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ROBERT H. NOOTER

*Interviewed by: W. Haven North
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INTERVIEW

Q: Today is January 6, 1996, and we are having an interview with Robert H. Nooter. He left AID at the end of 1979. At that time he was the Deputy Administrator. He then went on to other assignments, which we will cover later. To start off, Bob, tell us something about where you came from, where you were born, your family background, your early education, and so on.

Family, education, military service and early work experience

NOOTER: Thanks, Haven. I was raised in St. Louis, Missouri. During WWII I went into the Marine Corps, where I was assigned to a V-12 Unit and sent to the University of California, after having had one semester of college at Purdue. I graduated there after the war ended, in 1947, with a B.S. in Industrial Engineering. I went to work for a quasi family company called the Nooter Corporation, which was involved in manufacturing chemical and oil field equipment in St. Louis. I married Nancy Lane Ingram, who I met at the University of California at Berkeley while I was going to college. We were married in 1947, just after I graduated and then went to live in St. Louis, where I worked at the Nooter Corporation for the next 14 years except for a fifteen month period during which I was called back to the Marine Corps to serve in the Korean War in 1951-52.

Q: Did you serve in Korea at that time?

NOOTER: Yes, I was in a line infantry battalion in Korea for nine months. In 1961 the Nooter Corporation sent me to the Harvard Advanced Management Program, which is a three month program that is sort of an abbreviated M.B.A. for people who are already working. While I was there, one of our substitute teachers was a professor who was on loan to the Kennedy Administration working in the White House. He talked about their efforts at recruiting people from business and the difficulty they were having.

Q: What was his name?

NOOTER: Dan Fenn. I had always, for some reason, had in my mind that at some point in my career I would want to go to work for the government, perhaps after I had been successful at business or whatever. But the excitement and interest in the Kennedy Administration, and the opportunity that came up at that time, made me think that this just might be a good time to make that change.

Q: What kind of positions did you have in the Nooter Company?

NOOTER: I started out as a young sales engineer, worked then on the production side in the manufacturing plant, and was vice-president in charge of manufacturing at the time I went to Harvard.

Q: How many people did you have under your supervision?

NOOTER: Virtually the entire manufacturing side of the business, which was about 1200 people. It was a medium sized company in a kind of high tech capital goods industry. While I enjoyed my business career, it just seemed like an opportunity that was too good to pass up.

Attraction to the Kennedy Administration and government service

Q: Why were you feeling a need to shift or wanting to shift? Do you have any idea what brought that about?

NOOTER: Only because, as I said, in the back of my mind, I had this notion of perhaps wanting to join the government at some time, although it was not at all in the tradition of my family. This was maybe ten or fifteen years earlier than I had had in mind. I was about 35 years old then. It was in large part the attraction of the Kennedy Administration and the feeling that there was something very exciting going on in Washington.

Q: Was this the year you went to the Harvard Business School?

NOOTER: I went to Harvard in 1961, at the very beginning of the Kennedy Administration. I went to speak to Dan Fenn after the class was over. He encouraged me to put in an application and to come see him when he was in Washington, and see what possibilities might work out. So, I did. He was in charge of recruiting, I think, for senior executive personnel for the administration. I expressed an interest in either the Foreign Aid Program or the Defense Department. I was less interested in Defense, but I thought my background in manufacturing might qualify me more for that than AID.

Q: Why were you interested in the Foreign Aid Program? Where did you hear about it?

NOOTER: That's a very good question. I can't really say what brought it to my attention. I was aware of the fact that there was a Foreign Aid Program and that it had been reorganized. And I was aware that the new head of it was Fowler Hamilton. It turned out Fowler Hamilton was an old friend of the lawyer for our firm, a fellow named Walston Chubb. I remember calling Walston from Harvard and asking him to contact Fowler Hamilton to see what the possibilities were of coming to work for AID. Walston almost had a fit because he couldn't contemplate my leaving the company. He tried very hard to dissuade me from following this avenue, and it was not any help at all with Fowler Hamilton since Walston did not want me to leave. So I was aware of foreign aid, I guess, just from the newspaper. There was no other direct connection of any kind. As I said, it was not in our family tradition at all to serve in the government.

Q: Did your Korean experience give you any kind of exposure to the international world, foreign cultures, or anything?

NOOTER: Undoubtedly. I had been in Japan for a few days on the way to and from Korea. And, of course, Korea in those days wasn't even a developing country. We were up in the hills fighting in foxholes. I suppose it had some bearing on it, however.

Q: The Kennedy School. What was this program again?

NOOTER: It was called the Advanced Management Program, and it was a three month program designed to cover most of the subjects covered in a two year M.B.A. (Master's Program). It was for people who were in business who couldn't take two years to do it, but who might, on the other hand, have had enough background and experience so that they didn't need as extensive a course as people just out of college. It was a very good program, very stimulating.

Q: Can you remember any of your professors or people who had an impression upon you?

NOOTER: George Baker, who later became the Dean of the school, was one of the outstanding professors. There was also an Australian fellow whose name I don't remember, who was in charge of the program. It was a very stimulating time and sleep wasn't very important. There was great excitement all the time, not only in the program but because of the whole Cambridge area. At Harvard, on the main campus, we went to interesting lectures, and being in the Boston area was a wonderful experience. So, that whole period was a period of high excitement.

Joining AID and Operation Tycoon - 1962

Q: So you went direct from there. How did the assignment in the government evolve?

NOOTER: Getting into AID was interesting. I contacted Dan Fenn in the White House. He in turn put me in touch with two government agencies. One was the Renegotiation Board, which was a board created in World War II to renegotiate company profits. In fact, I had represented our company before the Renegotiation Board in the 1950s; not any major issues, but I was familiar with the board and their operations, so he put me in touch with them. It was run by a five person appointive executive committee, headed by a former governor of Oklahoma, I believe.

I visited the Board, and it was an absolutely moribund organization that had been downsizing for the last ten years, and it no longer had a very vital function to fill. I met the chairman, the former governor, who was an extremely nice and intelligent fellow who, in my own interest, thought that I wouldn't find the Board a very challenging

assignment, which I agreed with. I don't think he was just trying to talk me out of it - he sincerely believed that it was an organization on its way down and out.

Dan Fenn also put me in touch with AID. I don't remember my first contact with AID, but I think it was simply through submitting biodata in writing. By this time I had returned to St. Louis. After an interval of thirty days or so I got a letter from someone named Wolf in AID, which I remember very well because it made clear to me that AID had no interest in anyone with my qualifications and therefore I should forget the whole thing.

Q: That's what the letter said?

NOOTER: Yes, that's right. I called Dan Fenn in the White House, who said, "Don't pay any attention to that because that's just the bureaucracy reacting to the notion of outsiders coming into the organization." And he then linked me to a recruitment process which later became known as Operation Tycoon, where the Kennedy Administration had called on business to recruit executives to come in and presumably give the Agency a more business-like operational base. My recruitment then followed that process, although I was not originally located through that program, in which the Government had gone to businesses and asked for people to be nominated.

Q: Was this a government wide program?

NOOTER: No, this was just for AID. I don't know the number of people, but there must have been, at the time I came into the selection process, about eighty or one hundred people who were being interviewed and meeting with AID for possible recruitment. That number was pared down for one reason or another. We went through various interviews. I remember being interviewed by Jim Fowler in East Asia at that time, Ted Moscoso in Latin America, and others.

Finally, the group was pared down to a much smaller number - I think thirty-five or forty of us. They had been selected by AID as the group that they would want to retain, but then we had to go through a political clearance. That involved having an interview with someone in the White House who did the political clearances, not the fellow who had recruited me. I recall that we had been led to believe at that time that we had in fact been offered jobs. And I remember I came to Washington for this final interview and was speaking to a chap who had notified his company that he was leaving. He must not have passed the political clearance process, however, because he did not show up in the final group that was recruited.

The whole process was a bit, what shall I say, jerry-built. But, nevertheless, it resulted finally in a group of about thirty of us coming in to take positions in AID. Some of the people in the group were quite impressive and had had extensive overseas experience in business, others less so. Most of them were from management. There were one or two people with engineering backgrounds who went into the engineering side of AID. The only other comment I'll make on the group is that most of the people who came in left after the first two to four years. A lot left after a two year assignment, and then another

group left after two more years. After four years there were only three or so of us still in AID.

Q: What were your first impressions of AID at that time? You must have been getting some very definite impressions after talking to all the people.

NOOTER: Well, the situation was chaotic. The Kennedy administration decided to change the entire upper appointive structure of AID, and the top fifteen presidential appointive positions were all people recruited from outside the agency. So there was a complete turnover at the top. Furthermore, Fowler Hamilton, who was a very successful and important New York lawyer, was thought not to be a very good manager, and he was let go after something like a year on the job. His deputy was a fellow from Proctor and Gamble, who had had a very senior position in Proctor and Gamble's management, named Lingle. I remember after being there a few months, I had met Lingle leaving the State Department around seven o'clock one evening. We were in front of the State Department - I don't know whether we were looking for a cab, or waiting for a ride, or something - and I asked him how things were going. He told me that he was just departing because he had decided to quit after about six months on the job.

Q: Yes, I can understand because I don't ever remember hearing the name.

NOOTER: No, he went in and out in eight or nine months - I'm not sure, but he was not on the job very long. He was thought of as a management expert, and I think was the person who was supposed to make up for Fowler Hamilton's lack of management experience. In any event it was very chaotic but nevertheless exciting. I still remember the thrill of walking into the State Department for the first time. For someone who had no previous contact with the government going into those hallowed halls, which now look a bit bedraggled, was quite a thrill in those days.

I remember Ted Moscoso, who was in charge of the Latin American region, had a clock on his wall with the handset at one minute to midnight. His theme was that in Latin America, with the influence of Castro and so on, it was one minute to midnight and the U.S. had better get on the ball and begin doing something or everything was going to blow up. That was the kind of sense of excitement and urgency that pervaded the entire place.

But at the same time it was chaotic because the management were new to their jobs and were still learning their way around.

Q: This was when? 196...?

NOOTER: I came on board in about April 1962. I don't know when Fowler Hamilton left but it was not very long after that when Dave Bell took over--and if you think of it, Dave Bell had been in charge of the Bureau of the Budget and one of Kennedy's right hand men. But both Kennedy and he decided that it was more important to run AID than it was

to run the Bureau of the Budget, which gives you some idea of the sense of priority that the Foreign Aid Program had at that time.

Also, I will say that out of those early management changes -- with all of the turmoil that was going on at the time that I speak about--came what I think was really an outstanding management team in AID. It proceeded from the time Dave Bell took over through the John Hannah years and left a legacy for a long time thereafter. All during the sixties I always had the feeling that any issue - no matter how difficult and contentious it may be within the bureaucracy - if it got high enough in the agency, up to the top management's attention, there would be a sensible decision made. That was very reassuring because, as we know having served there, there are many contentious issues. Many agencies of government are involved in some of the AID decisions and there are many different viewpoints. I think that the management team, what really evolved out of those years of turmoil, was first rate from about 1962 to 1973.

Q: Was Henry Labouisse in there somewhere?

NOOTER: No, he had already left before I came. Frank Coffin was there just a short time after that before Fowler Hamilton. He ran the transition from the previous organizations to AID.

Q: He was a very articulate person, I think.

NOOTER: I didn't know him very well. But at the time I was there Fowler Hamilton and Lingle were already running the organization.

Q: Did you get any concept of what AID was at that time or what the Kennedy Administration was saying?

NOOTER: When I came in this group of thirty, we were given a six week orientation program, which was quite comprehensive. We didn't go to the Foreign Service Institute. This was run specially for us in the Woodward Hotel, and our families were included.

Q: The Woodward or The Willard?

NOOTER: No, the Woodward Hotel over on 16th Street, where AID rented space and carried on this program, which was specially designed for this group using some Foreign Service Institute people for background briefings and also special briefings by AID people from the field, academics and so forth.

Q: What level of people were there?

NOOTER: I remember a fellow from Cornell named Alan Holmberg. He was running a very interesting program in Peru. He was in Peru trying to transform an Indian village into something more economically successful and he described the difficulties of achieving

development when it requires a cultural transition. Some of the officials of AID also gave presentations. Generally it was a very good program. I can't remember the details of it, but it did give us a good background in what economic development was all about and what the program was trying to do.

Q: You got a State Department briefing about the foreign policy?

NOOTER: I can't remember that there was a State Department involvement in the program, but there probably was.

Q: Did you get any kind of Cold War Policy briefings at all?

NOOTER: No, I don't believe so.

Q: I'm raising the question because it is kind of interesting: What were people trying to communicate at that time, and therefore, what were the policies on people's minds? What were they concerned about?

NOOTER: I don't think there was much of a political side to it. It was mainly: What is economic development? What is it all about? How do you go about it? What are the approaches? In retrospect, I would probably find it not terribly profound, but at least it exposed us to the ideas that were around at that time.

Assignment to Uruguay as Mission Director - 1962-64

In any event, I then was offered a position as Mission Director in Costa Rica. No, actually first Dominican Republic, and it changed about six times before I finally ended up in Uruguay . The Dominican Republic was the second, then Costa Rica, then finally Uruguay. I, of course, didn't speak Spanish, and so I went to an eleven week crash course in Spanish. A week before the course was supposed to be over, Ted Moscoso called me in and asked if I would go to north-east Brazil instead of Uruguay. By this time our household belongings that we were shipping to Uruguay had already been sent and were on the high seas. I had learned ten weeks of my eleven weeks of Spanish, and they, of course, speak Portuguese in Brazil. My whole training in business was that if the boss wanted you to do something you generally said yes. However, this is where I first learned that sometimes in the government you need to say no. So I told Moscoso that it was not a good idea, and I turned him down.

Q: Was Uruguay your choice or was there not much option?

NOOTER: It was simply that they were filling a number of smaller posts with people like myself from the outside who had limited experience in economic development. I don't think they wanted to entrust us with major posts. Generally people with management backgrounds from the special recruitment program either went as heads to small posts or deputies in large posts. So, as I said, I was considered for a number of the small posts. In

the case of the Dominican Republic, as I recall, the feeling was that this assignment was so urgent that they needed someone who already knew Spanish. They couldn't stand the eleven week delay to try to learn it. Of course you don't learn Spanish in eleven weeks, but the thought was that you could.

So, it was just a matter of elimination of what was available. I was amenable to any reasonable suggestion, except not a change at the last minute that would have required going through another language training program to be able to go to north-east Brazil. That post was on Moscoso's mind, I guess, because that was considered a very hot area at that time. I think Donor Lion went there at that time instead. He was a career AID person and did a very good job. But we went to Montevideo.

Q: What year was this?

NOOTER: It was around September 1962. I had a two and a half year assignment there and returned in December 1964.

Q: What was the program? Why were we providing assistance to Uruguay?

NOOTER: Uruguay is a relatively prosperous Latin American country. I don't remember the per capita income, but it was not low. Uruguay is a very sophisticated country, reminiscent more of Europe than of an underdeveloped country, and like Argentina, had been very successfully developed up through the thirties, but it had fallen on hard times. The AID program had actually phased out there in, I think, 1958. But it was being reopened in 1962 as a result of the agreement of the U.S. to give substantial assistance through the Alliance for Progress, which was conceived in Punta del Este in 1961.

Uruguay came back into the AID program because of the Alliance for Progress. You asked why we were there. I remember being shown, in great secrecy, by the State Department the transcripts of some of the discussions that had gone on that formed the basis of the AID program in Uruguay because I had asked exactly your question. Why are we going there? What is the level of aid, and on what basis is it conceived? What kind of program is it to be?

What these transcripts revealed was that Uruguay had been promised a certain level of aid if they would vote for the Alliance for Progress, which was actually in great doubt as to whether it would be accepted by the OAS countries. My understanding was that it needed a two-thirds vote to be accepted by the OAS. The Alliance was a program in which the U.S. agreed to provide aid, and the Latin American countries agreed, at least in a general sort of way, to follow a set of policies having to do with what would make their countries develop more effectively. A lot of Latin American countries at that time didn't want to be so closely associated with the U.S.

The Uruguayan vote was the one extra vote needed to make the two-thirds majority. The president of Uruguay - they had a rotating presidency at that time; a nine man council governed the country, and one of the members of the council served one year - held out for a certain level of aid, which depending how you read the transcript was either 10 million or 20 million dollars. It was not the only time I was involved in a politically motivated aid level where the amount was not clear.

AID thought the agreement was for a ten million dollar program of assistance. The period was somewhat indefinite as to whether that amount was for one year or two years. A small office had already been set up in Montevideo with a couple of people from AID's regular staff.

Q: Let's step back. Do you remember what the Alliance for Progress policies were? What kinds of things these countries were being asked to commit themselves to?

NOOTER: I really don't, but it's certainly on the record. It's a written document that was a public document, and it indicated what they would do on their side as part of the commitment to use the aid well.

Q: This transcript didn't say anything about that with Uruguay?

NOOTER: No, it was only in the context of how much aid they would get if they voted for the Alliance for Progress. It was a rather cynical note on which to start my AID career. And incidentally, while I was going through my processing in Washington a group of Uruguayans arrived. I can't remember who they were, but it included some senior people from the Ministry of Housing and somewhere else. In our very first conversation with the Uruguayan government officials about aid, the Communist threat and the need to provide aid as a means of offsetting that threat was the Uruguayan's main line of argument as to why they should get aid.

Q: Was there a threat?

NOOTER: I think in a sense that all of Latin America was intrigued with Castro at this point, and the United States was very much the villain. When we went to Uruguay, the walls of the city were painted "Yanqui fuera," meaning "Yankee Go Home." I remember one evening we were walking on the streets of Montevideo around midnight and there was a rally going on with a lot of people and a lot of shouting and speech-making. We came up to the back of the crowd and listened, and it was an anti-U.S. demonstration. So we quietly slipped off, since I frankly never looked very Uruguayan and was always easily identifiable as an American.

The feeling against the United States was very intense in 1962.

Q: Was it the popular feeling as well as the government?

NOOTER: It was much more of a popular feeling than a Government position. As usual in these things, on a personal level this was never a problem. We had many good Uruguayan friends. Usually these were people, of course, who were upper income level. The people we rented a house from became good personal friends. We still stay in touch with them. So on a personal level you didn't feel the antipathy. But a large part of the population must have felt this way. You got the feeling from public expression that to be pro U.S. was definitely out of style.

I'm skipping ahead in my narrative a little bit but to complete this point. The fascinating thing was that when Kennedy was assassinated there was an outpouring of sympathy for us, as if our father or mother had died. The Uruguayans came by our house in enormous numbers to pay their respects. That moment changed the atmosphere about the United States more than anything that I can think of certainly during the time we were in Latin America. Somehow we were no longer the Yankee oppressor, we were now wounded and vulnerable ourselves.

Q: You were in Uruguay at that time?

NOOTER: We were in Uruguay at that time. It was an amazing transformation. I never felt the anti-Americanism in the same way after that. I don't know what others would say who were living there at that time in other parts of Latin America.

Q: So, how long were you there before that happened? About a year?

NOOTER: When was Kennedy assassinated? I guess that it was 1963 or early '64, and we got there in August of '62. Most of the time we were there was before the assassination and only a short time after. But the anti-American feeling was running very high before that.

Q: Well, let's go back to...you were just getting there.

NOOTER: Also another theme that we will come back to in our interview is that in those days AID ran large overseas missions that were empowered to do a great deal. But someone in AID had the notion that we really ought to change that style. The notion was that the AID mission in Uruguay should be a three person mission, that that would be the size of it. That was predetermined - three or four including the secretary because you had to have a U.S. secretary for security reasons. If you had classified documents you had to have a U.S. secretary to handle them.

So I went to Uruguay with the understanding that it would be a four person mission. The way AID was structured didn't make that very practical, however. I think by time I left, the mission had grown to ten U.S. staff. But somebody was thinking at that time of changing the style to smaller missions. As I remember, the mission in Thailand at that time was about 400 Americans plus local staff. When I got to Liberia, we had about 300

people, 150 direct hire and 150 contract. But in Uruguay they had the notion that they wanted to run a small mission.

We set out to try to identify programs. Some technicians had been there ahead of me trying to develop programs. There was an agricultural program that was really in agricultural education. It had been conceived and was in the later planning stages. There were preliminary plans for a housing program and one of the staff had been working on giving a loan to a cooperative bank for subloans to members of the cooperative for agricultural processing. And this was the program we were putting together and trying to get started.

Also during the time I was there, we began a police training program, a kind that was popular in AID at that time. AID had the notion that part of the government outreach to the people was through the police department, and if police services were oppressive and brutish then the governments would appear to be oppressive and brutish. On the other hand, if police were trained to be efficient and courteous, the country would be better off. That program later became the basis for the incident that happened in 1969, when urban guerrillas in Uruguay, called the Tupamaros, kidnapped the head of the AID police program and created an enormous international incident. It became the basis for a movie done by the same fellow who did "Z", and the result was that Congress decided that AID's police program should be stopped.

Q: I think that happened after you were there.

NOOTER: Yes, in 1969 and I left in 1964, but the program had started during my tenure. It's only later, when the U.S. began getting involved in places like Somalia and Haiti, that the U.S. Government came back to realizing that police training is an essential part of running a modern government. If you are starting to build a government structure, this is one of the essential services. This would be an interesting study for some researcher to go through the whole history of this program, but not stop in 1970, but to continue on up to the present day, including the Somalia experience.

John Hannah, who became head of AID in 1969, was one of the early supporters of police training when he was the president of Michigan State. John had that notion very much in mind and felt very strongly about it. I know he thought it was a big mistake when they were required to pull back from those programs. It is certainly true that the publicity that was generated by the police programs, where the revolutionaries tried to make the U.S. appear as oppressors because we supported the police was very bad for AID. But the basic concept of training police not to be oppressive is essentially sound.

Q: Were there any elements, though, in the public safety program using it by other agencies in the U.S. government for intelligence and other covert activities. Did you ever see any evidence of that?

NOOTER: At the time I was there it was not used that way in Uruguay. I guess that it was not uncommon for police programs to have some individual in that group be a cover for a CIA person. Again, the notion of using AID for CIA cover came out as an issue in the early 70s and John Hannah put a stop to it everywhere around the world in all AID programs. Of course the State Department was used as a CIA cover and probably still is. Where else are they going to be put? But so was AID, and it probably was a mistake to use AID for a CIA cover. But once it came out and became public knowledge, it was cut everywhere except in Laos.

Q: You talked about agricultural education and public safety. Were there other programs that you were working on?

NOOTER: Yes. I was there two and a half years. The Agriculture Program made the most headway and had the most impact on the ground. For the cooperative bank program, we actually entered into a loan agreement but before the loan ever became effective it became obvious that the bank was going bankrupt. No money was ever dispersed against it. I believe that happened after I left, or about the time I was leaving. That program didn't work out simply because the institution became insolvent.

But I remember when I returned to Washington after my two and a half years there, Bill Rogers, who had been Chief Legal Council in the Latin American Region and had taken Moscoso's place as the Assistant Administrator for Latin America, asked me what my overall impression was of the time I had been in Uruguay and my whole experience there. Off the top of my head I said, "Bill, I guess in retrospect I would say we tried too hard." What I meant was that the Uruguayans were really not that interested in the AID program. Maybe some individual that we were working with might have been, but the country was too sophisticated, the amount was too small, and the impact was too little to be significant.

Q: What level are you talking about?

NOOTER: About ten million dollars. I don't think we ever spent more than ten million dollars there. Those amounts were too small to be a real interest to them. The loans had to go through their Parliament after they had gone through their central bureaucracy. The program really didn't generate enough interest to deal with all of the bureaucratic obstacles that had to be overcome to put them into place and make them effective.

