

The Association for Diplomatic Studies and Training
Foreign Affairs Oral History Project

JANICE BAY

*Interviewed by: Charles Stuart Kennedy
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[Note: This interview was not edited by Ms. Bay.]

Q: This is October 15, 2003. This is an interview with Janice Bay. This is being done on behalf of the Association for Diplomatic Studies and Training, and I'm Charles Stuart Kennedy. Do you go by Janice?

BAY: Yes.

Q: Janice, let's start at the beginning. Tell me when and where you were born, then we'll talk a little bit about your family.

BAY: I was born in 1943 in Fresno, California which is a town, for people who don't know it, in the middle of the San Joaquin Valley, and agro-business center.

Q: I worked one summer in Coalinga.

BAY: Coalinga is even more desolate than San Joaquin.

Q: Let's start first on your father's side. Where did the Bays come from, and how did they get up in Fresno? What's a little background about your father?

BAY: Bay is my married name, so my husband is Bay, and his family came from Nevada.

Q: We'll pick that up later, then. What was your maiden name?

BAY: Friesen.

Q: Sounds German.

BAY: The Friesens were a German family living in Oklahoma. They were in a small town in Oklahoma, and they moved to the Los Angeles area in the early 1900s. My mother's maiden name was King, and she comes from a family that had moved to California, to southern California before the 1900s, in the late 1800s.

Q: Let's take you on your father's side. What was the background of the family? Were they mainly farmers, businessmen?

BAY: They were basically farm people, and they were an interesting group because they were really from a German town in Oklahoma at the end of the 1800s, and my father didn't speak English up until he moved to California in the early 1900s, so the family spoke German at home.

Q: Did you ever go back? What was the town?

BAY: The name of the town—it was in the panhandle area—was called Hooker, Oklahoma and as far as I know, that town doesn't exist anymore.

Q: Did your father's family move right to the Fresno area or...?

BAY: They moved to Los Angeles. My mother and father, and their brothers and sisters were in Los Angeles. Actually, my father's family, his father ended up in Shasta, California, not far from Coalinga where they engaged in farming, but the kids all gravitated towards Los Angeles when they became working age. They left the farm and went to work in Los Angeles.

Q: Your father, what sort of education did he have?

BAY: He had a high school education. He didn't go to university. He was a carpenter. He worked in building and construction most of his life.

Q: What part of Los Angeles?

BAY: My mother was from Pasadena and went to high school at Pasadena High School as did her brothers and sisters. My parents lived mostly around Pasadena until around 1943 when we moved to Fresno.

Q: I went to South Pass Junior High. My son right now lives in Pasadena. By the time the Friesens got up to Fresno, was it to get into farming or...?

BAY: No. I think that the reason was they were coming out of the depression and there was work there working on military bases and contracts. So, I think that what drew people to Fresno were the jobs. One of my uncles who was a contractor went to Fresno. Shortly after that a number of family members went to Fresno, but I think it was really for employment purposes because there weren't very many jobs during the depression.

Q: Of course, the war boom really hit California. Was there a family community in Fresno?

BAY: Not a large group of Friesens. They were scattered around the western states.

Q: How long did you live in Fresno?

BAY: I lived in Fresno right through high school and college, and I left and went to graduate school at U C L A (University of California, Los Angeles) but did my undergraduate studies at Fresno State University in Fresno. So, I really didn't leave Fresno until I joined the Foreign Service. I was 24 years old. I was real young.

Q: Let's talk about Fresno then. First place, around elementary school. What was Fresno like in those days?

BAY: In those days Fresno was a town of about 60,000 people, and the basis of their economy was very much agriculture and agribusiness. Today Fresno is a town of well over 500,000 in the metropolitan area, so it's a very different kind of place than it was when we grew up. It's a very hot place in the summertime as you may remember. The average temperature in the summer is often over 105, but the evenings are cool. So, we lived a very much outdoor life. Many people who had never been to Fresno in those days thought it was like a Midwestern town because it was a very small-town kind of environment.

Q: Does this mean as a kid you bicycled on the streets and all over the place?

BAY: Absolutely, and we would ride our bicycles. In junior high we would ride our bicycles to school which was about three miles away from home. And we loved to play around the irrigation ditches where we would catch frogs and polliwogs and build forts out of tumbleweeds that were out in the fields. So, we very much lived a very free outdoor life, and there was no crime or worry about getting into any kind of trouble, so when we were kids, we were pretty free to move around, and we would often walk a half a mile to see a friend. That was really very common.

Q: What was family life when you were a young kid? Did you all have your dinners together and have brothers and sisters?

