dewar's Scotch, they have Bombay Gin and a lot of different very prominent brands.

So I eventually signed them up as clients, brought them to the Brock Group and what we did is helped them to overcome trade or investment disputes that they might have, both McDonnell Douglas and Bacardi.

McDonnell Douglas was particularly interested in setting up an assembly operation in Mexico to build the successor airplane to the MD80, which was going to be called the MD95, which actually now is a Boeing plane, because Boeing had purchased McDonnell Douglas.

So, I did a lot of work for McDonnell Douglas in Latin America, from Mexico to Argentina to Venezuela, where the Venezuelan airline, VIASA, had purchased some DC10s and had neglected to pay everything they were supposed to pay. There are always these problems with big ticket items like airplanes.

And for Bacardi we helped them in different parts of the world. Some of my partners from the Brock Group assisted them in areas beyond Latin America. I helped them in Latin America, I helped them, for example, understand the impact of the North American Free Trade Agreement better and how it was going to affect their marketing. It was being negotiated at that time, from '90 to '93.

Then I picked up some other clients. I helped a group of Panamanian businessmen to form a trade and investment promotion entity after the downfall of Noriega. After Noriega was removed by U.S. forces, the economy in Panama was in terrible shape. It had declined by 25 per cent per year for two years, under the last two years of Noriega and we helped them normalize, and restore the economic and commercial relationship with the United States.

There were a lot of issues: allowing the Pentagon to purchase on the local economy, which it was no longer doing, which represented millions and millions of dollars of local purchases, allowing, for example Defense Department families to move back into the city. We had removed all Defense Department dependents from Panama, because of Noriega, and that represented a lot of income.

Restoring the Generalized System of Preferences, restoring certain other trade privileges that Latin American countries had that had been denied to Panama because of sanctions that had been imposed by the Bush Administration and Reagan Administration in the last few years of the Noriega regime, a lot of different things like that.

Then Bell Atlantic was a client. They had interest in acquiring telephone companies that were being privatized in different parts of the world. One of them was in Venezuela and that was something that I advised Bell Atlantic on.

They did not win, because they simply didn't want to spend as much money as the competition. Actually, it turned out to have been sort of a blessing in disguise, because GTE, which was the company that did win, eventually was thrown out by Hugo Chavez, after spending billions of dollars to rebuild the Venezuelan telephone company after privatization.

And Bell Atlantic was also interested in other companies around the world.

Q: Well, let's say you're a Latin American business coming here. What were some of you might say the major pitfalls or problems of doing business in the United States?

REICH: The big difference between doing business in the United States and doing business in Latin America is that business in the United States is transparent and in Latin America it's not, meaning that if you have a good product or a product that you can sell for a good price and you can provide the necessary service, finance it, you can do business in the United States, but you will encounter enormous competition, because this is the world's largest economy. We are somewhere between 21 and 25 per cent of the world's GDP (Gross Domestic Product), depending on whose statistics you read.

In Latin America, you can have a good product for a good price, good service, good financing, whatever, and if you don't know how to operate in that kind of a very difficult and in many cases very corrupt environment, you won't succeed.

What we do, what I've been doing for many years, since 1990, could be described in a very general way as government relations, but specifically it is helping companies navigate this very corrupt environment, and I'm sorry to keep going back, I remember back in our first interview, in 1991, I was just appalled by the corruption that I had seen in Venezuela. If anything, by the way, it has gotten worse in Venezuela.

Q: That's what I understand.

REICH: Oh, absolutely, it has gotten much, much worse, much worse and we can go into detail.

But in every country in Latin America, I'm very sorry to say, as somebody who has spent his entire career, more than 40 years, in Latin America. In fact, if you include my college and military service and all, it's way over 40 years in Latin America.

I'm just sorry to say that the entire economic environment is totally misshapen by corruption and to this day I can give you names of heads of state, sitting heads of state today, who are on the take and I can tell you how they make their money.

When I get this information, by the way, I turn it over to the proper authorities, I don't keep it to myself and I've taken on a lot of these people publicly, and as a result there's certain countries in Latin America where I'm not going to be going on vacation or retiring anytime soon.

I think that corruption is one of the reasons why Latin America has failed to develop as it should have. It has the same resources as North America, frankly, more, because it's bigger. It certainly has oil and coal and iron and has human resources as well. But it hasn't developed because of corruption and following the wrong economic policies.

So what I try to do is advise companies on how they can do business without falling into the trap of corruption, how to do business legally and ethically, and it can be done.