There was another small program that we at the time thought was useful. Funds were made available to the planning organization, which was headed by Enrique Iglesias. He was thought of at that time as a bright young economist, which he was, and a potentially significant future government official in Uruguay, although he was a naturalized Spanish citizen. People even thought of him as a possible president of Uruguay, except that he couldn't become president because he was a naturalized citizen. We gave relatively small amounts of money to provide technical assistance to help the planning organization that

he headed. I don't know how much use that was but Iglesias, at least, went on to a very successful career.

Q: Did you have any dealings with him at the time?

NOOTER: Oh, yes, very much so.

Q: Was he the recipient of any assistance or training programs?

NOOTER: Well, not he personally, but we were financing some of the technicians he wanted to bring to Uruguay to develop various parts of the planning operation. He now is the head of the Interamerican Development Bank.

The other things that may be of interest have to do with the breaking in of a person who comes from the outside into the government bureaucracy; who comes with an engineering background; who comes into what is basically an economic job requiring an economic background. And into a situation with a lot of tension, a lot of pressure to deal with, in this very political ambiance relating to Castro's influence on Latin American at that time.

The U.S. Ambassador to Uruguay at that time was Wimberly Core, a career State Department person who was quite fluent in Spanish and knew Latin America very well. Wim was an extremely cautious person. He recognized that I was a newcomer and an outsider. He was also extremely cautious about every cable that was sent from the Embassy because he had lived through the McCarthy period and knew how important any written record was. So at least for the first year and a half that I was there, every routine cable that we needed to send to Washington, or other documents that were going to AID, would be scrutinized carefully by the Ambassador. I remember one evening being in the Embassy at twelve o'clock at night going over cables, sitting up on the second floor of the Embassy while demonstrations were going on in the streets below. Fortunately, the Embassy was not on the ground floor. And we were sending our AID messages to Washington at midnight.

The U.S. Ambassador was very competent and we got along very well. In due course I gained his confidence and in fact he was willing to take chances when he understood them fully. He sided with me several times on the clearance of people who were going for training in the U.S. when the CIA director thought that they were too leftist to be sent. The Ambassador, in every case, supported my recommendation.

I ultimately think I had a better relationship with him, or a more trusting one, than almost anyone else in the Embassy. Finally, when he went to another post in Ecuador, he was declared persona non grata for giving a speech in which he criticized the government of Ecuador at that time, which was a very poor government. The speech was cleared by Washington, but nevertheless was delivered by him. Of all people, it seemed ironic that Wimberly Core would be declared persona non grata.

Q: What was your impression of working with the Uruguayans, people in the government, and so on?

NOOTER: Let me finish with the Embassy first. There are some other interesting points there.

Q: Excuse me. Please go on.

NOOTER: I was fortunate to have the Economic Counselor that we had, named Louis Mark. He was a Hungarian born, European trained economist and in retrospect, I would say quite an outstanding economist. He could be quite tiresome. If he were here, I would tell him that to his face, because he was also extremely cautious and went over every one of our cables because the Ambassador said that all AID cables had to go through the Economic Counselor. Incidentally, this is where I learned a good bit about the relationship between AID and the State Department, which in the field and in Washington is always contentious. To my mind it is understandably so, and that is something we can talk more about when we get into other jobs where I was involved heavily with State as well as AID.

Louis taught me economics, for which I am very grateful. I got a good grounding in practical economic application in Uruguay. His junior assistant, a very junior foreign officer at that point, was named Bill McDonough, who was the brightest person in the Embassy. He had the best connections with Uruguayans, he and his wife. He spoke fluent Spanish in a short time, as younger people seem to be able to do. We always had more information coming in through Bill than any other source in the Embassy. Bill also got training from Louis Mark, although he was a trained economist to start with. Bill is now the head of the Federal Reserve Bank in New York, the second highest position in the Federal Reserve. He left the Foreign Service after eight or ten years, I guess, and went into the banking business before joining the Federal Reserve. I heard him speak recently and he is still as good as he ever was.

Q: Let me break a minute...Let's now turn to relations with the government.

NOOTER: The individuals that wanted assistance and thought they were going to get it were, of course, friendly with us. One incident that I remember very clearly was that of the head of an agricultural educational institution, named Luis Balparda. He was an extremely fine gentleman. At that time it was AID's requirement, under Congressional legislation, that all structures built with AID funds had to bear the clasped handshake symbol. Balparda had a hard time understanding why Uruguayan buildings should bear the "union label," or the label that symbolized their poverty, if you will.

I recall that while he and I were on very good terms, we spent several extremely trying and difficult sessions before I was able to convince him that while it was unfortunate from his viewpoint, there was no other way around it but to have that symbol on his

buildings. He finally accepted it, but I would say it was something he accepted with the utmost reluctance.

Q: Did you find that people you were negotiating with in the government were you generally an easy rapport with them or were they kind of stand-offish? What kind of relationship do you think you had with them?

NOOTER: Dealing with the Uruguayans was like dealing with Europeans. They were proud people - well not overtly as proud, say, as the Argentineans - they weren't haughty people, but they were intelligent. One of the things I learned is that in developing countries you have individuals who are often more sophisticated, more educated or well-trained and competent than comparable people in our country. It's not as though you are dealing with people that you can dictate things to. You have to deal with them on equal terms. You have to have a relationship based on mutual understanding and mutual confidence and trust. But that was possible in Uruguay. It was not that they were prepared to accept anything we told them; it was that they had to be convinced that it was in their interest to do it.

I remember when we negotiated a loan. I think it was the housing loan. We had a rather arrogant AID negotiator from Washington who came down as the chief negotiator. He was entirely too arrogant for the situation, and it was a most trying time. We finally got through after about three difficult days of something that should have been done in two hours because he was simply too arrogant.

So the relationships could be difficult even though the people were generally friendly. My personal relationships were quite good. I remember that after the loan was approved we had to get the Attorney General's opinion, as we do on all loans, that the signatures were valid and the documents were legal. We waited for months and months, and I kept going into the bureaucracy to find where this was held up. Finally I located the fact that the Attorney General was an old fellow who was sitting on this for no apparent reason. After we got to know each other, and chatted for a while, it turned out that both he and I had been at the inauguration of the United Nations in San Francisco in 1945. He had been there as part of the Uruguayan delegation and I had been there as a student at Berkeley. Once he learned that, we got along famously, and he quickly approved the document the next day and that was the end of it.

One other interesting thing in Uruguay was that part of my economic training was watching the Uruguayans lose all of their foreign exchange holdings in four months. I arrived in August of 1962, and they had a national election in November. Between July, just before I arrived, and November the peso, which they were trying to hold at a fixed exchange rate - this had been the government policy for the previous three or four years - the peso was beginning to slip, and they didn't want to devalue before the election. The Government had a hundred million dollars in July, and by November they had zero. And in those days, for a country the size of Uruguay, a hundred million dollars was a lot of

money. It all went out the window in four months because the speculators knew that the currency was overvalued, but the Government would not devalue.

Then they had to turn to the IMF. That was my first experience with the Fund and it was quite interesting. It taught me the power of exchange rates and what happens with the way money can be lost when exchange rates are mismanaged.

Q: What was the mismanagement that led to this capital flight?

NOOTER: It was simply that the peso was overvalued. It was the exact precursor of what happened in Mexico two years ago. Anyone who had lived through the Uruguayan experience had no trouble understanding what happened in Mexico, where again they didn't want to change the value of the peso, which had become overvalued, because of an election coming up.

Q: They were running a big deficit.

NOOTER: So the speculators took all of the money out of the country. Incidentally, the government won its election by a very narrow majority, and so they won another four years in office. But it was not a happy four years for them because they had lost their foreign exchange reserves. It was a very difficult economic time.

Uruguay was one of the few countries at that time that had a flat or negative growth rate. At the end of my time there I thought of writing a paper on it, because at that time it was rare. Uruguay, Britain, and Sri Lanka were countries that had roughly zero growth going on at the same time. I started to do a paper on why that happened, but never did finish it.

Q: What were your thoughts?

NOOTER: In retrospect, I guess you would say the similarities in those countries related to excessive spending for what we now call entitlements. But the other factor that was certainly true in Uruguay was that the excessive entitlements had been made possible by the windfall earnings that flowed into the country's foreign exchange reserves during and after World War II and during the Korean War, when wool and beef prices were extremely high. This created income that was then locked into the social system through increased pensions, increased government employment, and so on. When those foreign exchange earnings dropped because the price of wool and the price of beef, which was their main export, declined in the world market, their foreign exchange earnings went down but the commitments that had been made on the basis of the inflows were still in place. They couldn't withdraw the pensions, or cut back on the government employment, because it was politically difficult to do so. This would later be known as the Dutch disease.

In any event, what it taught me was that fluctuations in foreign exchange earnings are extremely difficult for countries to deal with when they have political systems that want

to spend the money that comes in when times are good. All countries that go through this now, say with oil, have a major problem to deal with unless the oil is going to last them indefinitely. It's a problem to keep temporary windfall earnings from having a negative impact on the economy ultimately.

Q: Any other thoughts about Uruguay at this point? That's very...

NOOTER: No, that's probably more than enough.

Q: Interesting though and very worthwhile. It certainly gives us a flavor of that time. Well, if there is something else we can come back to it, but after two and a half years where did you go from there?

Mission Director in Liberia - 1965

NOOTER: An assignment came up in Liberia which was offered to me while I was in Uruguay. I don't know what was going on in the AID assignment process except that they thought I had learned enough by that time to be able to handle a larger mission. And Liberia, while it is a very small country, had a very large USAID program at that time.

I recall Ed Hutchinson called me and offered me the assignment, which I accepted.

Q: But you had felt you had been in Uruguay long enough? You were eager to go, or what?

NOOTER: I thought I had done about all I was going to do there. As I said, the Uruguayans were not really terribly keen on AID. AID was not a major factor in their economic life and while we enjoyed the time there and I found it very useful for what I learned about economic development. I don't think the question of staying on there ever really came up. This other offer came along and it was a much more important job so I don't think we ever really considered staying on another tour in Uruguay.

In retrospect, my own feeling is that two year assignments are too short. Maybe from the Agency's viewpoint a reassignment at that time may or may have not been a good idea, but I didn't have any reason to question it.

Q: So you went directly to Liberia?

NOOTER: After home leave. We spent thirty days or so in the United States and then we went to Liberia, which was an entirely different situation. Liberia had at that time about 1.3 million people. The AID organization had, as I mentioned earlier, 300 people - 150 direct hire and 150 contract people. We had programs for all aspects of their economy. There the AID program was important to their economy.

Q: This was 196_?

NOOTER: In the early part of 1965. I recall one of the Liberians saying, in a kind of artless way, "Bob, you may not be a very important person in your own country, but you're a pretty important person here." (laughs)

Q: That certainly is true in Liberia.

NOOTER: In fact, when we walked down the street, a good many of the people knew who we were. It was that significant to them. The country was divided between the Americo-Liberians, about 40,000 Americo-Liberians who were descended from the returned American freed slaves, and the native people who had to some extent intermarried with them. But the Americo-Liberian group was still quite distinct. It controlled most of the wealth and had most of the college degrees. Almost all of the ones with college degrees were from that community and they certainly controlled the politics.

Most people don't know, though, that President Tubman, who was Americo-Liberian, was not part of the inner circle of the Liberian elite. He was a kind of outsider who had come to power. He didn't belong to what was called the Buchanan Clique of Liberian politicians who usually controlled most of the government. Tubman, on the other hand, courted the tribal people because he thought of it as an alternative, or part of his power base in dealing with the Buchanan group.

Tubman was very much loved and admired by most of the tribal people, even though he was an Americo-Liberian. I heard many of them express concern as to what would happen when he left, whether the tribal people would become more oppressed and so on. He built roads and schools up into the hinterlands. He brought tribal people into the government to the extent that that was possible because of the limitations of education. He appointed the first tribal cabinet Minister, the Minister of Education. This was the first tribal person to have gone on to get a Ph.D. abroad somewhere and Tubman brought him back and appointed him Minister.

Q: Do you remember his name.

NOOTER: No, I don't. But it was an example of Tubman trying to bring tribal people into the political system.

As I remember AID had ten different programs. That included a program at the University of Monrovia, helping to run and develop the secondary school system of Monrovia. There were also programs for primary education all around the country and a health program. We were committed to building a hospital, which, given AID's concept of concentrating on preventative rather than curative medicine was thought of by all of us as unfortunate. But it was something that President Kennedy had promised President Tubman during a state visit to the United States, and there was no way out of it. And in fact, I guess, that hospital served a useful purpose, but I haven't really followed the history of it. It was not completed until after I left.

We also had programs trying to help industry. Oddly we had almost nothing in agriculture. A lot of AID programs around the world were related to agriculture, and I've learned a lot about agriculture in my time with AID. It is quite clear, of course, that the successful agricultural developments in Liberia were the tree crops. There the plantations - Firestone was the original one, but later, U.S. Rubber and Goodyear also had plantations. Later there was successful development in palm oil. The tree crops are what are possible in Liberia given their climate and their soil. The other attempts to develop other kinds of crops of the kind that we know in this country and in most developing countries were really not successful. At the time I was there we had terminated some failed agricultural programs and were working on trying to find some new ones but had not yet succeeded.

The new attempt in agriculture while I was there was a program which U.S. Rubber undertook with some USAID funding provided in Washington (to some extent over my objection) to grow corn and other kinds of crops that really weren't suited to the Liberian climate.

Q: This was called the "large unit agricultural program"?

NOOTER: It was a private sector agriculture program. U.S. Rubber sent out a fellow to run it who was a bright young executive, but he didn't know anything about agriculture. As I said, the decision to support that program was not made in the mission. We worked with the U.S. Rubber executives to help him, but the program failed because the technology was not appropriate. It didn't work in that environment.

Also, the way they were running it was a highly mechanized approach. There was very little local impact. It was the opposite of a labor intensive approach, and if the program had been successful it would have had very little impact on the local economy.

Q: What programs did you think were working there at the time? What kinds of things did you think were making an impact?

NOOTER: I remember I graded our ten programs from one to ten, and they varied over the entire range in terms of effectiveness. I can't remember exactly what was at the top of the list but I think the secondary school program, which was run by a contract group with San Francisco State University, was the best.

Q: Monrovia?

NOOTER: Monrovia Consolidated School Systems was basically a good program. I don't know what impact it ultimately had but it was a good program. We had some rural development programs, but at that time they were in a phase down mode, and we had just one person in each of four counties. They weren't very effective.

Q: Doing what?

NOOTER: Working with the local county supervisors to provide assistance to the primary schools and I can't remember what else. It was limited by the small amount of manpower and, like I said, did not make a very big impact. We had a primary school program that included teacher training and building primary schools up in the country. There had been a program to construct rural roads, although I believe the Liberians did that almost entirely with their own funds when they had some income from rubber and iron ore in the fifties. They used that to build roads and that opened up the country. That was very effective in trying to bring the hinterland into contact with coast.

We had a public administration program that was helping them to try to make their government more efficient. It was reasonably effective, with a lot of training of people overseas. But, as in other parts of Africa, when people are trained they don't necessarily stay in the position for which they were trained. Somebody trained to be a doctor may very well become a cabinet minister.

I remember we sent someone for training to be a librarian. And of course it cost a great deal in one of these contract programs to have a U.S. librarian filling the post until the Liberian returned from his training. After this person returned, he took a different position. Then the question arose, should we extend the U.S.-funded librarian at a cost of maybe twenty times the cost of a local librarian. I can't remember the decision, but those are the kinds of problems that came up in trying to build up a system.

Q: So, let's back up right now a little bit. Why were we there? What was our interest? What were we trying to accomplish?

NOOTER: Liberia was always thought of as having some special relationship with the United States because of the fact that freed slaves from the U.S. had been sent there before the Civil War, or assisted to get there, in order to found the country in the first place. Although the U.S. was prepared to largely ignore the country for the next eighty years or so, and it was only in recent times that we began giving them any aid. After World War II there were two geo-political interests there. One was that iron ore was discovered there in fairly rich deposits, and so there was an iron mining industry that was developed. Also, we had a big USIA station in Liberia which broadcast to other parts of Africa. In the Cold War context it was thought of as an important station.

Q: Voice of America

NOOTER: Voice of America, yes. Robert's Field was an airfield that was considered to be of some importance, although U.S. military didn't use it to any extent that I am aware of. So there were both these historic and more recent geo-political interests on the part of the U.S. However I remember coming back to Washington one time for a review of the Liberian program. There was an inter-agency committee formed to review what was the level of U.S. interest - how important it was, and what influence that had on what the aid

level should be, and so on. All of the members of this committee were asked to speak. A State Department officer spoke about the Voice of America station and so on. Finally it got around to the CIA officer's turn, and he said, "Well, I would say that this country isn't really very important to the U.S." I would say it was a mixed bag. Certainly it had some importance to the U.S. but whether it justified the level of aid we were giving it is another matter. Actually, the aid level wasn't all that big in dollar terms. It was large in staff because it had a high technical assistance component, but it was not so large in dollar transfers - I think it was less than ten million dollars a year. As I remember, maybe six million dollars a year total.

During the time I was there I did find, having built up the program in Uruguay from maybe four to ten persons, that the numbers in Liberia were excessive and in my two and half years there I reduced the number from 300 to 150 without any noticeable loss of impact on the program.

Q: What would you characterize as the main development thrusts? What were you trying to do with the program there?

NOOTER: In Liberia it really was building from the bottom up. I guess I've come to think that the fact that we draw a boundary around a piece of real estate and call it a country doesn't necessarily mean that it should have all the attributes and the abilities and skills of every other country in the world. If Liberia were, say, in the hills of West Virginia we wouldn't pay much attention to it. It happened to be called a country and so we seemed to think that somehow it should have all of the functions of a government. It should have embassies around the world. It should be able to collect taxes. It should be able to fulfill all of the functions of government.

But in retrospect I'd say it is an anomaly of history that this particular piece of real estate has a circle drawn around it. But we were trying, in a naive way, to make a functioning nation-state. To do that required education. I don't remember the figures anymore but the literacy rate was less than 10 percent- I think it was about a 6 percent literacy rate at the time I was there.

I think the emphasis on education was appropriate. Let me mention another kind of lesson. Every country is able to survive, at some level. The only question is at what level and on what basis. There is no magic number of about any particular per capita income that is appropriate for any piece of real estate.

One other interesting piece of information is that the Liberians were using the American dollar as their currency. They had no independent currency except coinage, which they could issue, and which was limited, of course, because people only could carry a certain amount of coinage. So they were prevented from running budget deficits in the same way that almost every other country in the world can. This was a godsend to them in the sense that there was always relative fiscal stability. The government simply didn't have the capacity to run a budget deficit because it didn't have any money, unless it could borrow it

from somewhere. The rate of inflation was always very low. The economic situation in that sense was always very stable. It may have been stagnant, but it was stable.

Q: We had of course been having assistance programs in Liberia for about twenty years before you got there, going back to '44. Did you see any evidence of these programs or did you get any sense, or did they just sort of evaporate? What did you inherit in terms of development activities?

NOOTER: We found some evidence of those programs. There had been a vocational training program which was on its last, just phasing out at the time I was there. I would say it wasn't very effective but it was still visible. I also remember finding school buildings that had been built under the AID program ten or fifteen years before and no one remembered that they'd been built under AID programs at all.

I remember going up into the country one time on a visit and going to an office that had been part of a rural development program some few years before. That program had been phased out by AID about three years before, but there were still a dozen or so Liberian employees lying around on benches sleeping, so they could draw their government pay. The program had been phased out for three years, and there were absolutely no functions being performed by this office except that it was a source of employment for these dozen people who showed up in order to be able to collect their paycheck from the government - not from AID, but from the government.

These were the remnants of lost programs. The things that were effective, of course, in Liberia, were Firestone's rubber plantation and some of the other rubber operations. Also, the iron mines, although the biggest iron mine now has drawn down all of its reserves and I believe they are closed now.

Q: That was Lamco.

NOOTER: Yes, that was Lamco. And the old original iron ore mine had played out long before I got there. Of course Firestone started as being a kind of enclave operation. I think there was a book written about what little impact it had on the country, which is a bit unfair. It's too long a story to go into here. In one sense it was an enclave operation, but it did provide employment for large numbers of Liberians. It did provide resources for the country and it did serve as a basis for individual Liberians being able to grow rubber on their own farms because Firestone would purchase the raw rubber and process it. It provided a market for Liberians who wanted to grow rubber and that had some impact. I would say Firestone's programs had an impact on the country.

Our education program had an impact, and certainly the training abroad, where we sent people to be trained in the U.S., to the extent that they came back and stayed, had an impact. Amos Sawyer, who was the interim president recently, was one of the bright students of one of our instructors who was employed as an instructor at the University. She happened to be a woman whom I still keep in touch with. She always thought Amos

was one of her brightest students. I guess there were indirect impacts that are difficult to identify but were real.

Q: How about your relations with Liberians, in working with them and socializing with them? How did you find that kind of experience?

NOOTER: Of course there we had a lot of leverage and we were very popular. I could say it was either for our good looks or for our money. You can make your own choice. We, of course, had good relations with the Liberians at all levels. The only thing that marred that was in the last four or five months one of our local employees, who was a Sierra Leonean national married to a Liberian woman, was arrested by Tubman's security forces and locked up in the infamous Bella Yella Prison. The rumor was that no one ever returned, which isn't true because I went to a coming out party for somebody who was released from Bella Yella once, given, oddly, by the Minister of Public Works.

We simply weren't able to do anything to get this man released. It turned out it was caused by a marital squabble where the wife's relatives had told Tubman's security forces that this man was disloyal to the president. The fact that he was a Sierra Leonean was also not in his favor. It colored my attitude toward the government to see the repression that was there, but was fairly much under the surface when it hit so close to home.

That fellow was, ultimately, released. I ran into him some years later in the Johannesburg airport when I was going to Lesotho. He somehow had been released and left Liberia.

Q: Were you able to use this influence that you had, and the popularity of the AID program, in terms of trying to get policy changes in the government? Was there any latitude in that?

NOOTER: One of the most important parts of our program was to help Liberia's general financial situation. Iron ore prices and rubber prices had declined after the various wars, and the Government had spent the money that it earned during the good years on roads and public buildings. So they were hard pressed, and they had undertaken a program with the IMF. We worked very closely with the Fund on that program. It was headed up by a Japanese, who is still a good friend. He later joined the World Bank and opened up the first World Bank office in Tokyo. It was managed from Washington by Moeen Qureshi, who later became Senior Vice President of the World Bank. He came out to visit from time to time to see how the program was going.

We helped support the IMF program by giving small amounts of dollar aid at critical times. We met regularly with the government to see that they stayed within their budget. That was something that we dealt with at the level of Tubman himself. We would go over the budget with the president, in the presence of our Ambassador, of course. That was the level of influence that we could bring to bear.

The Government ran a pretty good ship, in terms of keeping their fiscal house in order. This was an effective program, also helped by the fact that they had the dollar there as their currency, as I mentioned. Charlie Sherman was the Minister of Finance at that time and a very effective person. So, yes, we had a lot of influence and we used it, particularly in that respect.

Q: No constraints imposed on you by the Embassy in terms of our other policy interests in Liberia?

NOOTER: We had good relations with the Ambassador. He, of course, always went with us on meetings to the President.

Q: Who was the Ambassador?

NOOTER: Ben Brown. He was quite supportive and helpful. Another interesting note was that Harvard had a team working with the Planning Ministry in Liberia. Elliot Berg was the head of that team during the last half of the time I was in Liberia. Elliot became one of the "fathers" of Structural Adjustment in Africa some years later. I came to know Elliot and I've stayed in touch with him over the years.

Q: He wrote his book Growth without Development after that?

NOOTER: That was not Elliot's book. But Elliot had his own ideas on African development policy even before he went to Liberia.

Q: Was that planning group effective?

NOOTER: Yes, that was an effective team. The head of the planning ministry was a good person, who worked with and trained younger people, helping to bring on the next generation. Of course, a lot of that work was wiped out with the coup and now with the turmoil going on there. Some of the people left the country. Some were shot.