BAY: I have sister who is a year younger than me and a brother who is nine years older, but yes, we absolutely... Mom insisted on having dinner every night about 6:00 pm. I think one of the striking things to explain to young people today is the first television that we saw was... We got a television the very first day it came to Fresno, and it was for the wedding of the Princess Elizabeth, not Queen Elizabeth, so that would have been, I guess, 1954, and we were the first ones to have a television set. So, before that we only listened to radio, and we listened to all the popular programs that you can still hear today on Sunday nights on public radio.

Q: Jack Benny, Fred Allen...

BAY: Yea. Yea. As kids we remembered things like The Shadow.

Q: Oh, yes! Movies a part of your life?

BAY: Movies were a large part of our life from the time I was about 10 years old we would be allowed to... The movie theater was only downtown, so we would be allowed to get on the bus and take a bus and go downtown and watch the movie. So, groups of us would do that. From the time we were about 10 or 11 years old we could do that. That was a very safe another safe thing we could do.

Q: What about groups? Were the boys and girls together or did the girls go out with the girls and the guys go out with the guys, or how does it work?

BAY: It was pretty much until teenage years that the girls went around together, and in junior high school there would be parties with groups of kids. There really wasn't a lot of dating until we were in high school. Another feature of Fresno life which is very common as you recall being a Californian is that many of us had swimming pools in our back yards, and swimming pools became the social center, a place to gather. We had such a swimming pool, so we always had other kids from around the neighborhood or from school who were at our house joining in swimming because that is what you do when it is 110 degrees!

Q: It certainly is!

BAY: The other element that was a large feature of our young lives is an escape in the summertime from Fresno is to go to the High Sierras. So, from the time I was probably eight years old I spent every summer in very High Sierras at a Girl Scout Camp. So, Girl Scout camping became a large feature in my life and later in high school, I became a camp counselor and eventually in college worked for private camps. So, one of the features of our lives was that in the summertime we would escape and go to the High Sierras which were really extraordinarily, up until today are very extraordinarily beautiful and very untouched. I mean, that is a part of America that hasn't changed very much.

Q: What was your father doing in Fresno when you were there?

BAY: Part of the time he worked with my uncle who was a contractor, and then he had his own business which was very much a Fresno business. It was an irrigation business where he would sell and install sprinkling systems for people which is a necessity in Fresno in the summer.

Q: In the summer of 1948 I went out there. I was in college and my brother was in Coalinga, and I dug holes for Pacific Gas & Electric Company in order to put electricity in to allow the pumps to be used down there. How about school? Start early on. Were you much of a reader?

BAY: I was an avid reader. I was always an avid reader, and I was always interested in foreign countries and foreign lands although I had never traveled anywhere. I really was... In California our family vacations would usually be getting in the car and driving to some destination in California.

Q: What sort of books would you be reading particularly as a young girl?

BAY: I read novels. I read historical novels as a young girl. We always loved reading “National Geographic” magazine. That was our window to the world.

Q: In school, what were your subjects that you particularly liked?

BAY: I always loved English and History, and when I went to college I majored in Political Science.

Q: While you were in Fresno, what were the politics of your family?

BAY: My family members... My father was not a very political person, I think like a lot of people who come from an immigrant background. My mother’s family was very staunch Republican. Her mother who raised, actually had eight children, and four of them lived to adulthood, was a single mother. Her husband had gone off to World War I, and after he came back, they were divorced., so she raised four children. She was a staunch Salvation Army person. She was a staunch Salvationist and was an officer in the Salvation Army, and she was a very right-wing Republican, very conservative. So, the family up till this day my mother is the only one alive of that family group, but they were all very staunch Republicans. And their mother insisted that they be staunch Republicans. So, they were rather conservative people.

Q: Newspapers. Did you have a newspaper there?

BAY: We had and have up until today the same newspaper, “The Fresno Bee” which is owned by McClatchy. There’s also a “Sacramento Bee”. The newspapers in that part of California, those newspapers, tend to be Democratic. They’re not Republican newspapers. And in the San Joaquin Valley you have a large, you’ve always had a large immigrant population because of farming, you have a large Hispanic population because those are the people who do work in the harvest and in the fields. There also is a large African-American population. There are a lot of competing political forces in that valley. You have very few Republicans. Also, because Fresno is also a university town you have an intellectual group of people who tend to be more liberal, and then you have people who are very, very conservative, and you can see that in the most recent recall vote in California. You can see what happened in that vote. People in the interior voted very conservatively for Schwarzenegger. The people in the large cities who are the _____ population of California but are democratic.

Q: What about the outside events. Did other parts of the world intrude at all while you were in elementary school?

BAY: A little bit, but not very much. I had one older cousin who went to the Korean Conflict, so that was something we watched. But until the Vietnam War came along in the early 1960s, there wasn’t a lot of attention being paid to a lot that was going on in the

world. The Vietnam War really was something that really struck. People engaged and it polarized the people, certainly in Fresno and in the entire state of California.