Q: Can you talk a little about this, because we're talking about a period of time, American policy is "thou shalt not bribe" and all that, which many of our competitors, European ones particularly, have laughed at us for being naive. But how do you work around this?

REICH: It's interesting, because I believe that in our last interview I said, and if I didn't say it I should have said it, but I think I said it, that the problem of foreign corrupt practices, and we do have the Foreign Corrupt Practices Act, which has served as a deterrent to American companies participating in what everybody else was doing.

I said it was not going to succeed until the process was internationalized, globalized, until the Europeans and the Asians, particularly the French, the Italians, the Germans, the Japanese, but including everybody else, because they were bribing people right and left.

It wasn't that long ago that in some European countries like France and Germany you could deduct bribes legally from your taxes as a normal business expense, if you can believe that.

You can imagine how hard it was for American companies to compete when a foreign company could come and give say the minister of transportation and communications, who is responsible for approving the sale of aircraft to a particular country, give him a million dollars and say, "Look, there's not that much difference between Airbus and McDonnell Douglas or Boeing. Here's a million dollars. Your country will be just as happy with Airbus A320s or A340s or whatever than with Boeing 747s or McDonnell Douglas DC10s." And unfortunately, we lost a lot of business that way.

Now, one very good thing that has happened since that last interview is that other people must have realized what I had seen, and we did globalize the Foreign Corrupt Practices Act and now the European Union, after much, much prodding and cajoling and threatening, did sign on.

About the year 2000 I think is when it went into effect and, of course, France and Germany were the last two to sign on, but they have, so now it is a crime in those countries, as it is in the United States, to participate in bribery.

Now that doesn't mean it's been eliminated. It just means it's much more difficult to do openly and that there are other countries, developing countries, like the Chinese or the Indians or the South Koreans or the others, who are not signatories to such agreements, who are not so constrained, to put it nicely.

However, their products are not yet of the same quality and efficiency and technological advancement that they pose a threat to some of our products. But they do to others. The Asian countries, the three that I mentioned, particularly, do compete with the United States and Europe in things like computers, automobiles, shipping, construction, for example, and so they've been getting a lot of contracts in Latin America, frankly, through bribery.

Q: As this went on, because you're in the middle of this because of your business connections, what would be in it for the Europeans to sign on to this anti-corrupt practices effort?

REICH: That's a very good question. I don't think you can be in high positions in government, as I've been fortunate enough to be and not realize the damage that is done by corruption. I have my own little saying, that corruption kills, corruption literally kills. For example, what has been happening in China, all these food

Q: Milk adultery, drugs and pet food and all that, just

REICH: Behind that is corruption. Government officials have been paid off to look the other way, to not inspect. When you have buildings, office buildings, in South Korea collapse and kill many, many people, because substandard construction materials have been used and inspectors have looked the other way.

When you have hijackings in the former Soviet republics, I'm talking about actual cases of airplane hijackings caused by Islamic fundamentalists who have gotten on board with weapons because they paid off the security guard something like 30 dollars and crashed two airplanes into the ground, this is corruption.

There's corruption at every level of many, many countries and it does kill, these are examples, micro-examples and macro-examples, of people dying by the dozens or by the hundreds or in many cases by the thousands, because of corruption.

The earthquake in China recently, where so many buildings collapsed because they had been poorly constructed. Once again, because the government officials had not done their job.

The same thing happens in Latin America. I've seen so many examples, in Honduras, with the telephone company, Honduras, one of the last countries in the world that has a state-owned telephone company, it has become a source of illicit income to people in the government, and I mean tens of millions of dollars, for a country that's one of the poorest in Latin America.

And the money goes, I know because I've looked into this, to finance lavish living by government officials while some of the people in Honduras are literally starving to death and children can't go to school because there's no transportation for them, or there's no proper schooling, or the teachers don't get paid enough.

And the same thing happens in Nicaragua. It has nothing to do with ideology. As I mentioned earlier, the corruption in Venezuela today, and they're a left-wing government, a government that calls itself socialist, is worse than it was.

It was very bad when I was there, with a centrist government, it was a government that sometimes was left of center, sometimes slightly right of center, not an extremist government in Venezuela in the 1980s and yet there was a lot of corruption, but nothing like what exists today in Venezuela.

They've had the highest revenues in the history of the country, with the price of oil hitting \$100, \$120, \$140 a barrel, as you know. Venezuela has made more money in the last 10 years than in the previous 150, 160 years of independence.