Q: Were there any Cold War connotations at all or was this all straight development interest, U.S. interest?

NOOTER: The one that I mentioned. I think it influenced the overall level of the program. The fact that we had such a large operation there was a result of the Cold War interest. There was a large Peace Corps group there, 350 or so Peace Corps people.

Q: Had that started before you came?

NOOTER: Oh yes.

Q: How did AID and the Peace Corps get along together?

NOOTER: We worked very closely together. One of the interesting Peace Corps operations was a group of young MBAs working in the government. They worked very closely with our people who were working on the Public Administration Program. Actually, I hired two of the people from that group to work in the mission, and then later they both became AID employees, and very good ones. That grew out of that relationship.

Doug Stafford was one of the deputy Peace Corps representatives in the country when we were there. Doug later joined AID several times in senior positions. In fact, we also had a small group of Peace Corps in Uruguay. I always maintained very close contact with the Peace Corps. They later became an excellent source of recruiting material for AID as these people came back from overseas. Sometimes they would go back to school to get an advanced degree and then would be available for employment.

Q: What did you learn from your Liberian experience? What kind of an overview would you give, having spent those years there?

NOOTER: For me this was still part of a learning process, both in Uruguay and in Liberia. I was learning about economics. I was learning about technical assistance. I was learning about how you operate AID programs - what works and what doesn't work. Of course Africa is a tough row to hoe. It is a place where it is difficult to make programs work and have them be effective. But I got a chance to see what was working and what wasn't. It was all part of a learning process for me as well as, hopefully, making the program more effective for the Agency. Those two experiences were very useful as background for the rest of my career in development.

Q: I don't mean to pressure you too much but what would you say was really the core of what you were learning from all of this experience?

NOOTER: Let's postpone that until later when we have a broader range of countries to look at and I'll make these same points with a little broader background of experience. I guess I would say here that the combination of the way the central government runs its macro economic policies and how AID is run at the grass roots level, and where they meet, is one of the things that I was observing in both countries but in quite different ways. They were entirely different kinds of programs. In Liberia we had very extensive technical assistance - Americans coming to run, train, and show Liberians how to operate things. In Uruguay they knew how to run things - by and large they just needed some money.

Q: Does that pretty much cover the Liberia piece for the moment?

NOOTER: I think so. The only other personal comment is that my wife and I learned something about tribal culture, and we began collecting African art, which became a very important part of our lives ever after.

Q: You mean the art collection?

NOOTER: The combination of the knowledge of African culture and the collecting. It worked together. I had a lot of reasons to be out in the country for our program and it gave me a first hand experience. It really plunged us into trying to understand - the anthropologists really don't like the word tribal, but they don't have any good substitute for it - about how a traditional society functions at the village level, under chiefdomships, and so on.

Q: So you gave some time, for the art collection and other things, to try to understand the local culture and history.

NOOTER: Yes, and reading some of the information on the art was also reading about the culture. Dr. Harley, who had been a missionary there, who also collected the art, wrote pieces on how the social system functioned in the country in the rural areas.

Q: What kind of impressions did you have of the society? What were your feelings about this?

NOOTER: Let's make this point. There was always a classic debate and that is: Is it in the interest of a tribal society to modernize? What would they lose in the process? The village culture isn't ideal, but on the other hand it does have a lot to be said for it. People know their role in society, they have certain social stability. I guess my rule of thumb, from my observations in Liberia, was that a village is a happy village if it had a good chief. That may be a little superficial because the role of the elders is also important in a village. Nevertheless, when the rural people move to Monrovia, for example, they live in quite a different way and the system tends to break down. Often people would question the value of modernization, and we would debate this issue.

My conclusion on that point is that it really isn't worth debating because we couldn't do anything about it. The traditional culture is going to break down whether we had a role in it or not. The only question is whether what comes out of it will be better or worse. There is no way this society isn't going to change. I remember having a chat with a fellow who had gotten a Master's Degree and was working in the Department of Education. He was observing how the transition in his society from his father, who had never been to any school, to him, who had had a Master's Degree, compared to in the United States. In my case, my grandfather had had almost no schooling, but my father had gone through ten years of school and I had gone through college, and so there was some time period over which this transition took place. But in his case the transition was in one generation, from nothing to everything. The impact of that on the society was enormous, and as a result he had trouble relating to the village, to his family, and to his social setting because of this transition.

I think these are some of the problems of Africa that we see the results of.

Q: I think maybe we should pause there.

NOOTER: When we were leaving Liberia, when our assignment was up there, I was offered an assignment as mission director in Nigeria. This was in 1967. We went back to California for our home leave. At that time the Biafran War was going on and was intensifying and families weren't allowed to go to Nigeria. Therefore I, having had a family separation during the Korean War, decided that we shouldn't go into a family separation again. Therefore, during the course of the home leave, I declined the assignment. I believe families were allowed to go three or four months after that, and it wouldn't have been a very long separation, but of course I had no way to know that at the time.

In any event...

Q: This was when?

A year at the State Department's Senior Seminar

NOOTER: 1967. The alternative to that assignment was a nine month assignment in the Senior Seminar . This was a seminar for senior people, mainly in the Department of State but also two people from AID, three or four people from the military and one or two people from the CIA, for a total class of 25. If you've covered the Senior Seminar in other context I won't...

Q: No, I think it's important to bring out what you thought about that experience. What you did and what you learned.

NOOTER: All right, I think ours was the tenth Senior Seminar class. It was a year in which we had a series of speakers every day and a series of trips. Our trips were entirely within the United States, seeing parts of the United States thought to be of interest to foreign visitors or something about the United States economy or military establishment that would be of use in our future careers. The speakers were quite excellent, very senior people. Walt Restow was at that time NSC Coordinator for President Johnson; Herman Kahn, a Think Tank guru; Gary Cockman, the longshoreman philosopher; several congressmen; senior or retired people from the Department of State; and a large number of other fascinating and interesting people. There would be a one and a half hour presentation with lots of chances for the relatively small group to ask questions and go into the subjects that were the topic of the day. In whole it was an excellent year.

Q: What was the objective of the program? What were they trying to do?

NOOTER: In the case of the Department of State they were all people who had not yet become Ambassadors but were thought of as presumably on an Ambassador career track. Senior people in AID, like myself who had been mission directors or in management of some kind. It was an attempt to broaden us, to give us the widest possible exposure to

world issues, exposure to senior people in the United States, or foreigners who happened to be in the United States available to the seminar. It was intended as a broadening experience more than any specific training. We were required to prepare a paper on a subject of our choice towards the latter part of the year, and to make a presentation to the group. That was our only assignment, and that paper did not have to be related to our own particular career subject. Mainly the Senior Seminar was an opportunity to be exposed to people that were involved in important issues of the day.

Q: What did you write about?

NOOTER: I wrote on kind of a technical subject. What were the most important factors in achieving successful development and what were the things that made an economy grow successfully. Unfortunately I don't have a copy of that paper anymore. I think it's in the library of the Senior Seminar. It was really based in large part on the work that Hollis Chenery and Dick Strought had done in the '60s. They produced a series of papers that were one very important part of my AID training and background. My paper was really a macroeconomic approach to development and what were the key factors that made, say, Korea, be successful.

Q: Was there any particular personality or event during that time that stood out compared to everything?

NOOTER: Not really. Actually, now that I think of it, this was the beginning of the civil rights turmoil. My paper was originally going to be on India. Maybe it would have been related to AID also, but a subcontinent which I didn't know at all. My trip that was to be the basis for the paper would have been a trip around India. At that time there was an attempt to economize on the budget. The effect was that our travel for the papers that we were doing was one of the few things that was actually cut out, due to budget constraint. Instead, I chose this other topic that I mentioned and spent a week at Harvard and MIT working with the economists there rather than going to India.

I can't say that there was any one particular subject that stood out. It was an interesting group of people, of course.

Assignment as Deputy Assistant Administrator for East Asia - 1968

After the seminar I was offered an assignment as the Deputy Assistant Administrator in East Asia . John Bullitt, who was a lawyer and a political appointee, was the Assistant Administrator for East Asia at that time. He chose me to be his Deputy. John was quite an excellent person. He came from the family of William Bullitt, the former Ambassador to Moscow who was his uncle. John was part of a very successful New York law firm but had chosen to come into the government because of his interest in development.

Q: This was under which president?

NOOTER: It was under Johnson. It was a Democratic administration at that time. As you know, the Assistant Administrator jobs, and jobs more senior than that, are presidential appointments and have to be cleared by the Senate, whereas the Mission Director jobs, and the job I was taking at that time, Deputy Assistant Administrator, were appointive jobs within AID. They did not have to go through the Senate confirmation process.

That was an exciting assignment, which extended from the middle of 1968 until the early part of 1970, a little more than a year and a half. At that time the Korean "miracle" was just becoming apparent. It started in about 1962 and by 1968 they were setting the world on fire with the rate of economic growth that was going on there. Also, Taiwan had already become an AID graduate, as it's called, because of its successful development, although we still had some relationships with Taiwan though they were not an active AID recipient at that time.

The Philippines, Thailand, and the other East Asian countries that were in that group, were other interesting cases but really quite different from the two really spectacular success stories. Indonesia was a country that was going through a particularly interesting time, coming out of the overthrow of Sukarno in 1965 and the large-scale massacre of the communists that followed that.

In 1967 the Suharto government had taken on a group of relatively young U.S. trained economists to run the economic affairs of the government. They were creating out of a very sluggish economy, one that had historically been doing very poorly under Sukarno, they were trying to turn it around by adopting sensible macro-economic policies with the help of the U.S. government and the IMF, and encouragement from an international consortium of aid donors that worked with them and met once a year to review their progress.

In 1968 Indonesia was still pretty much at the bottom of turning things around but their policies were good, and it set the stage for their later success. I recall going out on a visit to Jakarta, the only one that I ever made actually, at a time when they had zero exchange reserves. The system that they had adopted was to auction off all available foreign exchange three times a week. As there were some earnings from exports and so on, they would make them available to exporters who would buy them at auctions. It was an absolutely open and free exchange rate system set by the amount of money that was available. When people say how much foreign exchange do you need to run an economy efficiently, my answer based on the Indonesian experience is zero. If you are prepared to let the exchange rate to find its equilibrium in the marketplace, you don't need any foreign exchange to maintain the rate. You simply let the rate find its own level. It was very successful for them.

Q: That's an area of success, I guess, the auction process.

NOOTER: I believe that it was. Bob Barnett, who was the senior economist for the State Department for East Asia, was very heavily involved in the Indonesian economic policies. He and John Bullitt also spent a lot of time on Indonesia.

Q: You had a big program there in AID?

NOOTER: We had a large program. I don't remember the dollar amounts but we were also very important in helping mobilize the assistance of the other donors through the consultative group process. Although this was one of the few consultative groups where the Dutch, rather than the World Bank or the U.S., was the head of the consultative group. The World Bank and the IMF usually are the co-chairmen. But in this case the Dutch, because of their historic background in Indonesia, were the head.

Q: A consortium?

NOOTER: Yes. That was the beginning of a very impressive, but more gradual, growth process that took place in Indonesia along the lines of the Korean model but not as dramatic.

Q: Did we train those economists?

NOOTER: AID didn't. They were trained, a lot of them, at the University of California at Berkeley, which happens to be my alma mater, although my training was in engineering and theirs was in economics. They were known as the Berkeley boys. Was that in Chile? I think that something like five out of six of the senior economic managers in Indonesia, who were Ministers or in other important economic positions, were trained at Berkeley.

IR-8 rice was being developed at that time at the International Rice Institute in the Philippines. There are a number of interesting stories from that East Asia experience. I don't know how much time we have.

Q: Well, we have time to tell them. Go ahead.

NOOTER: At that time the Rice Institute and the Wheat Institute in Mexico had support from the Rockefeller and the Ford Foundations to help get them started. Since the Philippines Rice Institute was in our East Asia area, we were aware of what was going on there. But it was generally AID policy not to support an institution unless there was some indigenous financial support for it, that could be seen as sustaining it over the long run. That theory is basically sound or otherwise you get an institution that is a permanent dependency on donor aid. AID had had a poor experience with institutes in Latin America that were founded in the fifties and operated successfully until the foreign funding ran out and then they collapsed because there was no indigenous funding to support them.

When I first came into AID it was taboo to support a Servicio, as they were called. They were usually related to rural development.

Q: That's right. They were sort of shadow government.

NOOTER: They had a bad reputation, not because they didn't work well, but because they weren't able to be integrated into the government after the foreign aid stopped. They were external to the government system.

For that reason AID wasn't supporting the Rice Institute. But John Bullitt saw the potential of this thing and decided, under his own authority as Assistant Administrator, that he would give them, I believe it was a half million dollar grant one year. That really began AID's support for the International Agricultural Institute.

John Hannah became AID Administrator in 1969. He was also very supportive of the Agriculture Research Institutes and began the process that led to the International Contortium that now provides support to them on a regular basis. And it is true, of course - AID's original supposition was correct - that they continue to require outside foreign funding, but in this case the results have been so phenomenal that the outside financiers, like AID, have been willing to continue to fund them almost indefinitely.

Q: There is a large group of countries supporting them now.

NOOTER: There is a large group of countries, and I believe they have 10 or 12 institutes instead of the original two. I don't think any have been as successful as the original successes of the Rice and the Wheat Institutes, however.

There's always a question of whether it is desirable to bring outsiders into AID or should it rely on people in-house? My feeling is that both work or don't work depending on the individuals involved. But in this case John was an example of someone, being an outsider who could stand up to, or be more willing to defy, an Agency policy in a constructive way. He wasn't as bound by the bureaucratic constraints as the career people might have been.

Q: I think that is a good example.

NOOTER: Another interesting thing at that time was that Vietnam was being run, as a separate Bureau within AID. It was not part of the East Asia Bureau that I was working with because the program had gotten so big in Vietnam that it was set up as a separate Bureau. Jim Grant was running the Vietnam Bureau separately. But the East Asia Bureau was involved to the extent that some of the projects were influenced by the war in Vietnam. For example, there was a regional program supported by the White House, under the Johnson administration, who had appointed Eugene Black to be the head of some sort of regional working group, which was supported by AID staff that were part of the East Asia Bureau. The Regional program included planning for the development of the Mekong River. The centerpiece of that program was a dam on the Mekong River that was planned to be built between Thailand and Laos. This quite large hydro-electric dam

was the subject of a study to determine its economic feasibility. I believe we spent ten million dollars on that study over the course of a couple of years.

This was all part of the efforts of Lyndon Johnson to try to lure the North Vietnamese into peaceful development instead of fighting in Vietnam. I thought that, even at the time, it was a naive approach since the North Vietnamese interest was the reunification of their country. To think that they might be lured away from that objective by economic incentives was not very realistic.

There was one dam built under the auspices of the Regional Program. It was called the Nam Ngum dam, in Laos. It was a much smaller dam. It cost about 30 million dollars to build, I believe. It was built in an area that was very insecure as far as the military situation was concerned. There was actually fighting going on in Laos in many parts of the country at that time. The North Vietnamese and Communist Pathet Lao let the dam be built. Of course they were very smart to do so because ultimately they took over the country, and now they have the dam. It generates power which I believe was supposed to be sold to Thailand, and probably still is being sold to Thailand today. I heard recently that it is still operating successfully and is part of their infrastructure. It had no effect whatsoever in keeping them from their principal objective of reuniting Vietnam.

There were a series of other programs having to do with development of the area on a regional basis, such as regional training in agricultural subjects and so on. I recall there was always a lot of tension between John Bullitt on the one hand, who saw the naivete of some of this activity and the kind of political support that gave it some degree of sanctity regardless of the normal economic considerations that would have come into play in deciding whether to go ahead with these programs or not. But some of them were good programs in their own light or certainly not harmful.

Q: ... On this question of naivete and whose view and what was it...

NOOTER: The Regional Program was thought of as doing two things: one, to lure the North Vietnamese away from war, which of course was totally unsuccessful. The other was creating some solidarity among the non-Communist countries in the region by getting them to work together on regional programs.

Q: This was a time when people were worrying about the domino effect and so they were trying to counter...

NOOTER: Yes, I guess so, but the level of those economic and technical programs really had very little influence at the political level. But as I say, they may have had some validity on their own as development programs. One was a regional agricultural training program. I think the objective was to have one project located in each country and that particular one was located in the Philippines. I remember it because I visited and talked with the people at the university that ran the program. The point was to have non-

Filipinos come to this training center, but whether that was any economic advantage or not is dubious.

Q: But the motivating factor in terms of having the program at all was still very political in its origins?

NOOTER: Yes, absolutely. As I said, it was supported by Eugene Black appointed by the White House to give it some non-bureaucratic stature and to give it some protection from the "bureaucrats" who might have otherwise treated it less kindly. During the past year I was invited to and attended a reunion of the people involved in that program. There was a mission established in Thailand called the REDSO -- Regional Economic Development Office, I believe. Lee St. Lawrence was in charge of the REDSO office in Thailand and Tom Niblock was the AID Office Director in Washington. Tom had a reunion of all of the people involved in the program recently. It was quite interesting to go over some of the old history. They did create a sense of loyalty for the people who worked on the program.

Q: Were there any spillovers in terms of Asian countries' commitment to the regional idea and permanent institutional...?

NOOTER: I guess you'd have to look at that in the longer run and I haven't worked in Asia much after 1975. Some of those programs may have survived. There is still the political organization in southeast Asia that was formed at that time whose acronym I don't remember. I think Vietnam was asked to join it recently, which shows how times change.

Q: ASEAN.

NOOTER: ASEAN, yes. The Regional Program was sort of an economic counterpart to or under ASEAN's influence or auspices in some way. I guess it had some marginal effect, but I would hesitate to say it turned the world around. It certainly didn't have any effect on the primary political and military issues in the area.

Q: Was Thailand part of the area?

NOOTER: Thailand was part of the area, yes.

Q: What was the situation in Thailand from your perspective? Do you recall?

NOOTER: Thailand was a moderately successful economic developer at that time, not as successful as later. A couple of interesting things about Thailand: one thing was they had always been a major rice exporter, and they were one of the few countries that I ever observed that was able to anticipate that the high export earnings that would come from the occasional rice shortages in the world would not last, and they were very conservative with their foreign exchange. This served them very well because they avoided the

"Uruguay" effect of using their periods of high export earnings in a way that would then lock them into high rates of expenditure when those earnings went down. I thought there was an irony involved when the U.S. government got involved with their policies. At this time they had a fairly good foreign exchange reserve balance, and the U.S. Government encouraged them to spend their foreign exchange on development less conservatively than they were doing. My own counsel on that subject was that we should be cautious about turning them away from what had served them very well over a long period of time.

Q: Do you have any sense of why they were so much more prudent than other countries? Was there something special about the situation there that obviously has led to economic success subsequently?

NOOTER: I guess it was something either in the durability of the bureaucracy that had observed these phenomena over a long period of time or just the individuals involved, but their style was to be conservative and prudent in the management of their foreign exchange.

One of the major issues in Thailand at that time was that there was a Communist insurgency in the northeast, in particular in the poorer parts of the country. We were attempting to provide some type of assistance such as for rural development that would help that part of the country to develop in a way that would make it less susceptible to communist insurgency. I don't know how successful any of those programs were. I do remember visiting in some of the villages and finding a curious mixture of Thai friendliness on the one hand and also a sense that some part of the village was boycotting the visit and was probably sympathetic to the insurgents.

There was one other program that I remember approving at the time that I guess is worth telling the story about because I think there are some implicit aid lessons involved. One of the programs that was approved within our region was a health program related to cholera. There was a proposal that a new anti-cholera vaccine that had been developed by CDC (the Center for Disease Control in Atlanta) under an AID grant, would be field-tested in what was then East Pakistan for its applicability for wide-spread use. I remember reviewing that program at some length over a considerable period of time because the preliminary indications weren't all that positive about the effectiveness of the vaccine. I finally approved it and it apparently went forward and I forgot about it. This was in about 1968 when I first came to work for John Bullitt. It was supposed to be a five-year field testing program in a health center in East Pakistan located in the middle of a high-cholera incidence area, which was an excellent place to test cholera in any of its forms. I forgot about this entirely for many years until in 1975 I paid a visit to what was then Bangladesh, after East Pakistan had become independent in 1971. It was part of my area of responsibility at the time, and on one of my visits out there the mission arranged a field visit to this center. I had completely forgotten about it for many years until we approached it by boat. As we were taking the boat to the center and they were explaining to me what the center did, I recalled that this was the place where the cholera vaccine that I had approved for field testing was to be tested. We arrived at a rather modest building where

there were two U.S. doctors who were in charge of the program. Although this was seven years later rather than five, they had just completed the course of testing and were beginning to summarize the results.

Q: This was still under an AID program?

NOOTER: This was still under an AID-financed program. As I reviewed the cost later, I found that it had cost about five times as much as the original estimate. Anyway, the senior doctor there was going over the results with me and said that the vaccine was not effective. The results from its use were that it didn't really improve resistance to cholera whatsoever, and they were going to recommend against its use. But he also went on to explain the other programs they had been carrying out along with this testing program - 8 or 10 other kinds of field tests. As long as they were there, they were doing these other things as well. And one of them was the oral rehydration treatment for cholera which they had had phenomenal success with. He quoted what most of the people in the aid and the health business are aware of, that with these oral rehydration techniques the cure from cholera is almost 100%. This was an extremely happy outcome of the program, and it is now in wide use. UNICEF has taken it up and spread its use widely around the world. But I thought what was interesting was, had I followed my original instincts and disapproved the original vaccine because it didn't look promising, as it turned out not to be, the oral rehydration may have never been developed. You can make what you want of that, but I thought it was an interesting story.

Q: This is quite interesting and it proves that there is often a positive fall-out that one doesn't anticipate from pursuing something of that sort. Do you remember who the doctor was?

NOOTER: No I don't, and I remember when I came back and told our health people that the vaccine was ineffective they wouldn't believe me because they hadn't received the official reports yet, and they were still very positive about it. Ultimately I'm sure they found it to be the case.

Another story of a similar kind is about Korea. I remember visiting Korea in connection with my new assignment in East Asia. After having worked in Liberia where having a success in any kind of program was extremely difficult, it was a marvel to go to Korea and find the way the Koreans were picking up and running with any new information or new technology that came their way. I remember we had a very senior AID person who had been a university president and was extremely knowledgeable on education, health and all the social services. He was posted in one of the ministries - I forget which one, probably education. And he was our adviser on all the social science subjects for the Government of Korea. The Koreans would come to see him. They would talk with him and he would give them ideas and they would take them and implement them. I'm sure we had other staff there too doing some things, but he was like a one-man consulting service for virtually all the social services. The responsiveness of the Koreans to the advice he was giving says something about what it takes to make aid work.

Q: Do you remember the person's name?

NOOTER: Nancy may remember it because we met them when he was going to go to Nigeria. In fact they did go to Nigeria where his family had a tragic accident where they lost both of their sons within a year, one in Nigeria and one in the United States.

Q: I know it too...Bascom Story?

NOOTER: That's it. The real wonder was not the man, however, but the Koreans' response to him.

Q: How do you characterize why that occurred in Korea and wouldn't in other places?

NOOTER: At that time the Koreans were in the full flush of their economic success story. I think something happens in a country when the growth rate goes up to a certain level - people get very excited. Also, maybe the Koreans are dynamic and industrious, although I knew the Koreans through my war experience in 1951-52 in an entirely different setting. The ones I saw during the war were rural, traditional, hide-bound laborers. Of course the economy in the Japanese occupation days was thought of as being run entirely by Japanese managers and so the Koreans hadn't been trained as managers. But when they began to have some success, which was apparent as early as 1964 I think, the whole country - well, I shouldn't say the whole country because I'm sure there were still conservative pockets, particularly in the rural areas, but a large part of the country - got very excited and began finding they could accomplish things and achieve things and do things if they put out effort, and that there would be rewards for doing so. That was what was going on in the country at the time. It was quite fascinating.