Q: When you were going to high school what was the high school like there?

BAY: I went to Fresno High School which I'd just received some information from the that high school has been in existence since about 1908. It's a very old school and is still there. It was quite a very good institution and prepared its students who wanted to go on to university very well.

Q: How about the teachers? Do you recall any who particularly left their mark on you?

BAY: No. We had very gifted music teachers, very gifted music teachers, and we participated in musical chorales, and our groups would win statewide prizes, and the San Joaquin Valley has excellent athletes, they groom their athletes and had very good swimmers and divers and football players and baseball players. So, sports were a very large part of our life, but among the teachers I can't remember any that have left a particular mark.

Q: In sports, now there's much more emphasis on female sports. In your time, was sports pretty much being an observer or...

BAY: Well, I was on the swim team. My sister and I were on the swim team, and she was also on the dive team, and we also participated in synchronized swimming. We did a lot of swimming. But that was the only competitive sport that we participated in. But you're right. Girls did not participate much in football, not in baseball, usually not in track and field. A few women who participated in track and field, but most women who participated in track and field did that at college. There wasn't a lot of high school competition in track and field.

Q: Dating. Were the kids going steady mostly or going out in mixed groups?

BAY: In the late 1950s in California, we were in the age of cars, so people would have cars, and boys would have cars, and girls would have cars, too. So, people would date. People would go out in cars and go to the drive-in, go to Mel's Drive-In and have your hamburger ordered through the window. So, there was quite a bit of going steady, but it was quite different than you would find today. It was fairly harmless, and going steady often meant you'd go with somebody for a month or two then break up and go with somebody else. We had dances. There were lots of sock hops and dances and...

Q: You might explain what a sock hop is.

BAY: A sock hop was actually held on a gym floor, and because you couldn't wear street shoes on the gym floor, people would take off their street shoes and you would dance in your socks. If you go back and look at the old film "American Graffiti" which, I believe, was filmed in Modesto, California, which is two hours north of Fresno, you get a real

flavor for what life was like in those days with a lot of dances. Athletics were such a big event that everyone, the guys, would all have their letters, jackets and athletic letters on their jackets. The girls had sweaters, even, with athletic letters. Being a cheerleader was a big deal. That was very competitive. You had to really compete to get to be a cheerleader.

Q: At that time, how did the Hispanics and the African Americans fit in?

BAY: That was very interesting because I went to Fresno High School which was in an older part of Fresno. The town had already started to grow and people were moving away. In fact, when I was there a new high school was created so the population of Fresno High School which had gotten very large was split and some people went to the new high school, some stayed at Fresno High School. Around Fresno High School, within a mile of Fresno High School, there were a number of African American families. When I graduated from Fresno High School, I think there were two African American families in high school, even though we knew that many of them lived within a mile of the high school. They went to a high school that was about 10 miles away. Although no one ever talks about segregation in places like the San Joaquin Valley of California, when you looked at the school district maps, you could very clearly see the maps were gerrymandered, particularly when you looked at something like Fresno High School which was in the old part of town starting to decline, so you started to see both Mexican Americans and African Americans moving into this neighborhood, and yet the school district still kept them at other high schools. That's changed now and, of course, you have all races at all high schools in Fresno. Now there are many high schools in Fresno. But we knew which high school was the African American high school, and which high school had more Hispanics. Our high school had whites.

Q: What about the Hispanics? The valley has always been a center for what is called "stoop labor", but intensive cultivation and all this has required hands to get down there and work it. Was there much contact with the Hispanics?

BAY: Again, because we were in the center of Fresno, we weren't very much exposed to the Hispanics who lived more in the outlying towns and villages, and they went to the high schools that were more in the outlying towns and villages. The period of time, all the period of time that I grew up, there was a great challenge in the San Joaquin Valley to keep the Hispanic kids in school. I think that is a lesser problem now, but it was a huge problem during the entire period of time that I was growing up because the parents of the children wanted them to be wage earners and to contribute to the family income by working in the fields, so they would pull them out of school during the harvest, and it would be a challenge. Whenever there was work, the parents would want the kids out of school, so it was a real challenge to get to the point where you'd really have to require these kids to show up and go to school. I think we've crossed that barrier now, but it's still to keep them in school. It's hard to get them to finish high school. That's more still in the outlying areas away from the center of the city.

Q: It's still a problem. Eventually it will be overcome. You went to Fresno High School. Was there any thought about you're not going to college?

BAY: I was always pretty determined to go to college. I never really thought that I wouldn't go to college. I was lucky to grow up in California where we had and still have a wonderful state-run educational system. So, it's really possible for anyone to go to college because the costs are not exorbitant, and you could go to college.