It almost brings me to a loss for words, because you realize how much suffering the people of those countries have gone through because of a few corrupt people in the government.

But the problem is that it's endemic, the corruption is endemic and it's justified by many people, who say, "Look, I'm not going to go into the government and make those government salaries, \$200 a month, \$400 a month. I can barely feed my family on that. If I have a chance, I will take some money from the rich."

They think they're taking from the rich, but they're taking from everybody, the poor and the rich. Anyway, we can go on.

To answer your question, that may be why the people who decided that it was time to globalize foreign corrupt practices measures or to globalize the sanctioning of foreign corrupt practices finally did it.

Q: Did you find that Latin American companies coming to seek your help, what would sort of throw them off?

REICH: In the United States?

Q: Yeah.

REICH: Well, I haven't helped as many Latin companies seeking access to the United States market as *vice versa*, but the cases that I do know, once a foreign company makes a decision to come to the United States, they know what our rules are and once again, one tremendous advantage we have that developing countries could also have is transparency, transparency and consistency, don't change the rules in the middle of a game, don't tell a company they can come and set up a corporation to manufacture widgets and compete and then you change the rules and say, "Oh, but those widgets are the wrong color, so you're going to have to pay a little bit more in taxes" or "The water that factory is dumping is more polluted than you told us, maybe you're not processing it properly, so you're going to have to pay us extra."

Those things happen every day, to every American company operating in Latin America, but not to foreign companies operating here. I'm not saying there's no corruption here.

I speak a lot of groups of students, journalists, executives, all over Latin America and here in Washington and other places. What I tell them is, "Don't think that I'm saying we are immune to this disease. We're not. But we fight it and when we find corrupt officials we throw them in jail, we don't care if it's the head of a corporation. We have plenty of heads of corporations in jail right now. We've got law enforcement officials in jail. We have members of Congress in jail right now. We have gotten rid of a president of the United States because he was seen as having violated the law."

Then people sort of do understand that the difference is that under the U.S. rules, when somebody tries to break them they end up being punished if they're caught. In Latin America, everybody breaks the rules, unfortunately, everybody, from presidents, practically everybody I've worked with.

Q: Well, one of the problems, too and I've seen this in my workings in the Foreign Service, you've mentioned government salaries, government salaries are pegged to the idea that this is a token payment and it's up to you to supplement your income through bribes.

REICH: In Latin America, it's a disgrace. And I've talked to business people, as well, saying, "Why don't you pay your taxes, your fair share?"

They say, "Why should I pay money that is going to go to line the pockets of some corrupt bureaucrat?" They don't see the contribution to the state as redounding to the benefit of the people. They see it as staying with the state.

Q: Well, during this period in the private sector, before returning to government, politically, how did you find yourself, aligned to one wing or another, I assume of the Republican Party, or were you sort of apolitical at this point, or how did things go?

REICH: I wasn't apolitical. I had all these wonderful and I mean that sincerely, all these wonderful positions in government in the 1980s. I was assistant administrator of AID

(Agency for International Development) for Latin America, then I was special advisor to Secretary Shultz and I was ambassador to Venezuela.

And when I came out of Venezuela, I was completely broke. My wife and I had practically no money in the bank. The only money we had was from renting out our house in Maclean, because, of course, we didn't have to pay rent in Venezuela.

And I realized that I had made a decision to serve my country, but there I was, fortunately I was still pretty young, I was 44 years old and had no savings, nothing and no job. As I mentioned earlier, I hadn't even lined up a job.

So I really had to concentrate on making money. As I like to tell my Latin American friends, I was in the right job, but in the wrong government, to make money.

So what I did in the Nineties was learn consulting, because I really didn't know it that well, but I did have some comparative advantages: I had the language, I had the knowledge of the countries and the culture.

And almost by accident, when I realized that I could provide a service to companies that were willing to pay for it, you have to find a comparative advantage, you have to find a niche, showing them how to do business in Latin America without getting in trouble, over corruption or other issues.

After Boeing bought McDonnell Douglas and they didn't need our services anymore, I picked up Lockheed Martin, helped them sell some F-16s to Chile, for which I was criticized later on, saying I was an arms merchant.

Actually, what I did, the policy on selling arms to Chile had already been changed, ironically, in the Clinton Administration and so when Chile put out a proposal for their next generation fighter aircraft, the competition was between Lockheed Martin, Boeing, the French, of course, they're always in there with the Mirage and a Swedish-British fighter and so I figured I'd rather an American company get this contract.