Two stories about Korea that have some relevance. I remember talking with my Deputy about Korea when I was running the Vietnam Bureau later, as to what projects that had been successful and what weren't successful. He had been involved in Korea in the '50s, and there had been a program to help Korean entrepreneurs to set up small businesses. AID had financed 100 or 150 small businesses in the late 1950s, and my deputy said he was there at that time. Every one of those businesses failed in the economic environment of the 1950s, and with the lack of experience, not having been managers and so on, every one of those businesses failed. But in the '60s, many of the successful managers that emerged then were people who had been involved in the failed businesses in the '50s. So sometimes the time and effort we spend in human resource development pays off if it can be in the right context, in the right macroeconomic context.

The other Korean story that might be of some interest is that the Korean turnaround started, of course, under President Park. He took over the Government in a coup in 1961 and his first attempt at straightening out the economy failed. I can't remember the details of the policy mix but it wasn't a good mix and there were no results. It was only in 1962 when they took a second try at a different policy mix that the success took place. That

success and those efforts took place not under the promise of more U.S. aid but under the threat of less U.S. aid. That threat, not intended as a threat but simply as a warning, came from the ambassador at that time, Sam Berger, who went to Park and said that the U.S. was giving something like \$300 million worth of aid in balance of payments support every year to keep Korea afloat. He simply warned the president that the political situation in the United States was such that that was not going to continue indefinitely, and Korea was going to have to learn to stand on its own two feet. It was the result of those conversations that led Park to decide he had to take some measures that would straighten out the economy and put it on a growth track. And as I said, first unsuccessfully and second successfully. Today we usually try offering increased aid if countries will follow the correct policies. So I always think of this as a story with a different message.

Q: We had been providing very substantial amounts of assistance of all kinds to Korea up to that point. Did you get any sense of what the results of that were or whether it was having, maybe not motivating the president, but did you get any sense of its impact on the economy?

NOOTER: When we get to the end we'll be talking a little about what is successful or not successful. It's very difficult to measure how much of these successes come out of what AID has done and what comes for other reasons. I'm sure what AID did in terms of human resource development, and I refer again to the story about entrepreneurs, had some bearing on their ability to function in the new environment. However, some of the studies that I read later over the years about what made Korea successful claim that it was because the land-holding pattern was such that there was not a rich and poor class but a fairly equitable distribution of resources at the beginning of development. Others will say it was because the Japanese foreign investment that came in at the time gave an enormous stimulation to the economy.

I say it was probably all of these things, but it was mainly a macroeconomic setting where a realistic exchange rate was established, the policies of the government were to encourage investment, and at least in the initial phases they did not make mistakes about investing in steel mills when they should have been investing in something else. That was reflected in the statistics of the 60's. Economists measure capital output ratios, that is, how much additional output does an economy generate compared to how much capital has been invested in that period. A three-to-one capital output ratio - that is, if you get one unit of additional output for three units of investment when you view the overall economy - that is considered quite good. In Africa now you might be lucky to get one unit of output for five, or infinity in some cases.

In Korea it was as low as one-to-two for several years in the 1960s. It was because they were investing in light technology such as electronics, that is, foreign investors were coming in and setting up electronics assembly plants and so on where they could use Korean workers who were able to be trained as skilled workers, but with a small investment in equipment and in plant and a high labor content, so that the return the

economy generated on the amount of investment was extremely large. Incidentally this was the subject of my paper even in 1968 in the Senior Seminar. It related to the importance of watching the capital output ratio and the efficiency of the production system, and having macroeconomic policies that promote efficient production.

Q: But this was a labor force that was both highly or reasonably well skilled at relatively low cost?

NOOTER: You can't say they were skilled in the sense that they had done this kind of work before.

Q: Well, had an educational base...

NOOTER: They must have had sufficient education in the system that they could be trained. And they're sufficiently industrious.

Q: And their costs were relatively low compared to...

NOOTER: At that time, of course, it was a very underdeveloped economy, and in all underdeveloped economies the labor costs are very low. So the surge that took place came out of good macroeconomic policies mixed with some infusion of foreign investment that brought with it technology and capital for investing in productive resources, sound government policies regarding how it used its own resources, and a productive labor force that was able to be mobilized. And then success piled on top of success. Once the Koreans saw what they could do, they began to be highly motivated to achieve even more. Also, then skilled Koreans who had been working abroad in the United States and so on began going back to Korea and adding to the human resource base instead of having the flow of travel people going the other way.

Q: Did any of those policies, industrial and agricultural policies and whatever ... can you associate with AID's role?

NOOTER: I'm sure that you can. I remember one story that perhaps gives a clue that we, in that earlier period, might have had something to do with coaching them along on a sound basis, although my association didn't start there until 1968.

In about 1969, a group of Koreans came to Washington to try to convince us to support them financially with the building of a steel mill. I spent some time looking into that. At that time, it was thought that the minimum size of a steel mill that would be economic was about a million tons of production a year. I believe the technology now is totally different, but this is what it was at that time. And Korea's total steel consumption at that time was 400,000 tons. Of course one steel mill can't produce all sizes and shapes and kinds and so it seemed ridiculous to think that Korea should be going ahead with a steel mill at that time. Also, we had some very bad experiences in some other countries such as

Turkey with steel mills that were uneconomic and very capital intensive, and that turned out to be very poor investments for the countries.

And so we were not about to be persuaded to help finance the steel mill. The Koreans were absolutely shocked that we weren't prepared to help them, but ultimately became convinced that we weren't. In due course they went to the Japanese who ultimately did finance the steel mill. And I remember doing a little back-of-the-envelope calculation at that time that indicated that if they put the same amount of money into the kind of light manufacturing that they were so successful at instead of the steel mill, their growth rate would be two percent higher a year over a period of five or ten years than it would be by putting it in the steel mill. Well, they went ahead with the steel mill anyway. But of course it takes some years to build a steel mill, and by the time it was built the economy was growing at such a rapid rate that it turned out not to be a bad investment after all. But fortunately, they were delayed somewhat in going ahead with it, so by the time they finally got to it, it was not as bad an investment as it would have been in an earlier period.

One of the interesting things in both Taiwan and Korea, as I went back and reviewed the history of both countries when they made the adjustment from overvalued exchange rates and very serious current account deficits and so on, was the shock medicine of a drastic devaluation associated with enormously high interest rates for a limited period of time, where the interest rates on borrowing would go up to something like 50% or 75% per annum and that same rate would apply to deposits made in banks. In both cases, by working through a drastic revision in the exchange rate and the monetary system, things were brought back to normal fairly quickly. Once they'd absorbed the excessive liquidity in the economy they could be brought back to normal. In both cases I believe it took only about six months. And then the economy was put on a basis that was more nearly at equilibrium. That shock treatment was an extremely effective way, although most countries are afraid to undertake such drastic medicine. I think the Swedes did something like that when they had their economic crisis a couple of years ago. The same thing was done in some of the former Soviet republics.

Q: What about your working relationship with the State Department? You were obviously in a situation where you had to interact a lot with them in terms of what was experienced.

NOOTER: The State Department was extremely cooperative and it was a very excellent working relationship. Marshall Green was the Assistant Secretary at that time and Bob Barnett, who was the senior economist for State in East Asia, and John Bullitt were extremely good friends and colleagues working closely together, principally on Indonesia because that was such a hot and difficult topic, but not only on Indonesia. The relationship was really quite excellent. It was one of the best, I think, anywhere in the world. That relationship is not always easy, but it was good background for me to see how well it could work when both sides are constructive and chose to spend time and effort working together.

Q: Was there any particular line the State Department was pushing, trying to persuade the AID program to follow?

NOOTER: Their own economic views were what I would call extremely sensible. Of course, AID isn't always sensible either, but we like to think that we are sensible most of the time on economic matters. But State was also taking extremely sensible positions on Korea, Indonesia, etc. As I said, in Korea it was Sam Berger, the Ambassador, who really took the initiative with the Government that said they had to get their policies together. Sam was a very hard-charging, serious ambassador who was not interested in just placating the political interests at the expense of economic interests. He saw the two as being related and similar. We've had a few ambassadors like that who have been quite - what shall I say - economic-minded. William Macomber, who was Ambassador in Turkey, led the phase-out of aid in Turkey rather than the usual political line that it's necessary to keep aid going to keep the relationship going. He took the view that Turkey no longer needed aid and it should be phased out, and the relationship would be just as good or better without it. The phase-out in Turkey really was, I believe, largely stimulated from Macomber's side. As in Korea where the pressure to adjust to lower aid levels came from Sam Berger.

Marshall Green was also very realistic on economic issues. This is a little ahead of our discussion, but when Richard Nixon first became President and made his first trip to Asia, he went with Marshall. The notion of the U.S. playing a more restrained role in the world, which became a Nixon policy coming out of those first few months in office, was really a Marshall Green idea, I believe. And of course, Nixon was able to pick it up, but I believe that the notion that countries had to do more for themselves and rely less on the U.S. came from Marshall. I remember the incidents and the communiqués, and the discussions I observed at the time. We had a very responsible and sensible group of State Department people, and hopefully the same on the AID side and this led to a good working relationship. Regarding the Philippines, I remember being amazed that this country wasn't doing better because at that time, as I remember, they had about 30 million Filipinos and 1 million of them were in institutions of higher education - actually in school at that time. The amount of trained people in the Philippines at that time was enormous. Some of those in school may have been at junior colleges or whatever, and the quality of the education may not have been great, but anybody who thinks that you can achieve development only by human resource development should look at the Philippines. Certainly it's an essential ingredient, but it's not the only ingredient. Somehow the Philippine policies were able to thwart the successful development of that country for many years, even with a nation of highly trained people. One of the inhibitions at that time was the enormous division of wealth between the ostentatiously wealthy and the extraordinarily poverty-stricken part of the population. The difference was enormous, and I think the wealthy did not have an incentive to invest in the kinds of investment that would lead to effective development. I had occasion to visit the Philippines a few years ago and I thought the situation had changed enormously. There still is, of course, a wealthy group, but it's much less concentrated. There is much more of a middle class. They're slowly evolving out of that huge gap between the overwhelmingly

rich and the poor, and I think now the Philippines may be ready to become a growth case like its neighbors, especially under the better policies that they've been following in the last couple of years. When Nixon came into office, John Bullitt left the government and Rod O'Connor took his place as Assistant Administrator. I stayed on as Deputy Assistant Administrator under Rod. There's just one incident that I'll tell because it's both instructive and maybe somewhat amusing. At that time, as there have been many times before and many times since, there was enormous White House pressure to do something effective about drug smuggling into the United States. We received a cable from Thailand from the Embassy where there was a report that two nationalist Chinese generals who had private armies in northwest Thailand involved in the opium-smuggling trade had indicated to a senior official in the Thai government that they were getting on in years and wanted to retire from the business. The only problem was that they had a stock of opium that they needed to dispose of -- this was 26 tons of raw opium that was in their possession. They said that if the U.S. government would buy this opium from them, they would agree to get out of the business and settle their troops in villages along the border between Thailand and Burma and become a kind of barrier to future smugglers who might be inclined to come that way. And they promised to become peaceful farmers and no longer be involved in the drug business. But it would take \$2,000,000 to buy up this quantity of opium.

The White House had appointed a drug czar, one of many over the years, who was working out of the White House, and had read this cable and was very excited about it. Rod and I were highly skeptical, and we went back to the Embassy with some questions such as, "If they wanted to get out of the drug business, why didn't they just get out of it?" and, "Why did they need to have somebody buy this opium from them." The Embassy explained that they owed their suppliers for the opium. They had bought it on consignment and they had to pay off the people that had sold it to them, and that's why they had to be paid so they could pay off these people. We took the view from an economic perspective that buying up a supply of anything only creates more of a market for it and therefore will generate more supply. And though this deal was supposed to have the extra advantage of getting these people out of the business, which we had serious doubts about, the supply gap would soon be filled by somebody else coming forward with other opium.

But the White House insisted on going ahead with it. After Rod's serious attempt to keep this from happening, AID was required to put up \$2,000,000 to buy this opium. There was some discussion about whether the opium could be used for drug manufacture in the United States for legitimate purposes, but for some reason that was found not to be feasible. So the opium was to be destroyed out in Thailand, but we would send some people out to be sure that it was destroyed. When we first suggested sending some people up to see the opium and to examine this and see where the Chinese nationalists would be resettled, we were told that it was simply too unsafe, it really wouldn't be feasible to send anyone up there, we couldn't see the area and just had to take their word for it. And the money was to be delivered by a Thai general who was a close friend of the United States

and someone we were supposed to trust, and delivered in greenbacks. Ultimately that's exactly what happened.

Two million dollars, in what I presume was a satchel (I never saw it) of cash money was turned over to a general named Kriangsak, who later either became Prime Minister or was very senior in the Thai government to deliver. We did get an agreement that two people from the U.S. Customs Office would go to see that the opium was burned. And these two chaps did go up - I saw a report on it - and saw this pile of opium. I've always had my own vision of what that must have been like, or what position the Customs officials must have been in, with some 1300 Nationalist Chinese soldiers in this armed militia surrounding these fellows, and they're pointing to the pile and saying "There it is, do you want to sample it?" And these fellows saying "Well, that's all right, fellows. Go ahead and burn it." In any event, they reported that it had been burned and the \$2,000,000 was delivered. Then in the successive months we heard by the grapevine and through our various sources, that what was burned was mainly cow dung, and to my knowledge the generals never did get out of the business which went on much as before.

The one thing that AID did get out of it was that, in the course of the heated discussions and arguments that went on about the purchase, we got agreement that although it would be done in this case, the notion that preemptive purchase was a bad policy was firmly established, and we did get a commitment from all of the people involved in this that in the future, preemptive purchases would not be indulged in. I don't know how long that lasted, but I think it did help to establish that as a sound policy within the government. And to my knowledge we never had any other such attempts. This was a case where the political pressure to produce some results in the United States for the anti-drug campaign led to some fairly ridiculous actions on the part of the U.S. government.

John Hannah took over as AID Administrator in 1969. John was an extremely fine man and AID was extremely fortunate to have him named as the AID Administrator. John Hannah had been interested in the AID program for many many years, when he was President of Michigan State. He had been involved in various kinds of programs for which Michigan State was a contractor to AID and was thoroughly knowledgeable about aid. John also had the fortuitous view that most of the AID operations should be run by AID professionals who knew the business, and with the exception of a congressional liaison person and an administrative person, I believe without exception all of his Presidential appointment positions were filled by AID career people.

Appointment as Assistant Administrator for Vietnam - 1970

John Hannah came to AID early in 1969, and somewhere around the latter part of 1969, he offered me a position as Assistant Administrator to run the Vietnam operation since Jim Grant was departing. I accepted in spite of the fact that I had serious reservations about the U.S. Government's Vietnam policy at that time. It seemed to me obvious that the people of the United States weren't prepared to support that war anymore, and our best policy was to get out. However, it was the Nixon administration's policy to withdraw

from Vietnam, and therefore I thought I could work on the Vietnam program in good conscience. I didn't think it was a bad idea that we would give the South Vietnamese, who had taken a lot of their current positions because of the U.S. role, a chance to run things themselves if they could, if they had proper equipment and training. Therefore turning the war over to them in an orderly way in a reasonable period of time was a sound policy and one that I could support.

So with that in mind, I accepted the job as Assistant Administrator for Vietnam. I started working on it about February 1970, although my clearance and confirmation process still had to go forward, but I nevertheless began running the program. Just a word on the confirmation process might be interesting. In all administrations Presidential appointments had to go through the White House. Some administrations took that down even to mission director and lower level positions, but in any event all of them required political clearance for Presidential appointments because that had to go through the Senate and be cleared, among others, with the Congressmen in the states where these people came from. So my nomination went forward sent by John Hannah. John had two presidential appointment selections that were not career, but because he was relying so much on the career staff, he was having trouble getting his clearances through the White House, who wanted to put a number of political appointees into the system. To my experience the Nixon administration was not as insistent on this as the Kennedy administration, and the Johnson administration was quite good on career people also. I thought that actually the Kennedy administration was more political than either of the other two.

Q: That's interesting because certainly the Johnson administration was very supportive of the bureaucracy and the staff of professionals and career people. The Nixon administration in my exposure to it was much more political, and pushed much further down the line in terms of being sure people were political.

NOOTER: Now that you remind me, it got more political the longer the administration went on. Now most administrations are the most political up front, then become less political during their tenure. But in the Nixon administration, maybe they were just a little bit sloppy at first, but they were fairly loose at the beginning, then toward the end it became more difficult.

Q: I got caught up in the subsequent period I guess...lower levels.

NOOTER: In any event, when they looked at my background, of course I had come in at a fairly high level in the Kennedy administration, and my whole record didn't look so politically pure to the White House. So they held it up for some time, and finally after about six months of John Hannah pushing and pushing trying to get it through, a senior political person, I think his name was Bell, in the White House, called me up one day. He said they were reviewing the request for my clearance and he asked how I had voted in the 1968 election. I didn't hesitate very long before I told him that I had voted for Hubert Humphrey, thinking this was pretty much the end of my appointment. For whatever

reason, my nomination was approved the next day. Now a lot of things happen in the government that I don't understand, but this is one of the most puzzling.

Q: Maybe he already knew who you voted for, or thought you were an honest man.

NOOTER: I don't know whether he gave me credit for honesty or what. I don't know, but for whatever reason he approved it, and it went on up to the Senate and I was approved with no particular problem.

The Vietnam operation was enormous. I think we had some 2200 people in that Bureau either in Washington or the field, most of them of course in Vietnam. AID provided staff for two kinds of programs. One was the more or less regular economic programs: agriculture, various kinds of technical assistance, and infrastructure programs. The other program was the staff that we provided to the CORDS organization in Vietnam. CORDS was a mixed military/civilian operation and it was headed up by someone in Vietnam who reported to the ambassador. He was not under the military and he was not directly under AID although roughly half of his personnel came from AID. AID wasn't directly responsible for the CORDS operation in the field, but we nevertheless kept an oversight of it and were kept informed about it, and played some role in it. It also did link to some extent with the more traditional AID programs that we had such as in agriculture and refugees because the CORDS people in the field would be actually involved in working on some of these programs in the field.

During the course of the next several years the staff size came down immensely. I don't remember the exact numbers, but we were in a phase-down mode. I think we had 400 people in Washington when I first started and in a couple of years we reduced that to less than half, and the same in the field. I don't remember the exact numbers. As I mentioned, the policy of the government at that time was that we were in a withdrawal mode, that we were helping the Vietnamese get on their own feet to take over the war in a military way, and we were trying to help them straighten out their economy with the notion that the U.S. would withdraw in some period of time.

I ran the program from 1970 to 1974 when AID reorganized, and I'll get to that later. It was run as a separate Bureau until 1972, at which time the program had been reduced in size to the point where there was a reorganization and all the programs that were funded with what was called Supporting Assistance were merged into a single region. At that time it included Vietnam, Cambodia, Laos and also a program in Jordan . I don't think we had a program in Israel yet, but if we did that also would have been included.

Q: So it was an economic support bureau?

NOOTER: It was called the Supporting Assistance Bureau. It administered the money that had a political motive -- an economic purpose but a political motive -- and it was a separate line item in the foreign aid bill.

Q: But it was not regionally oriented?

NOOTER: It was not regionally oriented. It was administered on a world-wide basis, but the only areas we were involved in at that time were southeast Asia and a little bit of it to the Middle East. Then occasional bits of Supporting Assistance went to other places such as Malta under a base agreement that I'll talk about later.

But between 1970 and 1972, which is the period that I'll cover first, I was running just the Vietnam program. Of course what I found when I started going to Vietnam on visits, and I did visit every part of that country over the next several years, was that the atmosphere was dominated by the U.S. military upbeat style which doesn't really brook the thought of defeat. While there was no explicit rule about this, one quickly got the sense that things were off limits. It was simply an unspoken atmosphere which partly, I guess from my own military experience and partly from experience in general, I sensed immediately when I came out to Vietnam. Things that were thought of as going badly or not working maybe could be mentioned but always in the context of how they could be improved to make them work, never in the context of the fact that you shouldn't be doing them at all. And this led to unreality in some parts of the Vietnam program. When people go back and wonder what happened, this atmosphere, which has a lot to be said for it in a situation where you are winning, was one of the reasons that created some unrealistic situations. I thought the Best and the Brightest by David Halberstam and A Bright and Shining Lie by Neil Sheehan capture this very well.

I also met John Vann, who was almost a larger than life character, very well described in the Neil Sheehan book. I don't know if the audience to this oral history will know who he was, but he was a military man who had been in Vietnam up until 1963, I believe as a Lieutenant Colonel. John became an outspoken critic of the tactics that were being used in Vietnam because he thought they were ineffective. He resigned from the military as a protest. He had been a close friend of Daniel Ellsberg, who released the Pentagon papers. And John left Vietnam and the military in protest to the policies, and became an outspoken critic of the program. He worked for Martin Marietta for two years, and then was hired by AID in about 1965 and went back to Vietnam as a civilian in the CORDS program.

By this time he had some audience of people who listened to the things that he said, and he did have some influence on the policies at the time and caused them to become more effective. But ultimately, John also was committed to helping the South Vietnamese to prevail. I think John never could quite accept that the South Vietnamese weren't going to prevail as a separate entity from the North.

But anyway, he was quite a charismatic character, and in many ways very unlike me but oddly we hit it off very well. And I must say I learned a lot from John. I went on tours of the countryside with him in his area. At the time I came out he was in charge of the CORDS program in the Delta. There were four regions of the country, and he was in charge of the Delta region. I remember I shocked him and all of his staff when I first went

down to the Delta. They began doing what was standard procedure there, which was to take you into a Quonset type hut and give you a military-type briefing with statistics of what was going on. And after the first briefing I said to John, "No more briefings on this trip, John," because I felt I wasn't seeing anything. I was seeing the inside of a Quonset hut and seeing some figures, but I wasn't seeing the countryside, I wasn't seeing the people, I wasn't getting a feeling for what was really going on. And so while that threw the schedule into a turmoil initially, John could appreciate my response, and he spent the rest of the tour showing the Delta to me in quite a different way.

He liked to take you in his helicopter, which he piloted himself most of the time. The way to see how good the rice harvest was was to fly about 20 feet above the houses in the helicopter and look down in the yards to see whether the piles of rice in the yards was big or small. I had a lot of admiration for John, his views and what he thought, and I learned a lot from him.

Q: He obviously had a very definite strategy he followed in what he was trying to do. Can you describe that, what he was trying to bring about?

NOOTER: I can't remember so many of the details about the program, but I think for one thing the earlier policy had been to have villages that were encompassed in barbed wire and were cut off from the surrounding country, making them into enclaves. John didn't agree with that, among other things. He believed in his CORDS people being out in the countryside and not simply letting the Viet Cong take over at night, but being out where they could dominate the landscape at night as well as in the daytime.

I recall he disagreed very much with the Agent Orange program which was an attempt to defoliate the forests so the Viet Cong couldn't hide in them. In retrospect this was one of the most stupid things you could imagine doing, not to mention the environmental effects that have come from it. He thought that it was absurd, and was one of the few people to say so at the time. Other than being enormously energetic and trying to get down to the grass roots and understand what was really going on, and working with the people at the level where they lived, I can't remember anything else.

Q: Do you have a sense he was trying to understand the Vietnamese frame of mind or attitude or culture?

NOOTER: Yes, that would be true, and trying to support them and get them to take the lead in running things and securing their own defense. Of course ultimately I think he would have been unsuccessful had he lived. He died in a helicopter crash just before the collapse. He was at that time in charge of II Corps, which is where the North Vietnamese principal invasion came through. I always used to say, half in jest, that Vietnam would never fall so long as John Vann was alive, and in retrospect, that's about the way it went. It collapsed not so long after John died.