Q: What was Fresno Univ... It's Fresno State.

BAY: Fresno State College.

Q: What was it like in those days? You were then from when to when?

BAY: I graduated from high school in 1960, so I went to Fresno State from 1960 to 1965. I actually took nine months off during my university years and made a trip to Europe, so I graduated one semester ...

Q: ...in 1960.

BAY: I went to Europe in 1964, so I actually graduated in February of 1965.

Q: In 1960, this brings up... Did you get involved in the... So many young people got involved in the Kennedy-Nixon campaign of 1960. Did that hit you at all?

BAY: We all followed the debates. I was not personally involved in campaign politics. At that time, I was involved in campus politics. I was engaged in... That was important to us being involved in campus politics. But we followed it. Again, we had television, so we could see the debates, and that was very interesting. Most of us supported Kennedy. We liked Kennedy. He was young, and he was vibrant. We thought he was very good. One thing that I think was important is that we were aware of Vietnam even before I graduated from high school. We were aware that there were troops there and that people were getting killed there and there wasn't a lot of information available about what was going on. I think that's important that we... It was starting to engage us even in high school, even before in 1959, before 1960.

Q: What about the Cold War? Kids were all learning to duck under their desks and all that. Did the Cold War itself _____ your school year and with your family? Was this much of a topic of conversation or was this way beyond the interests?

BAY: People, of course, were very interested in Sputnik and thought that this probably was a sign that America was probably in decline and the Russians managed to go up first, and we weren't there. That was certainly a topic of conversation among the... generally among—people, and we certainly from the time we were little kids had to do these drills where we would hop under our desks and hide. But many people had built themselves

these Cold War shelters, bomb shelters. Many people had bomb shelters in their houses. I don't recall a great concern in Fresno about that.

Q: In college, was there a lot of social activities in the sororities, fraternities and things like that?

BAY: Yes, I was a member of a sorority, the Delta Zeta Sorority, and there was a great deal of fraternity and sorority life that was really kind of the center of campus life and, again, Fresno State University now—it was Fresno State College then—is also an agro-business school, so we had many people there who were studying agriculture and agricultural business topics. I was in the Liberal Arts part of the school which was not the majority of the school. There were lots of engineers, lots of people doing the kind of studies that you would expect in an agricultural area. Sports, again, was a very large part of the college life here again as now. Fresno has excellent teams, excellent baseball teams, excellent football teams, and really excellent track and field teams as well. Sports were a very large part of our life. And again, the Sierras were ever important to us. Skiers belonged to the ski clubs, and we'd spend a lot of weekends in the mountains skiing the High Sierras.

Q: Did you feel as a Liberal Arts person surrounded by people in the agro-business and engineering and other things like this. Did you feel like a persecuted minority or ...

BAY: No. We were pretty oblivious. We kind of had our own group that was interested in the studies that we were pursuing, and we didn't feel in conflict with others, but we had less in common with many of them.

Q: You say you took Political Science. Was there any particular concentration of your interests?

BAY: I took a lot of Latin American studies courses, and we had one particular professor... I'm not sure, he may have come from Cuba—he was an Hispanic himself. He was really very good and very knowledgeable about governments and economies and politics of Latin America and was very interesting. His name escapes me right now, but he felt that Fidel Castro was a wonderful apparition and Fidel Castro having studied all of the countries of South America, Fidel Castro held out hope for change and that the old, corrupt Cuban regime could really change with the advent of this new, exciting leader. Of course, he was proven very wrong in the years after that. But he was very energetic and very enthusiastic about that. So, I took quite a number of courses in Latin American studies and in the end didn't end up pursuing Latin America at all in my own career. But it was very interesting to study the poor countries and governments of Latin America.

Q: Given the Hispanic element in the San Joaquin Valley, had you been taking, were most of your _____ taking, was Spanish sort of obligatory as a language?

BAY: It actually was not. I think it is much more so today than it was. We took French and German. I studied German, and of course my family background is German, and I

studied French, and those two languages were my languages of choice. Today I think in all of California it is important for young people to study Spanish because it's the language of your daily life. It wasn't really the language of our daily life. We didn't have bilingual education yet at that time, and so it was still very much the second language spoken by the Mexican-American population.

Q: In 1964 you went to Europe for nine months. That sounds great!

BAY: Right. I took off. A friend of mine was going, and I said well, I'd like to go, too. Actually, I worked and saved my own money to go to Europe, and I went to the Goethe-Institute. I went to go to the Winter Olympics in 1964. We were skiers and were interested in that.

Q: Where were they?