I was hired by Lockheed Martin and they eventually bought the F-16s, not because I was involved.

Q: This was

REICH: This was late Nineties.

Q: This was after Pinochet was out of

REICH: Oh, a long time.

Q: I was just trying to put this into context.

REICH: Pinochet lost, as you know, the referendum in 1988. I'm talking 1998, so ten years later. The United States had changed its policy because they'd had by that time two or three consecutive democratic governments in Chile, and they said there was no reason for them to be flying 1940s or 1950s aircraft.

I was a Republican, I still consider myself to be a Republican, a lot more moderate than you would think if you go on the internet. For example, in 1992, when George H. W. Bush ran for reelection, I wasn't very active, because I had just left the Administration and I had to do what I said, I had to concentrate on business.

By 1996, however, my business career was pretty well on its feet and I worked on the Dole campaign. I was the coordinator for Latin American policy, but Latin America was just not an issue and very few people paid attention to what was happening in Latin America in the 1990s, but I did work with Jeanne Kirkpatrick and others on the Dole campaign.

Q: By this time, the Panama Canal was no longer an issue at all?

REICH: The Panama Canal reversion treaty was signed in 1977, ratified in I believe 1978. So, it wasn't an issue.

Q: It wasn't a boil that kept popping up from time to time?

REICH: Not really, no. And in fact, I had supported the Panama Canal Treaty, that's perhaps an example of the fact that I don't adhere to the orthodox conservative policies. I didn't consider that issue to be conservative or liberal.

I had been an officer in the U.S. Army stationed in Panama in the 1960s and I knew that the U.S. interests in Panama were being protected by the new treaty. And those interests were that the canal be open, operational and neutral and I think in fact in the 30 years since the signing of that treaty absolutely nothing has happened with that canal.

I think those of us who supported the treaty turned out to be correct: the Chinese haven't taken it over, like a lot of my friends said was going to happen, or the Russians, or anybody else and in fact it's running pretty well and the Panamanians are about to expand it now.

Q: Well, did Latin America, during the Nineties, during the Clinton period, was it much of an issue that grabbed either political party, or was this pretty much

REICH: No, it wasn't and here let me put in a word for my sponsor, in this case, Ronald Reagan, I think the reason why Latin America was not a big issue in the 1990s is because Ronald Reagan had an enormous impact on Latin America, as he did on the rest of the world.

If you ask me why, if I had to say one thing, it's by ending the Soviet Union and by presiding over the policy that finally pushed the Soviet Union over the cliff.

In your business you probably hear a lot of different viewpoints about what caused the end of the Soviet Union. The Soviet Union was internally corrupt: corrupt politically, economically, socially, morally, whatever.

They were standing next to a precipice, but they hadn't fallen and in 1979 they were, frankly, a threat to the United States. To me, 1979 was the year that proved that Ronald Reagan was necessary: the invasion of Afghanistan, the fall of Iran to the ayatollahs, the fall of Nicaragua and Grenada in this hemisphere to Marxist-Leninist movements, the Sandinistas in Nicaragua, and the Maurice Bishop New Jewel Movement in Grenada.

Ronald Reagan came in and frankly stiffened our foreign policy, confronted the Soviet Union and to me, in retrospect, the high-water mark of the Soviet expansion in the world was Grenada in 1983.

I don't know if you've been to Bastogne in Belgium. They kept a destroyed German tank just on the outskirts of Bastogne as reminder of how close the Germans came in the Battle of the Bulge to perhaps winning that battle. They wouldn't have won the war, but that battle, and it's only about a 100 yards from the edge of town, a Tiger tank.

And to me the Cold War equivalent of that *panzer tank* is Grenada, because in 1983 Ronald Reagan rolled back the Brezhnev Doctrine. The Brezhnev Doctrine, as you recall, said that any country that had become "socialist," meaning communist, a member of the communist movement, whether or not they were members of the Warsaw Pact or whatever, would never be allowed to return to another system.

Grenada was very much an ally of the Cubans, the Soviets and a lot of others, even Gaddafi was involved in there, a lot of other radical movements, and by using military force for the first time since Vietnam Ronald Reagan put an end to the Brezhnev Doctrine and in my view that's where the downfall of the Soviet Union really accelerated, not began.

The downfall of the Soviet Union, you could say, began, perhaps, with Lenin and Stalin, but that's where Reagan pushed it over the cliff.