Q: He wasn't responsible for all of the CORDS operation but just one area, is that what you're saying?

NOOTER: Actually, in his last tenure in II Corps, when the U.S. direct military involvement had decreased and we had less U.S. military there, he was put in charge of not only the CORDS people but all of the military people who were in that Corps. That was considered kind of a revolution to have a civilian in charge of military units, even though he'd been a former military officer.

Q: Okay, we can continue with Vietnam.

NOOTER: Ellsworth Bunker was the Ambassador at the time that I was there, and he was in charge of the CORDS program as well as the AID mission there. I found him to be a most remarkable person. I guess he was about 76 at that time. He had the natural instincts of the true administrator, to my mind. He never seemed to get involved in unnecessary detail, but he always seemed to know the important things that were going on and what to become involved in. He had an ability to separate the wheat from the chaff in a way that was more profound than any executive I'd seen. I thought he was also extremely sensible, level-headed, and never had any illusions about the job that was there to be done, but also did everything he could to carry out his assignments in the best possible way.

Bill Colby was in charge of the CORDS program. He later became head of the CIA, and we'll go into that some more later. Bill also was extremely reasonable and sensible and good to work with. But as I say, nobody wanted to hear anything out there about how things weren't working or how they might not succeed.

Q: That included Colby and Bunker too?

NOOTER: Less so, but it permeated the whole atmosphere. I recall as the withdrawal was going on, in 1972 I was out there on a visit and Colby had arranged a dinner for his senior CORDS staff. There were about 20 of us sitting around a table and at the end of the dinner I suggested we go around the table and ask each person at the table what they thought would happen after the U.S. withdrawal was complete. They did this, in this case in a very frank and open fashion, and two things of note stand out: one, at that time both Colby and I were reasonably optimistic about the chances of the South Vietnamese pulling it off by themselves. But I noticed that the people who were the most pessimistic were the ones at the lowest levels who were out in the countryside and had the closest contact with the people. It was more possible to be optimistic in headquarters than if you were out in the hamlets. And of course they were the ones who were correct. The other thing was that after the meeting one of the people at the dinner came up to me and said "This is the first frank and open discussion I have ever heard in Vietnam the whole time I've been here." I guess maybe with the U.S. withdrawal having reached the stage where it was, it became more acceptable to be open and candid. Colby had no reservations about this openness whatsoever. It was not he who was imposing this lack of openness in the prior period.

Q: What were the people from the lower levels who knew the hamlets, what were they saying about the situation there being pessimistic -- what did pessimistic mean?

NOOTER: I can't remember the details, but I guess they were aware that while a lot of Viet Cong had been killed in the TET offensive, the Viet Cong sympathizers and the North Vietnamese were still there, they were in the countryside, and once the U.S. pulled out they doubted the South Vietnamese ability to pull it off, to retain the leadership.

There was one incident that convinced me that it was going to fail, and that was a military exercise later in 1972 when the U.S. by this time had fully trained and equipped the South Vietnamese army. They were all ready to go and so the U.S. military and the Vietnamese army planned an attack by the Vietnamese army up near the 39th parallel to cut the Ho Chi Minh trail. They were to go in and do that with some U.S. air support, but the ground forces were to be entirely South Vietnamese. They would actually be going into Cambodia, I guess, and/or Laos, but it would be Vietnamese troops.

I happened to be up in Hue at the time, near the 39th parallel, when we got the reports of what happened in that engagement. It was clear that the North Vietnamese, when faced with a threat to the Ho Chi Minh trail, mounted a stiff resistance that completely beat up the South Vietnamese troops, who left their equipment and came running back across the border. I remember seeing General Abrams, who was in charge of the U.S. military forces at that time, shortly after that in Saigon. He was another realist. I liked Abrams very much, a very sound fellow, which was certainly not true of all of the military that had been there. He confided to me that the South Vietnamese had been soundly whipped. It seemed to me that if they couldn't sustain themselves in the face of a real confrontation with the North Vietnamese troops when they were fully armed and equipped by the U.S. and still had U.S. air cover, they certainly weren't going to do it after we left.

In any event, we did spend a lot of time during '70, '71, and '72 on the economic program. Charles Cooper was working in State on the economic program for AID and State, and later went out to live in Saigon running the economic program on the U.S. side. He was quite excellent.

We had a good Vietnamese counterpart, the Minister of Economy, named Ngoc. He was very sensible. I give the credit to Chuck Cooper and Ngoc, who developed a good macroeconomic policy, where they devalued the exchange rate enormously, even though this meant that temporarily it reduced the flow of U.S. financial resources that the U.S. military had to pay for its operations there that were being bought at an overvalued exchange rate. But nevertheless it was healthy for the economy to change the exchange rate and put it on a sound basis. And believe it or not, even with the war going on, the period following the TET offensive was relatively stable, and the Vietnamese economy began to respond and we began to get some good results. This came from the countryside, that is at the rural level. But of course ultimately that got disrupted as the political and military situation deteriorated.

Q: Who was the AID director during this time, do you know?

NOOTER: First Don McDonald and then Bob Mossler. They were both extremely capable people. I think it was in that order. Anyway, those were the two in the time I was there. They were both very competent and ran good programs.

We had one interesting program there in the Mekong Delta. It is a rice-growing area where rice is grown as the flood of the Mekong River recedes. Once the rice crop is grown there's a dry season when nothing was grown traditionally until the next flood. The AID mission introduced a crop of sorghum that could be grown in the dry period, and within two or three years an enormous quantity, it seems to me like several hundred thousand tons a year, of sorghum was grown in the Mekong delta at a time when nothing had been grown before. I thought if one wants to look for interesting and startling successes in the AID program, that would be one example. I would be fascinated to know what happened now that the North Vietnamese have taken over, whether that sorghum crop remains as a cultivated crop. My guess is that it did but I don't know for sure.

Q: What about, we were involved in doing any of the rice developments at all?

NOOTER: Yes, we introduced the IR-8 rice variety. We spread the use of IR-8 rice, but that was already in place when I took over. I think the big issues had to do with the pricing of rice, the availability of rice markets, and how the South Vietnamese collected the rice. Sometimes the rice wouldn't come to market before the exchange rate was devalued; prices were unduly depressed, and so the government was inclined to go out and collect it at the point of a bayonet. We argued that that was not a good way to run an economy.

I think the issues related to rice at the time I was there were more related to policy issues and marketing rather than technical issues. Part of the recovery of the economy was in rice production. As the rice prices rose, more rice was grown and came to market. If the price is reasonable, farmers will grow it and sell it. But under wartime conditions, the South Vietnamese first instincts were not to handle it on a market economy basis. But Minister Ngoc understood that and agreed, and went along with us to implement the policies that brought things around.

Q: Were there other programs of significance? We spent a lot of money. What were we doing mostly?

NOOTER: A lot of the program was what you would call just general program support -- providing foreign exchange so that goods could be imported, which doesn't really promote development. In fact, it can be an impediment to development under certain circumstances even though it will keep people fed and clothed in the short run. There was a big balance of payments component to the program. The technical programs were heavily in agriculture.

Q: What were the AID people doing who were out in the rural areas?

NOOTER: Most AID people in the rural areas were CORDS people. They were involved in rural development programs, for example. If there was a sorghum program they would help see that the crop was introduced and that farmers understood how to grow it.

Q: So were the AID people kind of backstopping the CORDS effort?

NOOTER: The AID mission located mainly in Saigon supported the economic part of the CORDS program in the field. Generally it worked reasonably well even though the organizational arrangement was not very centralized. But the cooperation was pretty good.

Q: What was your sense of the Vietnamese people that you worked with?

NOOTER: As I said, the fact that they could produce a minor economic miracle in the middle of the war convinced me that they had the potential to be another economic tiger once that economy got straightened out if the war were ended. And I guess the present Vietnamese government is beginning to loosen things up and let some market response take place. If they carry that far enough, I have little doubt we'll have another tiger in east Asia.

Let me add one more thing. In this whole period we had a series of refugee programs. It was a very major and active part of the program, feeding and housing and dealing with the refugees that were generated by the war, and of course that varied from time to time. Actually it would be better to talk about this in the context of Cambodia and Laos, when I took over those programs, because the refugee programs were even more important in Cambodia than in Vietnam. But that was one activity of the AID mission that was important.

Q: How about the dealings with Congress on Vietnam, and the public opinion about that at the time? Were you caught up in the general hysteria about the situation?

NOOTER: First, on Congress let me take a minute to talk about that. I began testifying before Congress in 1969 after John Bullitt had left, when I was acting Assistant Administrator. Within the AID system, the Assistant Administrators always went up to defend and try to justify their portions of the program to various committees within the Congress. John Bullitt was a master at testifying. He'd been a New York lawyer and was a good judge of human nature. He was more successful in dealing with Otto Passman than anyone had ever been before. I had the advantage of John's counsel and advice before I had my first testimony before Otto Passman, who was in charge of the Subcommittee on Foreign Assistance of the Appropriations Committee in the House.

Otto was alleged to hate the foreign aid program, although perhaps he didn't hate it quite as much as his reputation alleged, but he certainly used his chairmanship position to humiliate all the witnesses who came before him. In 1962 when I had just joined AID, Ed Hutchinson had just been made Assistant Administrator for Africa. Ed was a rather feisty, very dedicated, very serious individual and very competent. But Ed refused to take Otto Passman's bullying and would try to fight back. The result of that was that he was up there testifying for 28 days for testimony that would normally take one day or two days at the most, because Passman simply wouldn't let him get in the last word.

On the other hand, John's counsel to me was simply to not fight the problem. Just accept the fact that Passman was going to dominate the situation, and the best thing to do was simply to make it as brief and painless as possible, although not letting him put something totally erroneous on the record, but short of that, to simply get on with it, because much of what Passman dealt with was minutiae and details that were part of what he wanted to build as a record but wouldn't affect the overall appropriation level much.

I followed that advice reasonably successfully. From those experiences I developed the Passman five-to-one rule: that is, what I learned was that whatever you said favorable about the program, Passman would put five times that much on the record that was unfavorable. If you talked for a minute he would talk for five or maybe ten. If you talked for an hour he would talk for five hours. So you might as well save your breath. The ratio would always remain the same. And that's what Ed Hutchinson had trouble accepting.

On the other hand, my first testimony before the House Foreign Affairs Committee was a high point. That committee was quite a serious and sensible committee, and was trying to learn something as well as paint records. It had quite a diverse membership from all the spectrums of the political scene, and they were prepared to enter into a serious dialogue with a witness and have some sensible dialogue that would reflect facts and opinions and had some value. I had an extraordinarily good session with them during my first major appearance before a Committee.

Q: Do you remember who the Chairman was at the time?

NOOTER: Clem Zablocki, who was a fine man. He was kind of a Chicago ward healer, but in the Harry Truman sense of rising above his background when he got into a responsible position. And Zablocki had a serious interest in the AID program, which didn't mean he was in favor of everything but he wanted to do it in a responsible way. He ran a good committee with a good staff and good membership. That got my Congressional testimony off to a good start, and while Congressional testimony was always difficult, I enjoyed it with the exception of Otto Passman or Clarence Long who succeeded him and who was just about as bad.

Q: Did you get involved in any public debates on Vietnam?

NOOTER: Yes, one of the difficulties, of course, of being in charge of the Vietnam program was that popular discontent was growing by leaps and bounds. There were frequent demonstrations in Washington against the war. I had five children at that time, most of them teenagers, who were all actively against the war, as were most of my friends. So it was an extremely difficult period on a personal level. My family was all very good about it in many ways, I guess, because they knew I was against the war, too, even though my job caused me to do certain things in connection with it, which I hope I did in a responsible way, but that didn't mean that I favored our being there. What I favored was our withdrawal, and I guess that fact made it a little easier within the family. I don't think my children ever resented my role in it, nor did my wife, who was equally as much against the war as my children.

I do remember some good friends coming from St. Louis for an anti-war demonstration once and asking if they could stay at our house. In fact, there was a big crowd of them and we let them sleep in their sleeping bags in our basement. I remember saying they were perfectly welcome to do that, and some of my family went to the demonstration, but the only thing they couldn't do was put a Viet Cong flag in the front yard.

Q: What about the public in general and the press? Did you have a lot to do with them?

NOOTER: I didn't have many dealings with the press but I did have one or two press conferences at the request of State. I remember one of these. I was naive in dealing with the press. The economic situation at the time, probably in 1971 or 1972, was coming along pretty well and State thought it would be useful to give a briefing on the economic situation. So there was a press conference arranged in which I made a statement and then answered questions. The whole thing went on for 45 minutes or an hour. I remember after it was over when I came out everybody was very pleased with the way it had gone and what I had said and the impression it had made. I said, on the other hand, that I was horrified because out of that 45 minutes or an hour I realized that the reporters would pick one or two sentences and that would be their story, and I didn't know which ones they would pick.

And it turned out that the only thing that made any significant story was a reporter from one of the wire services who had asked about the level of aid that would be needed over the next ten years. I think at that time it was \$750 million a year, and he interpreted something I had said to mean that it would be necessary to maintain that level for ten years, which I hadn't said but that was his impression of what I'd said. Therefore, he quoted me as saying that seven and a half billion dollars more in economic aid was needed for Vietnam. When I saw the wire service story and called him to try to get him to correct it, he refused because that would mean he would have to admit he had made an error. And so that was the story that was generated out of this wonderful press conference. Generally I took a low profile with the press, which was fine with me.

Q: Did you do any speech-making? Were you asked to go out and...?

NOOTER: I did not actually; I was spared that. I didn't have a role in trying to make a public case for the program.

Q:presenting the administration's position to the public and all that?

NOOTER: At a personal level I remember helping to arrange a meeting one time with some anti-war people. One of them had been a shipmate in World War II of Bill Sullivan who was the senior person in the State Department running the Vietnam program, to talk about it, but I didn't make any public appearances in that respect.

Q: Did you have any direct dealings with the White House at that time?

NOOTER: Henry Kissinger was the NSC chairman, and the economic and military programs were really run out of the White House. Within the State Department, Kissinger's link to the State Department was Bill Sullivan who was a Deputy Assistant Secretary. They didn't go through the Secretary; they didn't even go through Marshall Green who was the Assistant Secretary. It was a direct link to Bill Sullivan. There was a committee that met several times a week of which I was a member which Bill Sullivan chaired, and there were several people from Kissinger's staff who came over along with people from the military and the CIA as well as myself from AID. This was the nucleus of the planning and the policy implementation within the government for the Vietnam program.

Q: Was it simply a strategy for withdrawal that you were talking about?

NOOTER: That came, of course, out of the political campaign. It was Nixon's policy even before and certainly after his Asian mission with Marshall Green, the whole policy of withdrawal and more restrained U.S. commitments abroad.

Q: But the assumption there was you withdraw, at the same time the aim was the South Vietnamese would be capable of carrying forward independently without us...

NOOTER: Exactly -- it was to give them a chance to make it on their own by helping to arm them and equip them and helping strengthen their economy. Then we would pull out and it would be up to them to make it on their own.

Q: And they presumably had the capacity to do so?

NOOTER: That's right, or if they didn't that would be the end of it, which of course is what happened.

Q: And there was a recognition at that time that that was a real possibility?

NOOTER: I believe that only became a realization as things got farther along, especially after the attempt of the South Vietnamese army failed to carry out a successful military

operation on its own. In a way I was surprised the North Vietnamese held back as long as they did after that particular engagement, which was about 1972. They didn't really mount much of a serious attack until about '74. I guess they decided it would be less costly in lives to wait till the U.S. pulled out and they'd be able to take it as a pushover, which of course is what happened.

The thing for me personally that was uncomfortable was that while I was comfortable with the policy of withdrawal, the rate of withdrawal was so slow. It was slower than I anticipated when I took the position. I came to believe, though I never had any proof on this from anybody, that the withdrawal pattern was set to be sure there was not a collapse before the 1972 election. There were enough U.S. ground troops there until 1972 that it would not fall before that time. I am fully convinced of that although, as I say, you have to accept that only as my opinion. I can't quote statistics or even direct quotes from anybody to say that that was the basis of the policy. But certainly if you saw what was going on and the rate at which withdrawal took place...

Q: And you were involved in the strategy session...?

NOOTER: Not in everything. We really weren't involved in the rate of the military withdrawal.

Q: Not on the military side, but I would think on the economic side there would be certain assumptions about what you were trying to accomplish?

NOOTER: There was no question that on the economic side the Vietnamese could handle it at any time. They had gone through their changes in macroeconomic policies in 1971, and they were able to handle it after that.

There was one ironical event when I was away on a trip somewhere -- a mission to Vietnam or a vacation somewhere in about 1972. I came back and everybody was in a tizzy because the Defense Department had sent a letter to the Secretary of State saying that while the military program seemed to be progressing well, they were seriously concerned about the state of the economy, and couldn't State do something to fix that. In fact it was totally untrue, but it caused an enormous flap. It was generated by some economist the Defense Department had hired to look at Vietnam and work on it, and who had somehow put Secretary of Defense Laird, who had been a congressman from Wisconsin, up to writing this letter to the Secretary of State.

Q: Did you have any meeting with Kissinger or any dealings with...?

NOOTER: That's interesting. I was going to mention that while I met regularly with this working group, I never did meet Kissinger until about 1972 when President Thieu came for a visit to the United States. The agreement was that he would meet Nixon at San Clemente, and so all of us involved in the Vietnam program went out to San Clemente, Nixon's residence in California, and met with the Vietnamese there. And there I met

Kissinger for the first time. I came back and told my wife that it was an irony that I'd been working in the program for two years and had never met Kissinger, and finally met him in the men's room. The meeting at San Clemente was interesting in that I remember Kissinger telling us ahead of time that by all means don't bring up any economic subjects because Nixon hated economic discussions, and the fact of the matter was that all the Vietnamese wanted to talk about was the economy.

The other thing I recall was Nixon talking with us ahead of time, making the rather cynical statement that the substance of the meeting was absolutely of no importance whatsoever, the only thing that was of importance was that Thieu and Nixon be seen as meeting by the press and by the public. And that was his perhaps absolutely correct but cynical view of that meeting.

I haven't given a real flavor of the tenor of those times. It was during that period when the Pentagon papers were leaked, when demonstrations were frequent and volatile and Washington was swamped with demonstrators.

Q: I get the impression that you were a little bit isolated or insulated from this somehow...that you weren't directly attacked or confronted on this.

NOOTER: It was certainly all around us - demonstrators out in front of the State Department and so on. When I first joined AID, the State Department was completely open, there were no guards, anyone could come in off the street and walk the corridors of the State Department. It was only when there were some bomb explosions, maybe a bomb blew something up on the first floor, that they began putting in guards. After that it was quite a different Government, and it was in fact quite a bit more enjoyable previously. I remember somebody saying how surprised John Bullitt was when he heard I accepted the Vietnam job, I guess because I'd been vocal in my opinion that we should pull out of Vietnam well before 1970. But as I say, I felt I could support the withdrawal policy, but I would have done the withdrawal in two years rather instead of four years or five years.

Q: What about the attitude of people within AID toward the Vietnam bureau and that operation?

NOOTER: There was enormous pressure for AID people to go to Vietnam at the time when there was a huge staff there. Many of them didn't want any part of the war, and had joined the Agency because they were interested in economic development. They didn't see Vietnam and certainly not CORDS as economic development but as war support. When I was in Liberia, for example, people would be called to go to Vietnam and they would deeply resent it and try to find ways not to go. AID actually had to have a policy of forcing people to go at the threat of dismissal because the requirement for staff was so huge compared to the amount of people who would be willing to go without being forced.

Now the ones with whom I worked, once they were assigned to it, to my knowledge all did their jobs as earnestly and as conscientiously as they could. There was no holding

back or anything like sabotage or anything even approaching it, nor do I remember people complaining about it once they had the assignment. Once they were there and working, they did their job.

But there was a lot of tension and a lot of feeling in the Agency about Supporting Assistance, that this was really more political than economic. I'll talk about that later when I get into other Supporting Assistance programs. My own view, not so much on the Vietnam program but in general, was that if we could get Supporting Assistance, it could be used for economic development. It didn't make any difference to me whether it was called Development Assistance or Supporting Assistance, we should use it as best we could to achieve economic development. And if it was easier or better to get it by calling it a different name, that was all right with me. At the same time I did feel an obligation that it be used in a serious way and not, for example, for buying fake opium.

Q: What, maybe this will come later, did the Vietnam situation have an impact on AID, or its perception of what AID is about in terms of congressional views or support? At that point we had, what 18,000 people on the rolls, and Vietnam was a factor that took a large staffing, and then it started going down as we phased out, but what was the image of AID or was it affected, did you have any sense, by the Vietnam domination of the AID operation?

NOOTER: My view is that the development part of the program went forward pretty much the same, although later, for somewhat other reasons that don't necessarily just relate to Vietnam, certain political programs got protected at the expense of the development program. But I don't think that was so true in the Vietnam years.

Q: There was the Fulbright view, or other view, that economic assistance got us involved in a country and in a situation which we then...and therefore he set up these limits, that only so many countries could have only so much of this and so on?

NOOTER: I guess you're reminding me of a view that became popular. I didn't think it ever had any credibility but the fact that Mr. Fulbright thought so was of some significance.

Q: There was the issue there of having economic assistance and development assistance in the same country, and people were very upset because development assistance, I think, was being used in Vietnam for purposes that were not development. I've forgotten the issue now but...

NOOTER: My view at that time, and I remember saying this in staff meeting, was that 80% of the support for the foreign aid program was for cold war reasons and 20% was for humanitarian reasons. And if you had to rely on the humanitarian alone, if you want to use that term for the purest kind of development assistance, you would get about 20% of the funds you would get if there was a communist threat in the world. I remember believing that at that time and I am inclined to think that it was true.

But now what has been interesting to me, as things have developed now with the breakup of the Soviet Union and so on, is that in a sense aid has become more ensconced in our thinking than it was in 1970 because I think in spite of the fact that the aid budgets are being cut, there is a recognition that there is a U.S. role providing foreign assistance even in spite of the absence of a communist threat. And this support is somewhat larger than I would have anticipated 25 years ago. We haven't seen this fully played out yet. We don't know what it will look like in 5 years or 10 years.

What I'm saying is that the support even for the development assistance part of the program was based on political reasons to a fairly large extent anyway. It was just that Supporting Assistance was more directly related to a situation that was politically important than the average situation in the developing world.

Q: Well, we'll come back to that later. I think the specific point, and I can't remember precisely...did you ever meet with Senator Fulbright?

NOOTER: Oh yes, many times.

Q: Was the view that economic assistance particularly was getting us in situations where we had then to get more and more involved, and that therefore certain legislative restrictions or processes were starting to be built in, limiting where we could provide this Supporting Assistance, and you couldn't have it in the same country where there was development assistance and so on. Because there was something at the time trying to use Supporting Assistance in a way that he thought was contrary to what Congress' intent -- I can't remember the issue?

NOOTER: Yes, I do remember that but I don't think that was very broadly accepted except by Fulbright himself. What did happen was that before Vietnam, aid was something that liberals would support and conservatives would be against. And out of Vietnam did come liberal antagonism in some quarters to foreign involvement of almost any kind, including development assistance. For example, you had Fulbright, who had been a person inclined to support foreign aid, who turned against it, and then he became an ally of the conservatives who were willing to cut aid for traditionally conservative reasons. But I don't think the Fulbright view that aid would tend to get the U.S. involved in foreign entanglements was one that was broadly accepted. Certainly it was not by other aid supporters such as Hubert Humphrey or even people like Senators Stennis, Percy, Javits or Aiken.

Q: Well we can come back to that. We've covered a lot. (end of tape.)