BAY: In Innsbruck. Innsbruck, Austria. So, I went to Innsbruck and went to the Winter Olympics and went to the Goethe-Institute and studied German for a month or two and then traveled. A friend of mine was studying in... These were the 1960s which meant kids could...

Q: Oh, yes. I was a counselor, so I had to clean up after you kids.

BAY: Right! A friend of mine was at the University of Madrid so I went to visit her, and another friend from Fresno came in the summertime and bought a Volkswagen, and so she met us, and we traveled all over Europe in her Volkswagen from Berlin to Greece to Italy to everywhere, England, Denmark. We went all over.

Q: Did you go through Yugoslavia?

BAY: We drove through Yugoslavia.

Q: My counselor...

BAY: We were there. I will always remember driving through Skopje because the earthquakes had taken place, but they had taken place a year before...

Q: ...in 1963...

BAY: ...yea, a year before...

Q: ...June of 1963...

BAY: ...and we couldn't believe that a year later there was so much damage still there and so little had been rebuilt.

Q: It was right in the center of town, and big apartment buildings had collapsed.

BAY: Yea. Yea. And they were still in collapse a year later, so that was really a shock to us.

Q: How did Greece strike you? This was the early years of the _____. Greece was an anathema to an awful lot of people. Did you get any feel for that?

BAY: Being in Greece it didn't seem... We, of course, didn't speak Greek, and we really didn't engage in political debate. But being in Greece and just traveling as a tourist, we weren't really impacted by that. Subsequently, my husband—at the time he and I weren't married yet—1973 I guess, the fall of 1973 my then fiancé and now husband and I met in Athens during a period of time when there were huge military demonstrations and civilian demonstrations against the United States, and on two or three occasions found ourselves by mistake in the midst of these demonstrations, and the crowd was totally friendly. They were making political statements about political issues, but there wasn't any sense of wanting to be anything other than nice to us. I think that as one sees in a lot of countries people may not know you are even an American if you speak another language and if you blend in with the crowd. Maybe they would have reacted differently had they thought we were Americans, but certainly when you are surrounded by demonstrators and you are in the middle of...

Q: There were no anti-American things. I was Consul General of Athens '70-'74, and...

BAY: They wanted our business. They were much happier to have us go to a restaurant and sit down, and they didn't care if we were an American or a German or a Japanese or...

Q: A lot of people resented our policy which was supporting the ____, but at the same time it wasn't anti-American for people. What did this trip do to you? Did this cause a thirst for getting the hell out of Fresno?

BAY: It did in a certain way. Even in 1964 a woman graduating from the university in Fresno had only a couple of options.

Q: MRS degree?

BAY: That's right. Well, if you weren't going to get married or even if you were, you aren't, but your options would be to become a teacher or become a nurse. That was about it. If you majored in business you probably could become an office manager or office assistant, and that was really about it. And I had thought when I went off... I knew this, and I thought when I went off to Europe I thought well, I'll go to Europe and I'll come back, and then I'll be 21, and I'll be willing to settle down and stay in Fresno. And, of course, when I came back to Fresno, and by this time of course the Vietnam war was really raging, and I found people in Fresno still disengaged, not very engaging in what was going on. And I wasn't very happy because I had worked quite a bit before. I thought well, I think what I'll do now is go and apply for unemployment and go skiing. So, I did

that. I went and applied for unemployment and then I went skiing. And I got a call while I was skiing saying well, you applied for unemployment. We got a job for you. We want you to be a social welfare worker, so I packed my skis back up in the car and went to work. And I worked for the next nine months as a social welfare worker in Fresno showing me a part of Fresno that I'd never seen in my life because I was working in the program for absent fathers who have families, with single mothers with absent fathers, and the majority of the people that I was working with were African Americans and were in the most squalid conditions that I couldn't imagine even existed in my own time. So I did that for nine months, but then I said you know, I think I have to go to graduate school now, because I'm not going to be happy. I'm certainly not going to be doing social work in Fresno for the rest of my life. I wasn't ready to get married, so I applied and was accepted at UCLA (University of California, Los Angeles) and went to graduate school at UCLA, and it was there that I then started looking for opportunities to work internationally. So, the nine months in Europe did change my life pretty much forever.

Q: Had you run across the diplomatic consular establishment of the United States at all on your trip?

BAY: Only once, and the only time was at the very end of my trip, and I was in London, and I lost my passport and my ticket home. And I was ready to come home. It was the end of the nine months, and so I went to the consular section at the embassy and explained what had happened and, in fact, I was out of money because I had my budget and had spent my budget for the nine months. So, I went to the consular section and made arrangements to get a new passport. And miraculously, my passport was found. I think I had left it at the theater ticket agency or something, and it was the one chance in a 100 that it was just turned right over to the consulate. So, the next morning I went back and got my passport.