This is my view. Obviously, I'm a Latin American hand. I believe that this part of the world has always been underestimated, not enough importance is given to it, but I think that we had a lot to do with the downfall of the Soviet Union.

So, what happened in the 1990s was that Ronald Reagan in the 1980s confronted the Sandinistas in Central America, stopped them cold, laid the groundwork for their eventual defeat in 1990, literally one year after he left office.

He left in January of '89 and in January or February of 1990 there was an election that was lost by the Sandinistas, to everybody's surprise, except those of us who had worked in the region.

And with the fall of the Berlin Wall in 1989, the end of the Soviet Union in 1991, they could no longer support all these movements in Central America. So that's why Latin America was very, very quiet in the 1990s.

It doesn't mean that the situation there was necessarily good. I believe frankly that both the George H.W. Bush Administration and the Clinton Administration should have taken advantage of this tide that was rolling in our favor, but they both neglected Latin America.

Q: It's been sort of the leitmotif of our policy from God knows when.

REICH: Yes.

Q: During this period when you were in the private sector, did Cuba come across your radar, did you get involved with Cuba?

REICH: Oh, yeah, oh, absolutely, because, first, I was born in Cuba and I always try to do whatever I can to see one day the Cubans can also benefit from the wave of freedom that swept the world in late 1980s and 1990s but that somehow bypassed Cuba.

And so, when the Soviet Union disappeared, there were a lot of us who thought that Cuba would be next, because the Cubans did depend to a very large degree on Soviet subsidies. About 25 per cent of Cuba's GDP was accounted for by Soviet subsidies, about five billion dollars a year.

But Castro, as we all knew, was not so much a communist as he is a Castroite. He was furious at Gorbachev for allowing *glasnost* and *perestroika* to undermine the security of the Soviet Union.

He said it, when Gorbachev came to Havana. Castro actually interrupted him several times at a press conference, wouldn't let him speak, he was so angry, because he was asked by some of the foreign reporters, Gorbachev was, if Cuba could benefit from some *glasnost* and *perestroika*. Before Gorbachev could answer Castro cut him off, said, "I'll answer that question. I'm in charge here. I'll answer questions about Cuba."

He didn't want to Gorbachev to answer that question, because Gorbachev would have said, "Yes, Cuba can benefit from *glasnost* and *perestroika*" and the answer was obviously "Yes."

So, yeah, I was active on Cuba, as I was on a lot of other issues. In my business, I traveled throughout the hemisphere: from Mexico, to Chile, Argentina, Brazil, everywhere, Venezuela, which was still very friendly at the time.

I couldn't travel to Cuba, but I was involved in a lot of different activities to try to bring democracy to Cuba.

Q: Did you feel that the anti-Castro movement in, particularly Miami, but in Florida and also in New Jersey was on the right track, or were they kind of a special case, or something of that nature?

REICH: I don't know what you mean by the right track.

Q: Well, in other words, I've dealt with refugee groups and served five years in Yugoslavia and God knows you get a lot of that, this was way back in the Tito times, but some of the groups in the United States almost are, probably a bad word, but delusionary, in that they think that if the dictator falls, they'll come back to the homeland and things will be fine, which

REICH: No, what has happened, for better or for worse, in the case of Cuba is two generations, 50 years, have passed, since the Cuban Revolution, and the people who lead what I guess could still be called the Cuban exile movement today are not our parents or grandparents, the ones who were leading it, say, 50 years ago.

They're very realistic. I think everybody realizes that Cuba has changed. They recognize that Cuba has gone through a terrible time, that frankly there has been no redeeming social progress, to paraphrase the Supreme Court decision on obscenity.

I think what has happened in Cuba is 50 years of obscenity, with no redeeming social value, because even in those two areas, health and education, where people mistakenly give them credit, they have made less progress than all the neighboring countries, with the possible exception of Haiti.

All the countries of Latin America have surpassed Cuba in health and education and they haven't had to execute 7,000 people, tens of thousands haven't lost their lives trying to leave on rafts. One out of every nine Cubans is outside Cuba.

Anyway, it is true that perhaps some of the earlier leaders, as is natural, the White Russians, or the Yugoslavs after World War II, may have been interested in restoring the monarchy. I'm being facetious.

In fact, one thing that is very encouraging to me when I go to a lot of functions, like, for example the National Endowment for Democracy just had a seminar on Cuba and how many young people, young Cuban-Americans, some of them born in Cuba and left in the 1980s or 1990s, some of them born in the United States, are trying to work for the restoration of democracy in Cuba, but with 21st Century realities.