NOOTER: In 1974 the Agency reorganized again. The AID management found Supporting Assistance was spreading to different regions in the world, and it was thought of as not very efficient to have this all managed from a single Bureau. I must say that I got a lot of sympathy in the years that I was managing the programs in Vietnam, Laos,

Cambodia, Egypt, Jordan, Syria, and Israel. It was kind of a running joke that one person would be burdened with all of these hot spots. But in fact it was all quite fascinating.

AID reorganization and a new assignment as Assistant Administrator
for the Middle East, Southeast Asia and North Africa

At any rate in 1974 the Agency reorganized and went back to a geographic basis. I took the Middle East Bureau, which at that time extended all the way from Bangladesh to Morocco. South Asia was included in the Middle East group at that time. There was also an East Asia Bureau that ran from Burma on through Korea. So I continued to run the Supporting Assistance programs in the Middle East countries, but Southeast Asia was managed by the East Asia Bureau after 1974.

Q: So you were not involved with the last offensive in Vietnam and the withdrawal and all that?

NOOTER: That's right. I told my successor that Vietnam was going all right when I left it, I don't know what he did wrong, but the collapse came after it was no longer my responsibility.

Incidentally, at some time in about 1973 when Colby was offered the job as Director of CIA, Ambassador Bunker asked if I would come out to Vietnam and become head of the CORDS program, but I declined. And so I missed those last hectic months, fortunately.

So I continued with the Middle East Supporting Assistance programs, but I also picked up the development programs in Southeast Asia and North Africa, and then a few new Supporting Assistance programs which developed in that area. But I only had South Asia for a short time before it became part of the Asia Bureau after the East Asia Bureau was reorganized. But I did handle the South Asia countries for about a year and a half. At that time our program in India was not very large. I did visit Pakistan and see the program there.

I guess the most heavy personal involvement I had in that area was in Afghanistan where one of the interesting AID experiences for me was reviewing AID's support for the Hellman Valley . The Hellman Valley is an area in southern Afghanistan that has been a historic area of irrigation that goes back to the tenth century. It's a natural area for irrigation. By South Asia standards it's not very large. I do not recall the exact size, but it may be 25,000 or 50,000 acres. It's small compared to the Pakistan and India irrigated areas but for Afghanistan, it's extremely important.

In the earlier period of irrigation in the tenth and eleventh century it deteriorated because of invasion and the breakdown of the government in Afghanistan. Starting in the 193's, the Afghan Government tried to develop it. It employed a private U.S. company to develop the Hellman Valley that goes back to that period. The AID program began

supporting it sometime in the 50s, and by 1973, AID had finally decided after more than 20 years that support for the Hellman Valley should cease.

In 1974 Henry Kissinger made a visit there, and the Government told him their distress about learning that aid was stopping. They asked if the U.S. government would reconsider. Henry said he would send out some experts to review the decision. He didn't promise anything but he said we would take a look at it. I was the "expert" that was sent to review it. While I had been involved in irrigation; I'm not an irrigation expert, but I did do a good bit of homework on the Hellman Valley, the potential and what the problems were. I visited the Valley and saw the situation firsthand. It was quite an interesting situation.

First of all, about half of the Valley had already been fully developed and was functioning, and it was one of the most productive areas in Afghanistan. And the other portion of the valley, where we'd been giving assistance most recently, I discovered had never had a proper drainage system installed. My conclusion, on a purely technical basis, was that the area, which was suffering from salting, could at a relatively low cost be improved with the completion of the drainage that should have been put in in the first place. And so to the horror of my staff and my deputy, Al White, who had worked for years to try to get us to phase out of Hellman, I made the commitment, with, of course, the agreement of senior management, to continue a program there. I still think that this was a sound decision.

I left the area before the work was completed, so it's hard to say the outcome, but it would be another good subject to go back and review. I suppose with the war and the various military activities going on in that area in recent years, I have no idea what the condition of the Valley is now, however. The Hellman Valley is an example of aid that did lead to development of a very productive area, much more gradual and not as dramatic as the East Bank of the Jordan Valley, but at the time I was there, after 20 or 25 years, the Valley was just coming into its real productive potential, and was a very important part of the agricultural production capacity of the country.

Q: We were in Afghanistan generally I guess on the borders with the Soviet Union, and therefore you were truly on the front lines of the Cold War I suppose. Did you see any evidence of that kind of proximity to Soviet efforts or influence?

NOOTER: Everyone was very much aware of the Soviet presence. We didn't run the Afghan program as a Supporting Assistance program, however; it was a pure economic development program. However, we were aware at that time that the Soviets were concerned that Afghanistan could be an influence on their Islamic republics. Some of the later Soviet involvement in Afghanistan was to keep Afghanistan from influencing the Soviet Islamic republics to break away and become independent, which of course ultimately they have done. The Afghans were receiving Soviet aid as well as U.S. aid. My chief Afghan counterpart down in the Hellman Valley had been trained in Moscow. However, I found him quite compatible and we got along very well, but a lot of their

people were Soviet trained. So there was an attempt on the part of the Soviets to maintain good relations with Afghanistan at that time.

One other incident from that period. Dan Parker superseded John Hannah, and there was some delay in his clearance because he had been involved in fund-raising in the Nixon campaign of 1972. But at any rate Dan, as was Hannah, was seriously interested in the foreign aid program. I didn't agree with all of his ideas - he tended to think that modern science and modern technology could be used more extensively and extended more rapidly into development programs than my experience would indicate would be the case, but nevertheless he was a serious supporter of the development program.

Q: ...in computers?

NOOTER: Yes, computers, satellites, satellite education systems and so on. I recall going on several trips with Dan, and one was to Pakistan, where we called on Ali Bhutto in about 1974. I recall Ali Bhutto asking us quite seriously whether it wasn't the case that the U.S. was in decline as a major world power. We, of course, without trying to appear too defensive, assured him that we intended to be around for a few centuries more. And of course we lasted a good bit longer than he did. But it did highlight the fact that this was a common view of the U.S. in '74 and '75 due to the apparent defeat in Vietnam, and the fact that we were having enormous economic problems and high rates of inflation and so on. In those years the U.S. image abroad was not very high.

In 1975 we had a program in Lebanon to try to restore the damage that was done from the fighting that had taken place, which came from the presence of the Palestinian refugees in Lebanon, an Israeli incursion into the southern part of the country, and fighting between the Palestinians and the Syrians around Beirut. The World Bank was also involved in that; I recall we worked with them very closely. I believe that we did this with Supporting Assistance. That was my first venture into Lebanon, and one of the interesting things there was that it had the most minimal government I had ever seen in my life. The government structure was extremely small and the sorts of things like running the ports and so on that in other countries were usually done by governments were done under contract to private individuals. It was quite a minimalist government, and it worked very well until the political formula broke down. We came in to help rebuild their port, some housing, probably some telecommunications and so on, with the World Bank. The fighting broke out again in 1976 and I think we came back again after that. I don't know how many times we went in and helped, but each time they managed to tear it down again.

Q: We were supporting American University of Beirut at that time too I guess?

NOOTER: We were giving support to the American University of Beirut under a special line item program called American Schools and Hospitals Abroad, or something like that. It goes back many, many years. I don't think we did anything special for them because of the war, but we did continue the support, which was mainly used to fund scholarships to

the University for students from other Arab countries. I recall going out there and calling on them. They had a hospital as part of the University medical teaching program, and at that time the hospital had survived very well because it was treating injured persons from all sides of the conflict without reference to who were friends and who were enemies, and the result was that everybody left them alone.

I remember on a later trip that they had had one round fall in a yard in the University just before I got there, which was the first time they were impinged on. Later, I believe, the President of the University and other staff were kidnapped and held hostage. But that was much later and I don't know the circumstances.

We also had a program to help the resettlement of Portuguese returning from Angola and Mozambique; in 1975, when the Portuguese agreed to pull out about 600,000 Portuguese citizens who were living in those countries when they were Portuguese colonies. In a country of 9 million people, this made an enormous inflow of people without homes and without jobs and so on. We agreed to provide them assistance, which included housing, apartment dwellings, school buildings, other kinds of direct refugee aid such as food aid and that sort of thing. And so for a number of years we helped Portugal. The amazing thing was how quickly those refugees were assimilated into the economy, and I believe within about three years they were hardly visible anymore. Somehow they adapted, even those who were of mixed race. A lot of the Portuguese had intermarried and there were a lot of mixed race people among the refugees. But nevertheless they were absorbed relatively quickly into society, and I guess our programs were of some help in doing that. But of course, as in all aid programs, the main cause of the success came from the degree of the resourcefulness of the recipients.

We also had a program in Cyprus. The Turkish army invaded Cyprus in support of the Turkish minority there in about 1974. The Turkish population was about 20% of the total population of Cyprus. They were the low-income part of the society, working as servants and so on. They lived interspersed with the Greek Cypriots. With the Turkish army's invasion, the Turkish population moved up to the north and the Turkish army secured the northern half of the island for them. Now the geography of Cyprus is such that the best, most fertile land, and the most scenic area and the tourist centers were mainly in the north. And the Greek population had to withdraw into the southern half of the island. Once again there was a refugee situation to be dealt with -- the need for housing, the need for jobs and so on. We undertook to help, and I made several trips out to Cyprus.

Again, the startling thing in the case of Cyprus, even more than in Portugal, was how quickly the Greek population recovered from that event. They had lost the citrus orchards in the north, which were a main source of livelihood. They had lost the tourist centers, the main port was in the north, most of the fertile land was in the north, as I have said. But in spite of that, within 2 or 3 years, per capita income of the Greek population had been restored to the same level that it was before the invasion. They got some windfall from what was going on in the Middle East at that time, when some money coming out of Lebanon went to Cyprus, and it became kind of a financial center in lieu of Beirut, which

was a fortuitous event for Cyprus. But other than that, it was simply that there was a very productive and ingenious population who were able to apply themselves to restore their economy. As I remember the numbers, the per capita income of the Greek population was calculated to be around \$1300 per capita before the invasion, and the Turkish population was about \$400. After the separation and after the restoration of order, say three years after 1974, about the same numbers applied. The Turks in the north, in spite of having all of the assets, were still around \$400. Our aid was all to the south, of course, since we did not agree with the Turkish use of force.

Q: We were only helping the south?

NOOTER: We were only helping the south, yes. Turkey in this case was thought of as an invading force, and while we had close relations with Turkey in other respects, we didn't in terms of Cyprus.

Q: And what was our program? Mainly...

NOOTER: It was to help the refugees in their short term needs. Housing was a major part of it. They reestablished the tourist industry using their southern facilities, and as I say, it became kind of a financial center. I had problems with the Kennedy Subcommittee on Cyprus, because after the first three years when it became apparent that things were going extremely well and the economy was recovering and the growth rate was quite good, the Administration thought that the aid level could be reduced, and in fact shortly would no longer be needed. But the Kennedy Subcommittee disagreed with that and I think were successful in enacting assistance for Cyprus that extended beyond what the Administration had requested.

Q: Did you have any sense of what the political pressures were that led to that?

NOOTER: It would probably be unfair to say, but I guess there was a constituency in Massachusetts that might have had some bearing. I mean a Greek Cypriot, or a Greek, constituency that might have had some influence on the situation. We had some rather heated exchanges on the issue of whether further assistance was necessary, since it was my job to defend the Administration's position before the Subcommittee.

We also undertook a curious program in Malta, which had never been a U.S. aid recipient. At that time Prime Minister Mintoff, who was the leader of a Labour Government, had announced that he was not going to renew an agreement to allow the British fleet to use Malta as a base. This was a longstanding agreement that had gone back for many years. There is a close link between Malta and Great Britain. A lot of British people go there to retire. They call their parties the Labour party and the Conservatives. They had a British Governor General there for many years, and I don't know whether they still do.

In any event, Mintoff announced the termination of the British base agreement, and both the British and the U.S. thought that was a bad idea because of Cold War interests in the Mediterranean. And after tortuous negotiations, there was an agreement that Mintoff would extend that agreement for seven years based on a certain level of payments by the British, but supplemented by some assistance from the United States. The British felt that whatever their payment was was all they could afford, and the rest would have to come from us. This was a little like the Uruguay agreement where the U.S. economic portion of that agreement was a bit fuzzy.

I was sent out to Malta develop a program with the Malta government that would represent the fulfillment of the U.S. commitment. And so three or four of us went out as a team, and I was the team leader. We stayed in the Governor General's quarters, where they had the longest bathtub I've ever seen in my life, and we visited all of the various Government Departments and talked about what their needs were and so on. We in AID interpreted the agreement to mean that the actual Supporting Assistance level should only be \$5 million, since funding was very restricted at that time and we thought that that would be an adequate level.

Q: One time or many...?

NOOTER: It was thought of as a one time figure in the case of Malta. We also agreed to provide some PL 480 wheat, but what we also worked out was that the Maltese could buy surplus Army equipment from the European U.S. military bases. There was a program, I don't know how widely understood or advertised, where aid recipients were allowed to buy surplus equipment from U.S. military stocks for a fraction of its cost. Often this was 10% or 20% of its initial costs, and sometimes this was new equipment: trucks, cranes, heavy automotive equipment of various kinds. Of all the things that we offered the Maltese, this was what they were most excited about because they had big shipyards and needed cranes and equipment of the kind that was available in this stock. And so what really satisfied their interest was the surplus equipment.

Mintoff was known to be an extremely difficult, acerbic, brilliant fellow. We had two meetings with him in which I participated, and I saw several sides of him. He came by the first night when we arrived around midnight - he kept strange hours - and talked to the team a little about what their needs were. It was a very cordial meeting, and he was very charming - he was putting on his most accommodating face. At the end of the week we were there, the U.S. Ambassador had arranged that we would go see him to summarize the findings of our team, and so the Ambassador and I went to see him, again in the evening, I think it was around 10 p.m., in which he listened in a perfunctory way to the economic arrangements which he found no fault with. Then he proceeded to take apart our Ambassador on various political issues, and did this in a most insulting way.

Q: Not necessarily related to Malta?

NOOTER: Oh, it was related to U.S. - Malta relations absolutely, but not to the economic program. In fact, we had given our report earlier to a lower level team and so that was sort of settled. So he used this occasion to bring up uncertain political interests. He was very close to Qadhafi, among others, and thought he was kind of a link between Italy and North Africa and particularly with Libya. Of course, Malta sits between the two and has a population which has an Italian upper class and an Arab underclass. It was quite a fascinating meeting. However, we succeeded in fulfilling our mission at quite minimal cost to the U.S. government, and the base agreement stayed in effect for seven years.

One other thing I might mention is on Pakistan and India. At that time, our main interest in those countries was in regard to wheat production, where the large irrigated areas in Pakistan and India were thought to not be producing the amount of output that they should, considering the availability of water and the infrastructure that was in place. There were several reasons for this. Water usage wasn't very efficient because they didn't charge for it. Another was that historically grain prices were set by the government and kept at prices that were too low to create incentives to produce. We did some calculations that showed that in Pakistan if they achieved agricultural output at the same rate of productivity per acre as we did in irrigated areas in the United States and a few other places around the world, they could increase their output by eight times. At that time there was enormous apprehension around the world about a world food shortage. It's a distant memory now, but you may remember that there was enormous concern about the world's running out of resources and being unable to feed itself. The oil crisis had come in 1973. Saudi Arabia was trying to assist Sudan to become a "bread basket" in order to be able to feed itself. I remember attending a conference in Aspen on this subject. But based on what we knew about things like Pakistan and their level of output from the available resources that they had, it was quite obvious that this was not at all a matter of not being able to produce enough. We concluded that it was mainly a function of price. If the price were high enough, the food would be produced, and in the case of Pakistan and India they had been suppressing the price and having to import food because they hadn't let farmers have an incentive to produce.

At the time I looked at the problem in 1975, India had begun to change its policy and had set wheat prices that were about 30% higher than the comparable prices in Pakistan. I didn't watch India closely in subsequent years, but India began to get an increased response, and from a subcontinent that people thought could not feed itself, suddenly India began producing a surplus. I believe that it has not had a serious problem feeding its own population since that time, even though the population must be many, many millions of people greater than it was then.

Pakistan had not yet made that change, and did not during the time that I was involved in it.

Q: This was in 197...?

NOOTER: 1975, yes. '74 or '75 I visited those two countries a couple of times.

There was a similar experience in the Philippines. I remember when I first testified on the Philippines in around 1969, that the IRA-8 rice varieties had just come out and the Philippines had just become self-sufficient in rice. I remember testifying that now the Philippines, because of IRA-8, had become self-sufficient in rice. I made a visit to the Philippines shortly thereafter, and in the course of that visit I found that the Philippines had been self-sufficient in rice periodically over the past 15 or 20 years. Each time that they became self-sufficient, it would drive the price down the next year, and they would no longer be self-sufficient. At the time I made my visit, which was the year after they had become self-sufficient, I found depressed prices and reduced production. That was the first of many lessons about the power of prices in influencing output and production. And how important the pricing, marketing and of course exchange rate policy is, since the exchange rate influences the relationships between imported and domestic production. The technology is important but it doesn't stand alone. It stands in the context of all these other factors, which can be overwhelming to what is happening to the technology.

Running the Middle East Bureau was perhaps my most satisfying AID assignment.

Q: Let's go back to those two or three years.

NOOTER: I was running parts of the Middle East from 1972, that is the Supporting Assistance programs in the Middle East, which included the major ones. But then in 1974 with the reorganization, I dropped Southeast Asia and picked up the development programs in the other Middle Eastern, and for awhile South Asian countries.

Q: Why was that the most satisfying job?

NOOTER: The programs were interesting. It was less war-related than Southeast Asia. There was interesting development going on. Of course, that had been true in East Asia also, but in East Asia I was the Deputy and it's always more fun to be the head. We had a good staff, very conscientious and serious people trying to do a good job in a professional way, and a program with a lot of variety in it. It included anything from the politically oriented programs in Egypt, Jordan and Syria to the more purely developmental problems and programs in the other countries in the region.

Q: Were there any particular things that you were trying to get done at that time, policies or efforts to reform or change?

NOOTER: The program with the biggest impact on the country, of course, was the Egypt program because it was so large. I can't remember how large it was at the end of that period. I mentioned that it started at \$250 million a year, but then it went on and expanded beyond that. Of course because of its political orientation, we didn't have much leverage to transform the economy, but nevertheless that was one of our objectives. I would say in terms of that objective we didn't really succeed. We made some marginal changes but we didn't succeed in an overall way.

Q: Why didn't you succeed?

NOOTER: Because of the political orientation of the program. It wasn't possible to threaten stopping the program. It was politically difficult for the Egyptians to make the kind of changes that would have been desirable, such as raising the price of bread and adjusting the exchange rate.

Q: A point we'd like to come back to later, okay?

NOOTER: I will make a comment on the Aswan Dam because that's received so much comment in the press over the years. We weren't directly involved in the Aswan Dam at the time that it was built. Both the U.S. and the World Bank pulled back for whatever reasons - I wasn't involved in it at the time - for either political or economic reasons, and it was built with Russian assistance. It is one of the largest hydroelectric dams and irrigation projects in the world. It is on the Nile River, and affects the entire flow of the Nile and therefore the water supply of the whole Nile Valley, which is what Egypt really lives on.

It has come in for a lot of criticism for having caused adverse environmental effects, and for upsetting the natural flow of the river. I visited the dam and also had a chance to study the impact of it, and I can only say that while it did cause some health problems because of schistosomiasis, which is a debilitating disease, not deadly but debilitating, on the downstream side of the dam in the irrigated areas, nevertheless it would be almost inconceivable how Egypt would have been able to grow any reasonable portion of its food supply if it hadn't built the dam. Before that they were limited to a single crop a year after the floods - as the floods would recede, their crop would be planted and they would grow a crop. With the dam they could grow crops twelve months a year. That means two or a little more than two crops a year. Given the limited amount of agricultural land and the limited amount of water it's almost inconceivable that they could have got by without the dam.

There were some technical drawbacks to the way they used the electricity from the dam. They had put in an old nitrogen fertilizer plant built on the old German design -- taking nitrogen out of the air which takes a large amount of electricity -- and at the time we were there they were still using a lot of their power from the dam for that purpose in a very uneconomic way, at the same time that we were putting in additional electric power supply of the more conventional kind to meet the growing demand for electricity. At the time the dam was built there was a surplus of electricity, but as that changed the Egyptians failed to close down these uneconomic plants. I don't know what they've done in the meantime, but at the time that was a misuse of a portion of the electricity from the dam.

But the irrigation was a priority. With a hydroelectric dam that serves both irrigation and power they have to make a choice between production of power or an optimal flow of

water for irrigation, and they always gave the priority to irrigation. In that respect I think the dam was extremely useful for Egypt, and I can't agree with those who claim that it shouldn't have been built.

As I say, we weren't directly involved in the dam, but because of such things as becoming involved in hydroelectric plants as alternative sources of supply, we studied the problem and tried to understand its relationship to the rest of the economy.

The beginning of the Carter Administration and appointment as Deputy Administrator -
1976

At this point in 1976 Jimmy Carter was elected President, and the long string of Republican administrations came to an end. I was in the position of having come in under the Kennedy Administration, being recruited at a relatively senior level, but not really a political appointee in the sense that I didn't have any particular political antecedents. Nevertheless I had not come up from the bottom of the civil service, and so I'd come in in a process that was used for political appointments. But then before the Republicans had come in I'd served there long enough in a professional capacity to have been integrated into the regular AID foreign service. So when the Republicans came in I could be viewed as a professional rather than as a political appointee, although of course I mentioned some of the difficulties I had getting acceptance from the Nixon Administration for my first political appointment.

Nevertheless, when the Democrats came back, I had been serving under Presidential Appointment level positions in a Republican administration for six years, and therefore there is always a question of one's ability to survive into the next Administration. People at that level are all required to submit their resignations at the time a new Administration comes in. In any event, John Gilligan was appointed as the AID Administrator. John was a former Governor of Ohio who had been defeated in his try for a second term, and he had been selected to be AID Administrator. He brought with him five or six people from the outside who were part of his "inner circle" who helped him during the transition period. Some of these people had worked on Carter's campaign, and some were from Democratic staff positions on Capitol Hill. These five or six then proceeded to review the Agency personnel as well as people outside of the Agency and attempt to make their personnel selections for the appointive positions in AID.

There were about fifteen positions at the level that required Congressional approval. This included the Administrator, the Deputy Administrator and perhaps 11 or 12 Assistant Administrators. In addition to that, there were about 300 positions in the Agency that could be selected without reference to Congressional confirmation or without reference to the civil or foreign service. These people could be brought in at the will of the management of the Agency and given temporary appointments. These positions ranged all the way from the top level, that is GS-18 at the civil service side or FSR-1 at the foreign service side, down to the secretarial level. These were positions, for example, if an AID Administrator came in and he wanted to bring his secretary from a former

organization with him, he could bring her in to what were called AD positions. I can't remember what the initials stood for but they were appointive positions.

This was the latitude that the new management had to bring in people from the outside. The Gilligan team interviewed all of the senior people including myself and on whatever basis made an offer to me to become the Deputy Administrator. I guess the Administrator wanted to appoint some senior professionals from the old system, since none of his inner circle had any experience in economic development. On whatever basis, he must have decided my appointment under the Republicans was not a political choice, but was a professional one, and therefore offered me that job, which I accepted. He filled the other 11 or 12 Assistant Administrator positions with a mixture of professionals who were already in the Agency and people he brought in from the outside. I can't remember the proportion; I guess the bulk of them were from the outside but not all of them.

He didn't have any professional background in the aid business nor was he an economist. He did bring in Jack Sullivan, the Assistant Administrator for East Asia, from the House Foreign Relations Committee who had been a staff person there and was familiar with the AID program. But Jack was not one of the five or six that I referred to as his inner circle.

Well, several things happened.

Q: How did you get cleared? Was there any issue about your getting cleared?