Q: Getting your passport back. Had diplomacy entered the picture at all of your thought process?

BAY: Not before I went to graduate school. It was only when I went to graduate school that it had really entered my mind. I wanted, I was interested in working internationally and again, growing up in California we really didn't have much concept of Washington, D. C. (District of Columbia) and jobs in Washington. And I started looking at... I can't remember the name of it now... there was a program that's similar to the Presidential Management Intern program, that recruited people to come to Washington to work. And I was really more interested in trying to find something that would have an international aspect to it. And so that's how I became in touch with the Department of State, and I also was applying for work and things like that. Asian society, because those were more known to us in California. And so, I started looking at the Department of State and the CIA (Central Intelligence Agency) and things that would get me an ability to have an opportunity to work in a foreign country. And I really was very interested in that again because my time in Europe had been very interesting, and I learned a great deal, and I just loved even seeing other cultures in other countries.

Q: Going back to your growing up in Fresno, I forgot to ask. One thinks of the Japanese as having been there and cultivating so much of them and were kicked out during World War II and had to come back. Was there a Japanese element or Chinese element in your life?

BAY: The Japanese were there, and Chinese. The San Joaquin Valley is a melting pot, so there were lots of Italians, Japanese, Chinese, Portuguese, Armenians, many, many Armenians.

Q: Saroyan...

BAY: ...yes, we have Saroyan Armenians from Fresno. Idi Amins were from Fresno. The Japanese, again, when their property was taken away at the end of World War II, they were given back property, but they weren't given back the property they necessarily owned before. Many of them, most of them, were so poor in the outlying towns. As a high school, I think Corbis High School, Corbis is an agricultural town next to Fresno. Corbis High School probably had more Japanese Americans than Fresno. There were a few in Fresno, but at our high school if I were to go look at my yearbook now, I think I wouldn't find more than a couple. In college we met more Japanese and Chinese. We were aware, again, that whole period following World War II and during World War II what happened to what I would say the Orientals in Fresno and the San Joaquin Valley is something where Californians have a blind spot. And there are a number of Japanese-Americans and Chinese-Americans who are trying to correct that. And I point out Chinese-Americans because we had one of my mother's work colleagues, my mother was an accountant, she worked for an insurance company, and one of her work colleagues was a Chinese-American whose entire family had been locked up during the war with the Japanese because they were oriental. And what I find now is that there aren't very many people that are aware of what happened to the Chinese people living in the San Joaquin Valley, because when they went and locked them up, they just locked everybody up and put them in these camps. And this one particular Chinese family had four or five kids, and they spent three years in a camp down in Costa Barstow. Of course, the Japanese ones were all either locked up or somewhere else. There's another interesting person who you might want to talk to who was in the Foreign Service who comes from Fresno, her name is Lorene Takahashi, and she's now retired and has come back to Fresno and is living in Fresno. But she would have a very interesting stories about her family and what happened to her family. Some of the people, interestingly, some of the more upper class Japanese-Americans, the ones who had some money, some assets, actually sent people back to Japan because they thought they would be better off there than in the United States. Of course, some other ones ended up in the U. S. Military. There were all different kinds of things happening to these Japanese-Americans.

Q: Well, basically it got the Japanese out of the agricultural business and into professional classes, too.

BAY: It did. It created fundamental shifts in what they did, although this particular family which still exists in Fresno, the Takahashi family, owns Takahashi Fruit Farms,

and they still sell fruit. That was their family business. They were a number of brothers. What it did do is engage them in business so at the end of the war the brothers got together. They had their different pieces of land they were able to put together a business which they probably wouldn't have done had they been left on their own. In the valley, a number of the Chinese families were also agricultural. It also changed culturally the pattern of family and marriage because the Japanese were split up and weren't given back the same land they had. They often ended up in a place where they were the only Japanese family. So, what you see is quite stark when you look at a city like Fresno you see a totally different marriage pattern. The Japanese-Americans integrated more into the rest of the sort of Anglo society, they intermarried into the Anglo society, and the war seems to have just broken those barriers of only wanting to be married to the right person from your group. The Chinese Americans didn't change. They have changed now, but at the time that I went to high school and college, Chinese-American girls were only allowed to marry the right Chinese-American guy, and there wasn't really any option of marrying a person from an Anglo family which is a little different, a different racial background than yourself. And yet, the Japanese just really changed dramatically because it just wasn't practical at the end of World War II because they were split up and moved around.