Now, there's no question that Cuba's going to require every form of assistance possible from the United States, and one of the things that I did do when I rejoined government was to serve on a presidential commission which was formed by President George W.

Bush to identify what the United States government needed to do to respond to a request from a democratic government in Cuba for assistance.

And that commission was established, I'm happy to say that was my idea. As in everything in government, the work, of course, was shared by literally hundreds of people in every agency and department of the government. But at least we now have a blueprint, which we didn't have for 45 years.

My question, frankly, first to Secretary Powell and then to Condoleezza Rice was, "What do we do if Castro dies tomorrow?" That's the shorthand, there's a change in government. We didn't have an answer to that.

This blueprint, which at one point totaled 473 pages, at least will help the president of the United States and the government of the United States, whoever, because it's nonpartisan, to identify the role of the Defense Department and State Department, AID, but also Agriculture, EPA (Environmental Protection Agency), Coast Guard and everything, the entire government underwent a study.

If the government of Cuba tomorrow says, "We want to be friends with the United States. We're now democratic, or on our way to democracy. We need help!" How do we reply?

And the response was just as I expected from our government. I'm both a critic and a great admirer of our government and the response is worthy of admiration, the imaginative way with which people said, "Okay, we can do this, we can do that," with a minimum of expenditure.

Because if you say a country that has been destroyed for 50 years needs help, so, okay, just give them money, but it wasn't that. It was "How do we leverage the money to accomplish the greatest possible good? Sort of like an economic stimulus package, I guess, to use the term of art right now in the United States.

Q: I realize Latin American policy was not high on anybody's list, but was there any particular divergence between you might say the Democratic or the Republican outlook, or maybe the neo-con outlook? Or was this, again, such almost a non-issue at the time?

REICH: No, it was a side issue, it was a minor issue, but it was an issue. For example, there was an enormous debate in the Congress for a short period of time on Helms-Burton.

Q: You might explain, for somebody, what that is.

REICH: I will. Not only Helms-Burton, which was one piece of legislation named after Senator Jesse Helms of North Carolina and Congressman Dan Burton of Indiana, but also, to show that it was bipartisan, there was another bill directed at Cuba sponsored by Senator Torricelli of New Jersey.

All of these bills, and there were others, Senator Bob Menendez, for example, a Democrat, had a piece of legislation, Helms and Burton were Republicans, Torricelli and Menendez were Democrats, to answer part of your question about the partisan divide on the issue, the object of this legislation which flourished in the 1990s was twofold: one, to provide incentives to the government of Cuba to open up; second, to provide carrots and sticks.

Helms-Burton is a perfect example of this. Helms-Burton, as I said, named after its two sponsors, was intended to prohibit the government of Cuba from confiscated properties, properties that had been confiscated from American citizens, to third parties, because in the 1990s, with the collapse of the Soviet Union, Castro found himself completely short of cash, so what he decided to do was sell off Cuba, basically, piece by piece, for example to hotel chains from Spain or Italy or France, mining companies from Canada, etc.

And a lot of the properties he was selling off had belonged to American citizens, or American citizens of Cuban descent. That became very controversial, because our European allies objected to it.

Every diplomatic dispute has a cause and a pretext. The cause was that the Europeans thought, "Hey, we're going to get some good properties here at cheap prices." The pretext was that we could not dictate to them where their citizens could invest.

Well, what we answered was, "Your citizens can invest anywhere in the world, but they shouldn't trade in stolen property and this property was stolen, because Castro never paid for it."

A lot of people don't realize, when Castro came in and confiscated everything in Cuba, he never paid. He didn't pay the Cubans, he didn't pay the Americans, he didn't pay the Argentines, or whoever he took the property from.

So, the Helms-Burton Act punished those people who trafficked in confiscated property by, for example, allowing American citizens to take them to court in the United States, and by revoking visas to the United States for executives of those companies that were acquiring confiscated property.

But it also provided, this part of the bill never gets attention, for all sorts of measures that the United States would take to assist a transition to a democratic government in Cuba and its effort to rebuild the island and that, eventually I took a lot of that in my work on the presidential commission I mentioned earlier.

Q: Did you get involved in the Helms-Burton business at all?

REICH: I got involved on the margins. I've been called the architect of Helms-Burton, which always brings a smile to my face, because I was not the architect, I may have carried some cement, but I certainly was not the architect.