NOOTER: Yes, that's what I'm coming to. My nomination went through the clearance process in the White House, and that was not an issue. It went up to the Hill and was submitted to the Senate Foreign Relations Committee, where under the regular procedure a nominee goes for a hearing with questions and so on, the committee votes on you, and then it's sent to the Senate for confirmation. All of that went forward without incident. It went forward to the Committee, and I appeared before the Committee and had a hearing, and the committee voted my confirmation without any negative votes. The nomination was then ready to go to the Senate when Ted Kennedy put a hold on the nomination, which any Senator can do.

His objection to the nomination stemmed in part from some of the hearings regarding refugees, that I mentioned. I didn't mention one of those hearings that perhaps was the most interesting Congressional hearing of my career, when in about 1971 Bill Colby, who was head of the CORDS program in Vietnam at that time, was back in the United States and was asked to testify before the Kennedy Subcommittee on the Vietnam refugee program, and CORDS' role in dealing with refugees.

I was asked to go along with Bill to accompany him as a supporting witness, and although ultimately I never did have to answer any questions, this was at the time when the anti-war feeling was at its peak. An organization called Vietnam Veterans Against the War had been formed and was at that particular time camped on the Mall to participate in demonstrations against the war. And they, of course, heard about this hearing and packed

the hearing room in the Russell Office Building. So when Bill and I arrived the room was packed with veterans in army surplus clothing; television cameras and floodlights were lighting the room, and our going down the aisle to take our place near the head of the room for questioning was a little like running an Indian gauntlet, with catcalls and whistles and an enormous amount of emotion. This was true through the whole hearing, where Colby's replies would be greeted with "Liar," and the only thing that saved the thing from breaking out in total pandemonium was that Kennedy, although he had called this hearing as a kind of anti-war protest, nevertheless was required to maintain some semblance of order in the hearing or he would have come under criticism. And so he had the job of quieting the veterans to a certain extent and keeping the hearing more or less in bounds. But it was an emotion-charged hearing as you can imagine.

This was the kind of background that I guess was behind Kennedy's objection to my nomination.

Q: Was it a particular issue that you were testifying about?

NOOTER: It was about the handling of refugees, because it was a Refugee Subcommittee. The testimony had to do with the number of refugees, how they were being handled and what was being done to help them, but the real issue was the war and whether the U.S. should even be in Vietnam.

Q: Whatever your position was, you were somewhat symbolizing the Administration's position...

NOOTER: That's right, we represented the Administration and the U.S. presence in Vietnam at a time when a lot of people thought we should have gone home. And in fact I thought that too, but that was not my role in the hearing. For this and other reasons such as our belief that the Cyprus program should be terminated at the time when Kennedy wanted to continue it, and I guess the fact that in Kennedy's mind I was a representative of the Republican Administrations, or whatever, in spite of the fact that I'd come in under the Presidency of his brother didn't seem to make any difference.

I remember calling on him and having quite a civilized personal chat about my nomination. Indeed, I knew him quite well because we didn't only have testimony but would sometimes provide him with information or I would come to see him on issues that he would want to discuss. So I knew him extremely well, and in fact, odd as it seems, had at least a reasonably good working relationship with him in day to day business. Sometimes in the hearings his staff assistant Dale de Hahn was obnoxious, and we sometimes had sharp disagreements relating to what the facts were in one situation or another. Anyway, for any or all of these reasons, Kennedy decided to oppose my appointment, even though he was a Democratic Senator and it was a Democratic President who had nominated me.

The staff circulated a memo on the Hill about a week before my nomination was scheduled to come up for a vote. The first step had been that he put a hold on the nomination. It's the custom in the Senate that any Senator can hold up any nomination for any period of time he wishes. This gives great leverage in dealing with appointments. But eventually after several months' delay Kennedy did agree to release it to the floor for a vote. And about a week before it was to come to the floor, as I say, his staff circulated a memorandum about what was supposed to be my record and what I had done. The memorandum was so scurrilous and inaccurate that I recall consulting a friend who was a lawyer to see if it was possible to sue. It really was libelous. My friend, who had worked up on the Hill herself previously, advised me that Senators were immune from being sued even though the staff had done it and there really was no chance to deal with this in any legal way. It was particularly galling because if Kennedy had raised these issues at the Senate confirmation hearing, I would have had an opportunity to reply or answer the charges.

However, the Administration was able to mobilize considerable support in my behalf, and Gilligan and his Congressional Relations people did contact people as I did. Of course, I had been testifying on the Hill some seven years by that time, and I was well-known to many people up there. And so a number of the Senators agreed to support me, including Senator Humphrey, who was a good friend, not a close friend but someone I knew quite well, and Senator Inouye, whom I had testified before many times and worked quite closely with on a number of issues, as well as Senator Stennis, whom I didn't know so closely, but who agreed to support me, and one or two others.

And so it went to the Senate floor. My wife and a couple of my children went along and listened to the debate. There's a record of that, of course, somewhere in the Congressional records. It was unbelievable because the issues that were discussed had so little relation to the actual facts. Kennedy had rounded up some support from Senator Sarbanes and one other Senator, I forget who it was, who spoke against me, more or less along the lines of the memorandum that had been produced by Kennedy's staff. And Senators Humphrey, Inouye, Stennis and one other Senator spoke in my favor. Senator Kennedy only secured the three votes that he had rounded up, and the rest of the Senate voted to confirm me. But nevertheless it was a very nasty and unpleasant incident.

The irony was that that evening after the vote, I had to go to some meeting and was out. The telephone rang at my home and my wife answered. It was Senator Kennedy who had called. He asked if I was home, and my wife told him I was out. He said he just wanted to call to congratulate me on my appointment. I guess this was in the old Irish spirit of after the fight is over you shake hands and make up and get on with your business, but my wife had trouble keeping a civil tongue.

At any rate, on that basis I was confirmed.

Q: He must have been making a larger point than a personal one though, don't you think? Is that possible? He had a political issue he was promoting through this thing?

NOOTER: Well, it's not clear to me what his political issue was. I hate to put on the record some of the rumors as to why he did that. After all, he isn't here to defend himself, but it's not as though he wanted to attack the Carter Administration. He did like to carve out a position for himself as being the main defender of the refugees. But to do that in opposition to his own party was hardly the normal way of going about making a record. I think I know some of his motives, but he may have sincerely thought I was a poor choice for the job. That certainly is his privilege. The fact that he got so little support from other people who knew my record must have said something about that. But in any event the confirmation passed and I went on with my job. But it did not leave a pleasant aftertaste.

Meanwhile, while I was waiting for this to be completed, I was nevertheless filling the job of Deputy Administrator, which is normal in that kind of situation. And I found myself in the strange position of being the only career person amid the five or six outsiders John had brought in. He was always very good about including me in most if not all of the meetings of that group. But it was a group with a bias that grew out of the Carter candidacy's view of the Government as something that needed to be changed.

It's hard to recall now, perhaps, but Carter came in as an outsider to Government at a time a little bit like today, when people were saying that Government should undergo a drastic change. Some of the people in John's inner circle felt very strongly that this mandate should be carried out. One of them, perhaps the most influential, who was named to the third highest position in AID, was Ted Van Dyke. John was the Administrator, I was the Deputy, and Ted Van Dyke was Assistant Administrator for Programs, which was the next position in the hierarchy of the Agency. Van Dyke stated unequivocally, at least in this small group, that he thought that at least one third of the people in the Agency should be turned out, should be dismissed, within the first six months or else the new management was not doing its job.

He later was involved in a study of AID's organizational structure, although he didn't have any economic or development background. Gilligan himself, at around this time, said publicly that the people in AID were "overage, overpaid, and over here," meaning in Washington rather than overseas.

Now you have to know John Gilligan to understand his ability to say that. He was a person who shot from the hip, who had the ability to make a quip, a turn of phrase that caught the attention. But sometimes he regretted, as he ultimately did this remark, some of the things he said in that way. Nevertheless, this was a statement he had made. And so it wasn't surprising that the AID professionals, most of whom were serious people trying to do a good job in something that they'd made their life's career, had trouble looking kindly at a person who made that kind of statement as to how he viewed the Agency.

So I took part in these meetings of the inner circle, many of which were designed to try to figure out how to tear the Agency apart. And of course my role was to try to moderate that, at least to the extent that it didn't tear down something constructive that had been

built up over many years. It was to John's credit that he almost always included me in those inner circle meetings, and I was always free to say to him anything I wanted as to my opinion, even though it may be totally in disagreement with the group. We had a good personal relationship at all times. He was a man without rancor, he never held personal grudges, and one could be quite open and frank with him, even when one was telling him he'd done something quite silly or inappropriate. But at any rate I felt a little like the Dutch boy holding his finger in the dike.

Van Dyke quit in six months. He decided that they had not been able to make the changes that he thought were a part of the Carter mandate, and therefore he didn't want any part of what happened after that and therefore he left. Which of course improved the situation immensely. While I had no objection to change, I will say that the attitude of some of the people in this group was a really quite destructive. One of the issues as I remember, related to the hiring of people. I have always placed very high importance on management's role in hiring, promoting and dismissing people. I've always thought that good judgments on these points will improve an organization's performance as much as any operational judgments that are made while you're running the place. Therefore one of my roles was to try to keep the new people from hiring totally inappropriate people in the positions where they had the option to do so. Of course, I didn't have much say about the Assistant Administrator level, which was decided pretty much by the transition team at the same time I was being chosen. But there was still the choice of other people further down the line in those 300 AD positions. Not all of these were open, that is, some of these positions were filled with career people who had carried over. Nevertheless, there was some latitude to bring in other people. The new team wanted to do that, which is understandable, but my job was to try to see that the people they brought in were qualified for the work that needed to be done.

One of the other policies of the new Administration was to review those 300 AD positions to be sure that any that were filled with Republican holdovers were dismissed as promptly as possible. And that was part of the program - to free up some positions so they could be filled with others of their choice. I recall the Assistant Administrator for Latin America was a Hispanic American who was an extremely intelligent, bright, young (I think he was about 36 years old) lawyer who had been working in Washington, DC, but the only problem with him was that he felt that his main role in the Agency was to bring in and promote Hispanic Americans. That was his overriding objective, which is fine in its own right, but sometimes the people he wanted to employ really weren't qualified.

I recall one case where a Hispanic American with a background as a salesman of cyclone fences in Los Angeles had lost his job, and the Assistant Administrator wanted to bring him in as a Mission Director or Deputy Mission Director of an overseas mission, when he had no overseas experience, no economic background, no professional background whatsoever, and not even a management background. I recall saying to the young Assistant Administrator that he simply wasn't qualified, and his reply was, "Well I'm not qualified either, so if I can be Assistant Administrator without being qualified, why does someone lower than I am have to be qualified?" Nevertheless I was able to keep that

particular selection from being made, and hopefully kept a semblance of professionalism in the ranks during this trying period.

Over time, a number of the people who came into AID with these highly prejudicial attitudes changed their views and adapted to the system, and some of them learned something about the development business. And others left, so that within a year or two, the tension that came from this shock of people coming in with that set of attitudes was lessened. It was not an easy process, however.

As far as Gilligan himself, in his first year he kept trying to make changes as best he could. But he didn't understand the protections provided by the civil service, and the new group couldn't understand why they weren't simply able to dismiss people. The foreign service is not as protective as the civil service, but nevertheless there are some protections there. And John, in hoping to find some way, simply thought if he could find someone clever enough, they could find a way to carry out the dismissals he wanted to do. It wasn't that he was aiming at any individual people, he just felt that there should be a big shakeup.

I recall one interesting episode when he went out to look for a chief personnel person throughout the U.S. government. He was trying to find someone who could understand the system well enough and could advise him how to carry out the personnel changes he wanted. He finally located someone who promised him that it could be done. John offered him a job on the spot. In this case it was done without my having been consulted. I only learned about it after the offer had been made when John told me what he'd done and showed me the man's biodata.

Within the next 24 hours I did a lot of checking and found the man was a liar and a misrepresenter with an absolutely terrible record, and was able to get this information to John, who was persuaded to change his mind. He withdrew his offer to the man, with some considerable embarrassment, but hopefully to the benefit of the Agency. The man was simply telling John things that could be done in the civil service that weren't true in an effort to secure the job. And of course John's offer had been oral, not in writing, and he was able to retract it. But it was an example of Gilligan's shooting from the hip and then having to scurry around trying to get out of a jam.

There's one more incident that falls into this whole category of personnel relations. While John was saying all these things about AID and having the pejorative view that he did, for some reason he didn't seem to recognize that this might have some effect on morale, or some effect on the way people felt about him. After about one year, in the house newspaper called "Frontlines," he wrote a little memorandum and said he'd been there about a year and he wanted the staff to rate him, to see how, he wanted them to tell him how he'd done in his first year in office.

As you know it's the system both in the foreign service and the civil service that every year a supervisor writes a report on the people under his supervision, and they are able to

discuss this with him. And John, being a true democrat and hail fellow well met, wanted to reverse the process and do some bottom-up management and get feedback from the staff about his performance. What he got back from the 20% who had the nerve to answer was so shocking to him that he simply couldn't grasp the fact that what he'd been doing had been perceived by the staff as an absolutely terrible job. He called the five or six people in the inner circle and myself, on a Sunday morning, to his house to discuss the feedback that had come from this survey. He was shocked to learn the impact that his remarks had made, and the effect it had had on the staff. But the replies did make him realize that what he'd been doing was thoughtless and careless and not very sound.

Another thing was happening in that first year. He brought in one person who was not exactly part of the inner circle but was very close to John. I can't remember what his background was, but he did have some background in development work. John gave this fellow a lot of latitude to look around, to visit missions abroad, to talk to staff, and to report to him on his impressions of AID. This man's name was George something, I can't remember the last name. At any rate, George was a very sensible and level-headed fellow, and in the course of his travels and investigations, what he was feeding back to Gilligan and ultimately concluded after about a year, was that the AID organization was a serious one with highly experienced professionals who were hard-working and doing as good a job as possible under the circumstances in which they operated.

George's reports were beginning to have an effect on John at the same time that the survey results were calling him to task for his thoughtless comments and his attitudes towards AID. So he went through a kind of conversion over the next several months in which he changed his view of the Agency, I think for sound reasons, and began acting in a more professional way himself in the way he ran the Agency. I will say incidentally, that all of the things he did at any point from the first to the last were never done with the least bit of nastiness or vituperativeness. It was always done in a kind of open and even good-humored way; it simply was thoughtless, but there was just no nastiness about it. John was always a very nice person and this is why our personal relations could be good throughout this whole period when he was doing things that I totally disagreed with. In some cases he would accept my advice and moderate his behavior, but I couldn't control him every minute of the day, in fact I didn't control him very much at all but I could influence some decisions once in a while.

At any rate, the Agency went through a very trying period at that time but somehow it survived and eventually pulled through. But then at the end of two years John's tendency to shoot from the hip finally did him in. He was in some public forum where he made some remarks about U.S. policy towards Israel, or something about which he had no business even having an opinion on the subject, and this was quoted widely in the press. The Secretary of State promptly went to the White House and said "Please remove this fellow, he's making intemperate remarks about things that affect our foreign policy." And Gilligan was out within a matter of hours.

Q: As I recall he was making very critical remarks about the level of aid to Egypt and Israel and that whole Supporting Assistance or economic...

NOOTER: I think the incident that caused his dismissal had nothing to do with aid levels. It wasn't even on the subject of aid. It was more general foreign policy, and therefore even more inappropriate. It would also have been inappropriate to take issue with the level of aid the Administration had decided to give, but it wasn't even as aid-related as that. At any rate, the Secretary at that time didn't think it was an appropriate thing for an AID Administrator to say, and the result was that John left us in great haste.

And then I was Acting Administrator for six to eight months while they searched for a replacement.

Q: When was this?

NOOTER: It was in 1979. He left about February or March of '79. I ran the Agency until September when Doug Bennet came in and took over as Administrator, and then I resigned on December 31, 1979.

Q: Well we don't want to jump too far ahead, but since you mentioned it, was there a particular reason why you resigned at that point? Was there...wanting a change, was the Administration wanting a change?

NOOTER: One of the reasons for my resignation was that I was qualified for retirement under AID's rules that allow retirement at a relatively early age. I thought it was not likely that the Democrats would be reelected, and I thought that it was unlikely that I would succeed in making the transition to another Administration of a different party. I had done that three previous times, but the higher you go in the Government, the harder it is to make those transitions, and I doubted I would make the next transition. As it turned out, the Democrats weren't reelected but Peter McPherson was appointed Administrator. I knew Peter very well and I might have remained, at least for a while as Deputy Administrator with Peter, with whom I was on extremely good terms. However, after having testified before Congress for eleven years, and gone through all the travail of the Deputy Administratorship during the Gilligan era, I decided it was a good time to change. I said earlier that my Middle East job was the most satisfying, but the Deputy Administrator job was the least pleasant, perhaps in part because of the tensions and difficulties of the Gilligan period, partly because the Deputy Administrator doesn't directly run operational programs. He gets all the nasty jobs in the Agency nobody else wants, all of the equal employment opportunity problems, the appeals of firings, and so it wasn't nearly as enjoyable as running a Regional Bureau.

In that job I think the most useful thing I did, besides trying to mitigate the original Gilligan views, was in the personnel area. As I mentioned, I always placed a high premium on personnel choices. I thought that if an organization gives good people the best possible opportunity to function and tries to eliminate the people who are

nonproducers and are dragging down the system, that's the best way to make an organization functional. Within a civil service or a quasi-civil service such as the foreign service, of course your options are limited. Your ability to hire is limited, your ability to make other personnel choices is limited. Within the AID system it was especially limited in the ability to give promotions. In the foreign service system, promotions are given by panels of people who are appointed, including some from the outside and some from the inside, and promotions are decided on the basis of the supervisor's ratings in the person's personnel file. Management has no direct role in making promotion choices within the foreign service. However, management did have a significant role in placing people in positions in the foreign service, that is, the choice of Mission Directors, Deputy Mission Directors, and key senior positions was either made by or approved by the Administrator or Deputy Administrator.

It was my objective to do several things: one, to try to be sure that the new people we were hiring as young professionals were the most qualified people that we could get. And also that the placement of people were the best possible choices that we could get for our senior management positions. I kept a list of two or three hundred names of people within the Agency whom I thought were particularly outstanding. I had a kind of informal network of people who were professionals in the Agency whose judgements I particularly valued as to their views of who was most or least qualified, because in a worldwide system it's difficult to know everyone yourself, as you would in a smaller organization or in an organization in one location. I hoped through this system of becoming heavily involved in these choices to be able to assure that the best people were in the most responsible positions. It ultimately would help their promotion chances also, because the record would reflect the level of their responsibilities. If a relatively junior person was placed in a position of Deputy Mission Director, the panel would review that and see that he had done a good job even though he was only at a low grade level. If he were only an FSR-4 instead of the usual 2 or 3, then he must be a good person, and therefore he would have a better chance of being promoted. So we were able indirectly to influence the promotion system, although those panels met only once a year and so it was a long term process.

Q: Did you try to address the system at all as opposed to individual...to change the system?

NOOTER: No, because I didn't think you could change the system. The panel system is similar to that used in the State Department; it's been established for many years and is set up to ensure impartiality. I didn't think it was feasible or practical to try to change the system. It was more a matter of learning how to operate within that system to make it produce desirable results.

Q: How about the civil service system?

NOOTER: The Civil Service had a different set of rules. There your options were more limited, it was more rigid. I can't remember the details, but of course we tried to influence

the choices there also. The use of the AD positions, where you did have some leeway for placing people, was one way that you could maneuver or influence the personnel system somewhat. The Civil Service rigidities, of course, cause most of the management in government to gnash their teeth about them. At the same time, having lived through the Gilligan period, some of those rigidities are worth putting up with if it prevents some group of wild men from coming in and wrecking an organization overnight. But the system is rigid and it is difficult to operate.

Q: In that role you obviously must have had a lot of dealings with very top people in the State Department and the White House. What was that experience?

NOOTER: Sometimes as Deputy Administrator, and even more as Acting Administrator, I would sit in on the Secretary's weekly staff meeting that the Secretary of State would have for senior people in State and related organizations.

Q: Who was the Secretary of State at that time?

NOOTER: It was Cyrus Vance. I had a lot of respect for Cyrus Vance, I thought he was an excellent person. Yes, I worked very closely with State. I sat in on NSC meetings that were on subjects relevant to countries where the AID program was significant. Brzezinski was the head of the NSC under Carter, and those meetings were quite interesting to say the least.

Q: What were the signals you were getting from that vis a vis AID's role on the team?

NOOTER: I might have sat in on four or five NSC meetings but they were on specific subjects, El Salvador, for example. Was it going to survive? I recall the head of the CIA at that time predicting that El Salvador would go Communist within the next one or two months, which of course never took place. But AID was not the center of the discussion. I was simply a participant to represent the organization on a subject that was under discussion at the time.

Q: Did they ever discuss development policy or strategy or anything that related to AID's role?

NOOTER: I don't think that ever was the subject of a NSC discussion that I took part in. I can't remember that it was.

Q: Or with the State Department or anything like that, or with the White House separately?

NOOTER: I saw many attempts to review whether AID should be reorganized and in what way, and I came to admire the foresight of the people who set up the relationship between AID and State that they did in 1961. It survived for so many years because it was

in fact probably the best compromise that could be made between the diverse interests of AID and State and the interests of the other agencies involved in foreign aid.

Many of the AID professionals thought that AID should be a separate organization, that they shouldn't have to deal with political considerations. On the other hand, that's not realistic in the sense that aid from a government to another country is bound to be political whether you want it to be or not. And there is an appropriate role for State in that process, there has to be. There are also roles for other agencies such as the Department of Agriculture on PL 480, the Treasury when it involves the transfer of funds, the Bureau of the Budget and so on. All of these organizations have a legitimate interest in the AID program in one way or another. And the problem is to balance those interests in a way that doesn't completely bog down the operations. That just requires a lot of skill. I've come to have respect for the term "good bureaucrat." A "good bureaucrat" is someone who knows how to manipulate within those constraints and do an effective job in spite of the fact that he's balancing a lot of diverse interests and a lot of different views. The system breaks down if any one part of the clearance process or any one of the participating agencies tries to assume more authority than its legitimate share, whether that be State or Agriculture or Defense or whatever. And once in a while some individual would come along who would, on a personal basis, try to extend his authority beyond what his legitimate organizational role should be and that would cause problems.

It was always interesting to see what happens to the informal functional relationships that exist in the transition of one Administration to another when presidencies changed. The government functions on a day to day basis because of a web of relationships that are set up between people in different organizations, and when the Government changes, often those webs are broken down because the personnel change or shift around. And then it'll take a period of time before those networks are reestablished, the informal networks are developed. I don't know that there's any way around that except to recognize that this process is going on and to try to facilitate the establishment of these relationships as quickly as possible.

Generally my relations with State were always good. I had respect for the State viewpoint in most cases. Most of the State people I worked with were responsible and trying to do a serious job. They may or may not have always had the same view as AID, but nevertheless they had legitimate views considering their responsibilities.

Concluding observations on AID and international development

Q: This was a period when, you may want to come to this later, you were Deputy Administrator, and there was a major shift toward making human rights an issue. What were your views?

NOOTER: The Carter Administration brought with it the notion of human rights as an important issue of interest to governments. I recall that the politically appointed Deputy Secretary of State at that time was testifying before the House Foreign Relations

Committee. I was there as a supporting witness when the first questions came from the Committee about human rights, and it took the witness totally by surprise because this had not been on the agenda before. I believe Robert Ingersoll was the chief witness, and he simply did not know how to deal with the question. Of course, a lot of things have happened since then, but how the Government mixes its more conventional interests in foreign affairs with human and moral issues has not yet been resolved, and I won't try to resolve it during this oral presentation.