(Transcriptionist's note: This begins Tape 1, Side B)

BAY: I got the... There's a funny background, but it did make you do what you know, what you know how to do. And I was a good swimmer. But the first jobs I ever had were teaching swimming from the age of about 14-15. I became a lifeguard and I was able to pass all my exams to be a lifeguard and then to be a kind of swimming instructor. By the time I was 16 years old, I was teaching swimming in the summers. I didn't really work in high school during the school year and all, but I did teach swimming in the summers. Then I worked as a camp counselor in the summer, so I got paid to be a counselor, Girl Scout camps. And so, I took in money, some money for that, we're talking about small amounts of money. But when I was in college and decided that I wanted to go to Europe, and my parents really didn't want me to go, I said I'll pay for it myself, and I'm going to be 21 so I can go. I got a job through a friend of mine as a mermaid at the Fresno Hacienda Hotel swimming in front of a window in a bar. People knew about my mermaid background. So, we would swim, and we were under 21 so we didn't go to the bar, but we would swim in front of this mirror, and the people in the bar would watch the girls swim in front of the mirror. And I did that for about a year. It would pay very well, and we could sit in our little dressing room and study, and nobody would bother us. And actually, my grades improved because I'd swim pretty much every night, five nights a week. It was a great college job.

Q: Did you have a water pipe or something you get a little water _____

BAY: No, it was a pool. It was an outdoor swimming pool, so we would stand in water for a minute or two. There would be two of us and sometimes three of us, and then you'd come up for air, and then you'd go back down and swim some more.

Q: Did you have a fake flipper?

BAY: No. We swam. We were doing synchronized swimming, and so we wore like leotards and tights and things like that. That was my job that I earned a lot of money.

Q: Oh, boy. Janice the Mermaid! In graduate school you went to the university, you said, of UCLA (University of California, Los Angeles)?

BAY: Right.

Q: How long were you there?

BAY: I was there... I did a master's degree, and I think I did it in about a year, so I was there maybe a year and a summer, that was it.

Q: 1965, 1966 or so. How did you find that?

BAY: It was very different, of course, from Fresno. The university at that time was already very large. Something I didn't tell you about Fresno which I think is important because the time I was there the college was about 6,000 people. Because now I know when we taking my daughter to California to look at possibly going to California colleges, it's re...

Q: Today is October 17th, 2003. You'll notice that the last interview stopped abruptly. The power went out, so we stopped at that point. When you were at UCLA (University of California, Los Angeles), what courses were you taking now?

BAY: I was studying international relations and political science, so I was taking primarily political science courses. UCLA (*University of California, Los Angeles*) at that time, I think it may still be true today, had a very theoretical political science faculty, so it's very different from the kinds of faculties here in the Washington, D. C. (District of Columbia) area on the east coast where you have students studying essentially foreign affairs in order to become involved in foreign affairs. We had very famous professors who were specialists in games theories and convective theories of international politics. And so, it was really very extraordinarily different from what you would get at the Georgetown School of Foreign Service or George Washington University or at SAIS (School of Advanced International Studies at John Hopkins University) here. As far as I know that's true up until today. The west coast schools have a much more theoretical approach to the way they look at and study political science, looking at it more as a science than as practical politics.

Q: With all the prejudice of a history major and a Foreign Service officer, I have always found these theories to be sadly deficient as far as real life. It sounds like almost an academic plaything, but let's say open to exploration. How did you find them at the time, and how have you found it since?

BAY: As we discussed earlier, at that time I didn't have much knowledge about the practical conduct of U. S. foreign policy, and I had spent quite a bit of time focusing on Latin American government politics, so I knew quite a bit about Latin American governments and politics. But these theorists were very much Cold War driven, and they had a lot of theories about Russia, a lot of theories about China which really didn't seem to me to relate very much to reality at that time. We would have to go back and look at those theories today to prove whether or not they had any relevance, but my guess is if we were to go back and look at that year, my assumption would be correct as they really showed very little relevance to what actually happened in reality in the intervening years.

Q: Again, going back to the practical. These theories all translate into getting you a tool in which to conduct yourself in later years and looking at foreign affairs.

BAY: That's right. And again, we didn't read very much the practical practitioners of foreign policy, didn't read much about George Kennan. We didn't read much about the people who actually were implementing our foreign policy during the Cold War years. Instead, they were looking at how you could devise scientific theories that would predict when there would be a nuclear war, when you might defeat Russia, how you could contain China. So, it was quite interesting. Most of the courses at that time in graduate school were very large lecture courses. Large lecture courses in the upper division political science courses had maybe 300 students in them, and the seminars, the small graduate seminars, had probably 30, 35. So it was a large number of people, a lot of foreign students, lots of students from Latin America and Middle East were participating in these programs.

Q: You did this for how long?

BAY: Just over a year. I did a master's degree. It was a year and a little bit. It was a one-year master's program.

Q: Were you caught up in this time? Were the reverberations... I'm not sure the sort of free speech movement and the Haight-Ashbury hippie business and all this sort of thing.