The architect really, there are a couple of architects. One of them is Dan Fisk and he's very proud to admit it. He was a staffer for Senator Helms and he in fact just left after eight years in the Bush Administration. And what Dan Fisk did is he took several elements, he didn't design the Helms-Burton Bill from whole cloth.

He took, for example, Congressman Menendez's bill to assist a free Cuba, that became Titles One and Two of Helms-Burton. Then he took some measures that Senator Helms had presented to protect the property of American citizens from being confiscated and that became Title Three and other things.

I did meet with Dan several times during this process and gave him my ideas, suggestions, but I didn't write a word of this. If I had, I'd be happy to admit it. I didn't.

I did give Dan and others ideas that eventually found their way into the bill, but I also gave ideas that didn't find their way into the bill. I frankly also helped to change the bill, moderate it, if you will.

For example, I don't want to mention names, but there's a member of Congress who was very active on this, it's neither Helms nor Burton, by the way and he wanted as part of the legislation that the United States would not recognize any government of Cuba that was headed by Fidel or Raul Castro, which is part of the bill, or anyone appointed by them.

So, I met with this member in his office and one of his staffers, along with my assistant and I said, "Look, I understand your motivation. I agree completely that a government headed by Fidel or Raul," because we thought that what Fidel might do is have phony elections and have himself or Raul elected, present the United States with a very difficult decision.

"I understand saying that any government headed by Fidel or Raul cannot be considered a democratic government. But if you say that no one appointed by them can be recognized by the United States government, then, for example, we could not have recognized Yeltsin as successor to Gorbachev, because Yeltsin had been a member of the Politburo, he was a very senior government official in the Soviet Union and yet he's the one who led the transition away from communism in Russia."

So, this member of Congress agreed with me and took out that language, so the only part that remained was a government headed by Fidel or Raul Castro could not be recognized as democratic. Things like that.

Q: Yeah, I sort of come from you might say the liberal side of the political spectrum, but I never saw anything particularly bad about Helms-Burton. If you confiscate something, if you don't pay compensation, you should suffer and why not?

REICH: We could have an entire interview, by the way, on the subject of public diplomacy, which I was also involved in. The bad job our government does, I said earlier I was a critic of my government, as well as an admirer.

I'm a critic, for example, of our inability to tell our story, to present our case. We think that when we do something it is self-evident, that term self-evident, which comes from Thomas Jefferson. It may work very well for certain inalienable truths, but it doesn't work for controversial policy and we don't support our policy decisions with sufficient public diplomacy.

I would reconstitute USIA. I don't believe the decision to put it into the State Department was correct. I'm not going to argue with the rationale.

Q: I agree with you absolutely. It's a very powerful tool that we have, that we haven't used well.

REICH: Anyway, so I was involved in the discussions that led to Helms-Burton, a lot less than what the internet might say, but I did believe it was the right thing to do.

Q: How do you see the internet? I quickly ran out your name on the internet and there's a picture of you and I didn't delve into details. This is a new thing for all of us.

REICH: Oh, I tell you, when I was nominated in 2001, the attacks on me from the extreme left that circulated on the internet were so bad and there was no response. It was a brand new Administration, the President had all kinds of nominees to support, many of them for posts much higher than an assistant secretary of state.

I got political support from the White House for my position, but not public support. There was practically no public support.

And these nominations, as we've seen, with Tom Daschle recently, for example, or Geithner, the Secretary of the Treasury, or the Attorney General nominee, all these nominations are considered fair game in today's world, and they are fought out in the public arena, on the public stage and if the Administration doesn't defend a nominee he or she is going to get eaten by the lions.

The internet served as the lions, I guess. You can put anything you want on the internet. I can say "Charles Stewart Kennedy, I saw him crossing the street against the red light. Isn't that terrible? You'd think this guy, with his experience, would have more respect for our laws!"

What do you do? You write back and say, "No, I didn't cross the street against the red light illegally." From then on, everybody will think you that you crossed the street against the red light and you're just defending yourself.

So, there were all these allegations and I can tell you that some are so incredibly false. Those are easy to rebut. The ones that are not easy to rebut are the half-truths.

In fact, once again, the State Department, the Bureau of Congressional Relations and the Legal Advisor's office and others, looked at everything, gave me a complete clean bill of health, they were not in the least bit worried. They said, "Oh, as soon as you have your hearing, you'll be confirmed."

Well, I didn't have a hearing, because one senator, Senator Christopher Dodd, held a grudge against me for having opposed his policies in the 1980s when I worked for Reagan and he blocked the nomination, single handedly, just absolutely blocked the nomination, said, "There will not be a hearing" and he was the chairman of the subcommittee, unfortunately, and he could do that.