I will comment on a related subject that evolved in the 70s, which had to do with the emphasis that was put on poverty as a major objective of the development program. As I observed it, the notion that AID should place an increasing amount of attention to doing programs that helped lower income people in the countries where it was working was really an idea originated by Jim Grant. Jim had been in AID and its predecessor agencies for many years, and had been incidentally the Assistant Administrator for Vietnam immediately before me. I'd known him ever since I came into AID in 1962 and had a lot of respect for him. Nancy knew Ethel, his wife. Ethel had been part of the orientation program that Nancy attended when we first came into the Agency. Jim left AID in 1969 to become the head of the Overseas Development Council, which was established to try to promote aid and to increase aid levels because Jim felt that aid was an important thing for the Government to do. Jim thought that by placing emphasis on the humanitarian aspect of aid he could garner additional support for it, and so he developed the concept of development aid concentrating on poverty as one way to do that. I think Jim also felt sincerely that this was important to do for its own sake, also.

My observation of it was that it was a valid idea, but is extraordinarily difficult to do effectively, and often it takes weird turns as the policy goes down through the bureaucratic system. Because the job of providing aid in a way that increases economic growth is extraordinarily difficult in the first instance. When you add to it that you're going to do it in a very selective way aimed at a very special group, it's extremely hard to do, even in our own country for example, where the Great Society programs frequently failed.

I recall that this idea gained support on the Hill in 1974 or '75. AID, in trying to demonstrate to Congress that it was taking this directive seriously, appointed a special staff in the central Program Office to be sure that all the projects gave as much emphasis to poverty issues. And I recall that we were trying to prepare a project in Yemen to increase poultry production. The administrative decision from the Program Office was that we couldn't assist any farmer who had more than 100 chickens because he wouldn't be at a low enough income level to meet the poverty objectives. You can't blame Jim Grant for that decision, but an idea that has a lofty sound and a good general objective often takes bizarre turns when it gets down to the operational level.

Q: Do you recall one part of Jim Grant's pitch was that trickle-down wasn't working, the general economic growth, the private sector, the infrastructure was not addressing the needs therefore you had to be more direct in the human needs program? The other end,

you might want to comment on that, and then the other concern on the lines you were just talking about was the phrase "the poorest of the poor" which in my understanding was never the intent of the legislation but became the language of the day. Maybe you want to elaborate on those two points.

NOOTER: I share the skepticism that's expressed in the way you phrase your question. The phrase "poorest of the poor" evolved out of the discussion somehow, and I don't think Jim had that in mind. Also, when you're dealing with a country where the average per capita income is \$250 or \$150, of course there are some rich people in those countries, and of course we don't want to run our programs in a way that simply enriches the richest. Having said that, to try to pinpoint the poorest is a fool's errand and simply isn't administratively feasible in most cases. If we're doing refugee programs, then we can provide food aid that goes directly to the poorest people. That's certainly one thing that can be done, but that's not development, that's a bandaid. It's extremely important sometimes, but it's simply not a development program. The objective of the program should be to achieve self-sustaining growth from which all parts of the society can develop, and it is almost always accompanied by a greater concentration of wealth in its early stages, as was the case in the United States in the late 1800s.

I think once we take our eye off the ball of how we transform a country from being a non-growth country to being one that's able to generate savings and investment and proceed to start along a growth path, which is what the objective of the program should be, we reduce the chances of accomplishing that objective. Within that context, we also need to look at income distribution and policies that try to promote equity to the greatest possible extent. But you can't do the second while ignoring the first, which should be our principle objective.

Q: Another issue of course during your time both before you became Deputy Administrator and during was this swing back and forth about the importance of the private sector.

NOOTER: In the 70s there was more emphasis put on working with the private sector . That grew enormously in the 80s and the 90s, and I think our understanding of how to do it is a lot better than it was in the 70s when I was in AID. A number of the attempts in the 70s were somewhat naive and misdirected. My own view is that the emphasis on the development of the private sector is completely appropriate.

Then the question is what are the things that are most important for that. Of course I've worked in the private sector before joining AID. I'm familiar with motives and incentives in the private sector. Often the things that are important to do for the private sector are the things that create the conditions in which the private sector can function rather than aid dollars that flow directly to the private sector. In other words, it's the policies of the government, it's whether there is an infrastructure and a setting in which the private sector can function, whether there's a functional banking system, whether there's a legal system that permits the enforcement of contracts. Probably the least important is making money

available directly to the private sector. We have had some successful programs where AID money was channeled directly to the private sector, but that's better done by a banking system. The bankers are the ones who should make the judgments about what businesses are a reasonable credit risk. Bureaucrats don't make commercial judgments very well and they shouldn't be put in the position of having to any more of it than necessary.

Q: What about the small enterprise, what you call the micro enterprise money in private sector activity and the non-formal sector that has been...?

NOOTER: Encouraging small enterprises is extremely important, but we have even more trouble when we try to put money directly into the small enterprises. My own view is that the small end of the private sector is the most important in development. The important thing is to develop a lot of small industries that can grow if they're successful and expand and can move into areas where there's an economic advantage based on market choices. Borrowers in developing countries often tend to feel they don't have to repay when they take a loan from the government, and the government has a hard time foreclosing. It seems to me that these are things that should be done by private banks, not by government bureaucrats or by aid organizations. At the same time, the conditions under which the small businesses operate are something that AID programs can influence. The World Bank can do that a lot better than AID because it's a bigger, more powerful organization.

I was in Kenya speaking to a friend of ours who had a farm there. He wanted to have four or five rooms he could rent out to people on a commercial basis as a way of adding to his farm income. However, he found that it would take licenses from 16 different organizations in the Kenyan Government to be able to do that. And he knew also that it would require bribes to most of those organizations in order to get the licenses or the approval, and so he simply decided not to build the rooms. So the structure that was set up was so inhibiting to private investment and to development. He didn't need money to build the rooms; he could get the money to do that. He had the skills, this was a low-technology operation. But the government structure was such that it discouraged him before he even started.

That's an example of what in the trade we call the "investment climate," which governments create and can do something to improve if they wish. And sometimes we as aid donors can influence the governments in that direction.

Q: One other point in another direction, I'm sure you'll have points you'll want to bring out, in back of this other relationship the State Department and the political role, developmental interests and their ...communist threat. In the statement the State Department says we've got to have that level of aid for this reason or we've got to assist this situation...for conditions to implement. Did you find that...has the AID program really been helping in supporting foreign policy and has it compromised therefore the

developmental effort? How would you square these sometimes but maybe not always conflicting objectives?

NOOTER: It's difficult to generalize because it's a balancing of interests that are legitimate. Sometimes it's handled well and sometimes it's handled poorly. I guess that you could say that the aid that we gave to Korea after the Korean War, which might have been viewed in the 50s as largely wasted, ultimately resulted in an extremely successful Korean economy now. If we want to think of it in Cold War terms, it became a bulwark, but even if we think of it in development terms, it is highly successful and is an example to its northern neighbor of what it could achieve under a different economic system.

In viewing whether aid has been successful or not, I've found it to be the most useful to look at what's happened to countries in the world since the end of World War II, and which ones have emerged and developed and gone on to be prosperous. The record on that basis is really quite promising. And I will hasten to say that it's difficult to say that AID's role was critical to those successes. If you go back to World War II, you find Spain and Greece evolving in this way and Portugal. These were thought of as underdeveloped countries 50 years ago. You've had a good part of Asia become "tigers," highly developed and models for development. Indonesia is making quite important strides and Thailand. Latin America, which was troublesome for years and dominated by dictators is now largely democratic and a lot of it is economically successful. You still have extremely troublesome places from an economic viewpoint around the world: most of Africa is still in the doldrums, but on the whole the record of countries that have made the transition to sustained development is quite impressive.

Q: Would you share the view that sometimes where the level of assistance had to be maintained because the State Department's interest in preserving some sort of political reform, even though it was jeopardizing the quality of the program because you could not apply conditions to it, would you agree that that was a valid situation?

NOOTER: I would say Egypt and Israel are the two outstanding examples of that, but this has been based on White House decisions more than the State Department.

Q: In Liberia we've had to maintain the level of assistance in a situation where we didn't have much latitude did we, or influence?

NOOTER: You mean in recent years or at the time that I was involved in it?

Q: At the time you were involved in it?

NOOTER: I don't think there was any great pressure to maintain a high level of aid. The amounts weren't so high, and we did exercise some leverage there. There was an IMF program that we supported. In the middle 60s the Liberian performance was influenced in a positive way by the pressures we were able to bear. Those weren't overwhelming pressures but we were able to coax them into reasonably good behavior. Had they

continued along that track for enough years I think that Liberia would eventually have made some progress although it suffers from many of the problems that the rest of Africa suffers from in terms of a shortage of human resources.

No Egypt is the case where no doubt the aid that was given could have been more effective without the political constraints, but I really stopped looking at Egypt in detail in about 1977. I would expect that the large levels of aid that go to Egypt represent a great deal of waste because they're supporting policies that aren't conducive to creating investment and increasing productivity. As I mentioned, it was the threat of a decline in aid the Korean program that led to the Korean turnaround. That was not an artificial threat, it was simply a prognostication that U.S. support for Korea wouldn't sustain the high levels of aid that they'd been getting. And faced with that reality the Koreans were smart enough to know that they'd better try to get their house in order.

On the relationship between AID and State, there was a curious period in the late 70s when Hubert Humphrey, who was always a big supporter of the AID program, thought that he would help us by creating an organization that would make AID somewhat more distant from State, somewhat more independent. I don't remember the acronyms now, but there was enacted into law during the Carter years an organizational arrangement...

Q: IDCA (International Development Cooperation Administration)?

NOOTER: IDCA yes...an organization called IDCA that was to be in charge of all of the foreign assistance elements in the Government including AID, PL 480 and I don't know what else, but that was the intention, and it would create some additional independence of AID from State. The actual fact was that it wasn't successful in bringing any extra leadership to the other aid organizations and so IDCA was simply a new piece of bureaucracy that sat on top of AID and created a new set of guidelines and policy papers and so on. It was never a very large organization, but it was completely redundant and as I saw it, totally useless. I think that ultimately this was resolved either by changing the legislation or simply appointing the same person to be the head of IDCA and AID. As I said, Humphrey was trying to be helpful to AID by separating AID from State, but in fact this only created a bureaucratic nightmare that eventually had to be worked out of.

Q: ...the issue at the time was really an attempt to bring all of the U.S. government development activities that included part of Treasury, part of PL 480, and the Overseas Private Investment Corporation, on and on and on, all under one umbrella which reported directly to the President. Of course the bureaucratic situation was that no one in Treasury, no one in...

NOOTER: That's right, these other agencies simply operated under authorities, which gave the power to them and the system never functioned. So this attempt to separate from State didn't work. State insisted on having at least some hand in the policy aspects of the AID program. The fact that AID was under State but at the level of the Secretary, I always thought was quite a successful arrangement. That is, we knew that within AID, State was

going to have some influence but on a day to day basis, the State people also knew that they couldn't appeal every little decision up to the Secretary and so compromises had to be struck based on our various interests.

The same thing was true in the overseas missions. Ambassadors during the Kennedy years were put in full charge of all the U.S. Government operations in that country, initially with the exception of the CIA, but I think that may have changed later. In any event the AID Mission Director knew he had to live with the ambassador, and that relationship was either good or bad depending on the character of the individuals. But the fact was there were legitimate interests on both sides that had to be served. And to simply say that the AID Mission Director could ignore what was going on at the Embassy would be naive. At the same time, ambassadors who tried to run the AID program would give the AID people fits and could cause all sorts of problems. But those were the exception rather than the rule.

Q: As Deputy Administrator you must have spent a lot of time dealing with the budget issues with State and trying to sort out who gets how much and the balancing and so on of the different interests?

NOOTER: Not really. That happened more within the Regions. I had much more contact with State when I was Assistant Administrator, and of course when I was in the field, where I knew it was in all of our interests to have a good relationship between the AID mission and the embassy.

Q: Looking at AID now that you've been away from it and worked within the World Bank, how would you reflect on it as an organization, its effectiveness...over the time you saw it from the beginning of AID to the present, what kind of sense do you have?

NOOTER: AID in the 60s and in the 70s was an extremely effective organization. It had its problems, partly because of Vietnam, partly because of the Gilligan years, morale problems and so on, but on the whole it had a very serious-minded group of people trying to do a good job. One of the reasons for that was that the work itself was so challenging and so fascinating. It tended to attract good people and to hold their interest, and often people in Washington and even more abroad could become totally dedicated to their work because the nature of the work was so interesting. When you're meeting with the Minister of Finance for a country, trying to help him improve the livelihood of his people, and if you see that you have made some contribution to that, it is extremely rewarding.

I gather in the last 10 years or so, AID has been going through more politicization at the political appointment level than we did when I was there and that that has caused some serious morale and operational problems. But I really don't have any first-hand experience of that. Incidentally, I also felt that the strong management that I mentioned in the 60s, which held over to a good extent into the 70s, was able to bring up and promote and encourage a younger group that was quite competent. Then in the 70s we began to be able to hire young professionals with former Peace Corps experience, which was excellent

overseas experience combined with a sense of dedication. This gave the Agency a manpower pool that survived for a long time in the face of serious management problems that came later. I don't know how long that manpower pool will last or has lasted. It won't last forever, eventually the good people will leave and if they're sufficiently discouraged they'll leave sooner. Early retirement policies are really a detriment to the future of the Agency, and some of the special provisions that encouraged people to retire even in their 40s was to my mind kind of ridiculous. Anyway, I do think that what happened in those years was to create an organization with a lot of qualified people doing a serious job.

Q: When you came in under Kennedy, you spoke with a lot of excitement about development as a challenge. How did you see that excitement evolve over the time you were there? Was it maintained or what happened?

NOOTER: I think that the excitement of the Kennedy years was never matched at any later period. I recall during the Johnson years there was a cutback in which half the lights in the hall of the State Department were dimmed in order to save electricity, which probably saved about \$5 a year but it made the place look like a half-dead institution. Guards were instituted to make it extremely difficult to get into. A certain sense of shabbiness came into the offices as budget cuts and restrictions took place. Those were minor things but they did reflect some of the change in attitude from the earlier period.

Q: Was it a matter of administration, or were there things happening you were observing in your role there in the world situation and in domestic politics?

NOOTER: Of course the whole United States went through an enormous social upheaval in the late 60s and early 70s that we're still recovering from and that took its toll. You commented earlier on the Vietnam period. I didn't give the full flavor of the sense of sitting in the State Department while there were demonstrations going on outside. Our children were beginning to use drugs and losing respect for the older generation for what they saw were the errors of our ways. All of those things affected the morale of the nation at all levels. But having said that, AID carried on in a serious way to try to do its work.

Q: Well now reflecting on both the experiences as mission director and Assistant Administrator and Deputy Administrator what would you summarize as, what works in development or why does it work? What are the factors that people should be, or the universal truths if there are such a thing in the development process, in your experience, to pass on to others?

NOOTER: I've thought for a number of years that the overall objective of the development program is to free up the energies of the people in the countries that it's assisting with. Development is all a matter of the productivity of the people in the country. Now the question is how do you do that. I think we've learned a great deal. The break-up of the Soviet Union confirmed what the better economists had been saying, and that is that one has to reduce the level of regulation and government intrusion. One has to set an environment in which the private sector can work, but when we say private sector,

I'm talking about individuals as well as corporations. And then the level of response that one gets depends on those individuals, it depends to some extent on the cultural background of the people you're working with. This doesn't mean that the cultural factors can't change, but they change rather slowly and begrudgingly.

Nevertheless, people everywhere respond to economic incentives. We've seen as the Soviet Union broke up that parts of the Soviet Union that were willing to open up their systems, establish a sensible exchange rate and create a market economy where prices set the level for goods and people could invest and make choices and so on, even though they'd been under a highly socialized system for 70 years, respond rather quickly.

The way we think of this in economic terms is get the macroeconomic policies correct, to get the environment in which businesses function correct in terms of the legal system, the financial system, a realistic exchange rate, a budget that doesn't create unnecessary inflation, and then the economy will evolve. In addition to that we can do some things to help the transfer of technology. Some of that - maybe the most important part - is done by private investors who invest abroad and bring their technology with them. But once in a while we can help with the development of an IR-8 rice variety or a high-yielding wheat that will make a massive difference to millions of people, or maybe we can support a measles vaccination program that will eradicate measles.

Q: Looking back over programs that you've developed, that you've approved and all that, what would you, what period...?

NOOTER: Undoubtedly it's when a country itself begins to function in a way that indicates self-sustaining development as Korea did, as Taiwan did, maybe with some guidance from us or from international organizations. When a country transforms its policies in a way that its people can function on the basis of responding to market incentives so that they produce because they know they'll get the benefits of their labor. I don't think it's any more mysterious than that. The question is...

Q: ...how do you program money to...

NOOTER: ...that's right. I wrote a paper recently that made the point that if we program balance of payments aid when the conditions aren't right to assure that it is absorbed as investment rather than consumption, we will be harming the situation rather than helping it. That may be getting a little technical for this oral presentation, but it's a little like the Dutch disease. If you strike oil and you suddenly get a lot of oil income, the fact that you can import goods cheaply because of the oil revenue means that this will depress the rest of the economy, and this of course is exactly what's happened in Nigeria the way they've managed their oil money. They've suppressed their agriculture; they've replaced it with oil production, but the oil revenues are not evenly distributed throughout the country.

Q: What other programs do you associate with this issue that are most satisfying? Do you feel this is something you helped design or improved and so on? You've mentioned

your support for the Bangladesh ORT program. Are there other programs you feel particularly ...?

NOOTER: I've often thought that I've been associated with a lot of programs that have had disasters tear down the things that had been accomplished. Liberia, for example, is in a period of absolute self-destruction because of its civil war.

Q: ...different types of projects from just general country programs...

NOOTER: But I think that the Asian countries have prospered the most, and we certainly played a role in that, certainly in the case of Korea, Taiwan, Thailand, and Indonesia. The encouragement of India to adopt a correct wheat price policy was important, the development of land grant colleges in India, which gave India the ability to do agricultural research so that they could keep up with agricultural development in their own country. That's been totally self-sufficient for years but was originally an AID program, which was very successful. Then there are odd little pockets of success such as Ethiopian Airlines where they run a very successful airline in spite of all the years of general government mismanagement that's gone on there. Some programs have certainly crashed, some of them have been lost in history. Some have had unintended consequences of the kind we mentioned before, unintended consequences from programs that may have looked like failures, but turned out to be successes. Some have made a general contribution to human resource development, the development of the people of a country which could only be realized when the country's policies got on a wavelength that allowed these people to function. So it's very difficult to measure the precise effect of it; I guess I have little doubt that it's had a salutary effect around the world.

Q: Given some of the skeptics about foreign assistance and so on, I believe you mentioned the Korea case was the most successful one besides ...

NOOTER: I have to point to Korea as a case in point. This was a large program in the 50s, perhaps \$300 million a year, a lot of which in 1960 would have looked as though it was wasted. By 1970 you had a country that was on its way to extremely successful development, highly self-motivated, no longer on the AID program, except there may have still been a little PL 480. It has transformed the country over, say, a 15 year period starting in 1954 or '55 till 1970. You had a transformation from a country that was an economic disaster to one that was on the way to being one of the world's big success stories. And it was the threat of the reduction of aid that played a role in it, but had there been no aid at all in the 50's they might still look like Laos.

Q: Suppose an AID person comes to you and says "I'm going out to be the new mission director in a country." What advice would you give this person going out for the first time?

NOOTER: I would say, first come to know your country, understand the country that you're working with, understand what makes it tick, understand its weaknesses and its

strengths. Second, understand your own program possibilities. That is, what is the level and the kind of assistance that you're able to provide. And then, decide how to apply that in an effective way, and of course AID can do many different kinds of things. I'm now used to working with the World Bank where we go for the jugular, that is, we go in and say, "How can a country transform itself to become a turn-around country?" But if I were with a volunteer agency, an NGO, and I had a relatively small amount of resources, I'd be looking for a way to target that to some specific attainable objective. I wouldn't be trying to tell the government how to run their macroeconomic policies. So it depends upon what your resources are.

I would also advise a great deal of modesty about what role we would be playing and should be playing in someone else's country. We are, when we're abroad in one way or another, guests of these countries. They may tolerate us a little more than they would normally if we have some money in our pocket, but the fact is we're still foreigners in their country, it's still their place, and they are the ones who should ultimately make the decisions about how to run their lives. We can try to inform them about what we think will work. I have almost never couched conditions on aid in terms of the fact that they had to be done in order to get the money. I've always tried to couch them in terms of why those actions would be good for the country, whether there was any aid involved or not. And in fact we shouldn't have any conditions that aren't good for the country. Therefore if you say, "You have to do this because AID or the World Bank says that you have to in order to get the aid", to my mind you might as well stay home.

The recipient should understand why that condition will improve his situation. It's something we should try to convince them to do whether we give them aid or not. So we should recognize our role as a foreigner, as an outsider, as someone who's come to try to be helpful, but not to run their country for them. At the same time, we do have an obligation, if we're going to provide aid, to provide it only if we think it's going to be useful, and if we have a country where the conditions are such that the aid will be wasted, then we should decide to withhold it, and that's a perfectly valid position.

You mentioned human rights, you mentioned poverty and so on. Maybe for our own conscience we have to give these consideration. However, I do think we have to be careful not to be projecting our values on other societies, especially where those values are more in the order of fads than deep-seated cultural values. There are some aspects of human rights, of course, which one would expect any society to want to respect, but one has to be careful not to assume too much.

Q: Are there any other general points you'd like to wrap up with?

NOOTER: After 33 or 34 years I still find it an enormous challenge and a great satisfaction to work in these programs at a high, medium or low level. At all levels they can bring something positive to the countries where we work, and I consider it a privilege to have been able to work in this way.

Work with the World Bank

Q: You might just mention briefly what you've done since you've left AID without going into detail so that they get a sense of what's happened since.

NOOTER: I joined the World Bank in 1980 and my first assignment was in Tanzania as the World Bank Resident Representative there. I happen to think that the World Bank is an outstanding organization, but I guess Tanzania was probably one of its worst programs anywhere in the world because the Bank was trying to support a country with socialist policies that created enormous economic disincentives. So it was an extremely frustrating situation in which, after a year and a half, I told the Bank I thought there was no investment that the Bank could make in Tanzania under the conditions existing at that time that would assist in development.

Q: Why was Tanzania such a popular place? McNamara wanted to do a lot, everybody else was excited about it.

NOOTER: The Bank didn't realize what disincentives could be created in a socialist economy. I certainly didn't until I lived in Tanzania and saw exactly what effect it had. After all, the Soviet Union appeared to be successful, and maybe with revolutionary zeal the system could be made to work for a while. But it certainly didn't work in Tanzania. The Bank was trying to appear not to be unwilling to accept another system, but now that's changed with the failure of socialism in Eastern Europe.

In any event, that was my first assignment. Then I worked on programs in Sudan from Washington for a number of years, and with other East African countries. I retired from the Bank when I reached their mandatory retirement age in 1988, and since then I've worked in a series of consultancies for the Bank in a whole range of things having to do with the evaluation of structural adjustment programs, the review of agricultural programs, writing agricultural strategies, working on projects in highway maintenance, in mining and a whole range of other assignments.

Q: Well that's excellent. Any other last comments, or you'll have another opportunity obviously when you review the transcript?

NOOTER: Let me just say that I wish there were a magic wand that if you waved it, then development would take place, but it's more complex than that. It's not totally mysterious, of course, but it's like most of the social sciences. The interrelationships are so complex that it's difficult to write simple formulae that will show how to proceed. However, there are some things that we have learned are more important than others. We have to concentrate on the important issues to be sure the countries get those right, and then there are a lot of other things that we can do that are useful if those important things are being carried out correctly.

Q: Very good.

End of interview