And the Administration, once again, had other things to do and especially after 9/11. They weren't about to have a war with the U.S. Senate.

But one of the reasons he was able to get away with this was because his staff, among others, particularly Janice O'Connell, was leaking stuff from my questionnaires. You have to turn in these massive questionnaires to the Senate Foreign Relations Committee, and she was selectively leaking and lying, twisting.

She said, for example, it's on the internet, they said that I, as ambassador to Venezuela, and this is still on the internet, that I had given a visa to a Cuban by the name of Orlando Bosch who was suspected of having masterminded the blowing up of a Cuban airliner in the skies between Trinidad and Venezuela that killed all the passengers and implying that I had done that because I agreed with this man.

First of all, I never met the man. Not only did my embassy not give this man a visa, we denied him the visa over and over again, to the point where the Venezuelan government, to get rid of him, put him on one of their commercial airliners, VIASA, on a holiday, it was Carnival Tuesday, I remember, when everything was closed and they sent him to Miami, with no papers.

When he got to Miami, he had lawyers working for him, he sought asylum in the United States, he was eventually given political asylum. The truth is documented by 140 separate cables between my embassy and Washington. It was looked at by all the lawyers when these allegations came out from Dodd's office and the Cuban government.

Interestingly, the allegations from the Cuban government and Dodd's staff were very, very similar, and you can go on the internet, still, to this day and check them out.

And the Deputy Secretary of State, Richard Armitage, wrote a letter saying, "No, this is not true. Not only did Ambassador Reich not give a visa to this man, he denied him a visa, as you know, ambassadors don't issue visas.

Q: I'm a consular officer by

REICH: Because this had such a high political profile, the consul asked me and I said, "No, in my view, this man doesn't qualify for a visa to the U.S.A." We had expelled him. This guy had fired a bazooka at a Polish freighter in Baltimore harbor.

I don't know if he had anything to do with that bombing of the Cuban airliner. It's never been proven. In fact, he had been tried in Venezuela and found innocent. That doesn't mean he was innocent; just means he was found innocent.

I didn't want him here. I don't care where he was born. We have enough home-grown terrorists. We don't need any more.

So that was my view and that was reflected in those 140 cables going back and forth on this issue. But do you think that stopped Dodd's office from putting it out? No.

Q: It's interesting to get that, because I have had other people talking about Helms' office. You're talking about, I don't know if you'd call Senator Dodd a leftist, but Helms was on the right. There was a woman working on Latin American policy, Debbie something or other

REICH: Deborah de Moss.

Q: Who I think she married somebody in Honduras

REICH: She married a Honduran colonel.

Q: But, anyway, almost the reverse. That shows often the pernicious effect that staffers in Congress can have, by pursuing their own agenda.

REICH: Let me tell you something. I have defended and you can talk to Peter Romero, who's a career officer, I defended him against Helms, they blocked his nomination for assistant secretary of state.

This is long before I even imagined that I would be going up. This was back in the 1990s, when I very happy in the private sector, making money, spending time with my family and not even imagining I'd be going back in the government.

I defended political appointees from Helms' office as well, or I interceded, a better term, I interceded on behalf of career people and political appointees with Helms' office, when I thought that they were being unfairly attacked, these nominees.

But Dodd has blocked more Foreign Service Officers and damaged the careers, ended the careers, of more Foreign Service Officers than Helms did and it is so vicious that this woman, O'Connell, threatened a Foreign Service Officer whose career she had derailed,

after he had left, she said, “Your son is in the Foreign Service and if he tries to work in Latin America,” there was a threat made to his career.

I tried to recruit the son, because he was very highly regarded in the Foreign Service, spoke fluent Spanish, because his mother was Latin American, the son of a Foreign Service Officer and this guy said, “I’m sorry, I’d like to work for you, but I can’t, because it would hurt my career with Dodd.”

That’s how vicious some of the staff up there is. But Helms gets all of the attention, because he’s right wing. Dodd gets no attention. He’s finally getting the attention.

Q: This is often true. That’s why I’m glad to get this discussion on the record. I’ve had people, I know, Senator Dole, he had somebody on his staff who had very strong opinions about Bosnia and kept him sort of focused on Bosnia.

Frankly, I think she was right, but at the same time it does show the politics are often directed by people, say, the staff, who should have no particular policy influence.

REICH: That’s right.

End of interview