BAY: I was in Los Angeles, and that really started in San Francisco, and the seeds were all in San Francisco. So, it was starting, but it hadn't really slipped over to Los Angeles. The one thing that struck me a great deal, though, there's something that people who weren't around Los Angeles, probably the west coast and other large universities, I had not realized this, experiments were being done in the psychology department with LSD (lysergic acid diethylamide). LSD was legal because people didn't know what it was. So, students were asked on a regular basis if they would like to sign up and get paid money to participate in experiments with LSD. My roommates and I would consider this and said yea, it looks like easy money to get. And we kind of looked at it and said nobody really knows what that drug is, maybe we better not do it. But there were a lot of people that were actually exposed to LSD because they had participated in these student experiments. So, you started to see a little bit of that hippie group develop around Los Angeles around that time, but it really had its season in San Francisco. And it was at that time that it was

just getting going in 1966 when the mass movement _____ got going. You had your San Francisco hippies and beatniks who had been around San Francisco ever since the mid-1950's, but they hadn't developed the broad following until about 1966. But it definitely was starting at that time. But Los Angeles was not really affected by it that much in 1966. By 1967 everyone had started to be affected by that.

Q: When you left there in 1966 what did you do?

BAY: I went back to Fresno and aggressively started seeking international positions to work in international institution or something that would take me working overseas.

Q: As a practical measure, how can one actively seek international jobs in the City of Fresno?

BAY: Well, we would respond very much like today except we had no E-mail. We'd write letters, and we would read about positions, write to institutions, write to the United Nations, write to the State Department. I was exposed to recruiters at UCLA (University of California, Los Angeles), so I would talk with some recruiters there before I left. The CIA (Central Intelligence Agency) was interested in me. They were interested in recruiting me to go to work for them which I ultimately decided not to do mainly because they wouldn't tell me what they wanted me to do. So that didn't seem like a very good deal to me to commit to something without knowing anything about it.

Q: What about the State Department. Had you been exposed to their recruitment?

BAY: I must have met a recruiter in Los Angeles because I did have an address, and that's how I contacted them, I had this and a phone number, and that's how I got in touch with them and started talking to them. So, I was in touch with them. So, UCLA (University of California, Los Angeles) did have resources on U. S. government employment opportunities and other foreign opportunities that had international focus.

Q: How did things work out?

BAY: Well, I was accepted into the Foreign Service and entered in August of 1967.

Q: When did you take... You had to take an exam, didn't you?

BAY: I was hired at the... Initially there was a program at that time where they were bringing in people as Foreign Service Staff Officers, and I was brought in...

(Transcriptionist's note: Due to aircraft noise, Ms. Bay's statement was unintelligible.)

Q: _____

(Transcriptionist's note: Mr. Kennedy spoke but was also unintelligible.)

BAY: I was hired as a Foreign Service Staff Officer which was something the Foreign Service was recruiting for at that time primarily for people to be consular and administrative officers because they weren't recruiting enough of those people. And we didn't take the Foreign Service exam. We took another exam, I can't remember what it was, but it was an SAT (Scholastic Aptitude Test) or what, we had to score above 90 on that exam. And they brought us in. Subsequently, we all took the Foreign Service Exam and joined the Foreign Service.

Q: What did they bring you in as?

BAY: A Foreign Service Staff Officer with a concentration in... The idea was to concentrate in Consular or Administration.

Q: And what did you get there?

BAY: Consular.

Q: This was 1967?

BAY: This was August of 1967.

Q: What sort of training did they give you?

BAY: I was in the 80th Foreign Service class, and there were 60 of us in that class. That was a very large class because of the Vietnam War and what was going on with sending diplomats off to Vietnam to work in Vietnam. That class included USIS officers, U. S. Information Service Officers, and there were eight women which was the largest number of women they had ever had in a class joining the Foreign Service. So, it was considered a very unusual class because there was this group of six—excuse me, there were eight—women, and they had never seen that many women before. But all of the, almost all of the single men with one or two exceptions, were assigned to go to Vietnam. And the Foreign Service would not give them draft deferments; however, once they got into the Foreign Service, the Foreign Service would write a letter to their draft boards and explain that they were sending these diplomats to work in the CORDS (Civil Operations and Revolutionary Development) in Vietnam. You would know CORDS as a community development exercise.

Q: It was a community development organization. I can't remember what it was. But they were then deferred when the draft board saw they were being sent to Vietnam where they actually.... I mean, there's not anything similar to it until what's happening today in Iraq because they were sent to provinces and actually worked alongside the military doing community development in villages throughout Vietnam.

Q: Were you as a Staff Officer, were they looking for you to go to Vietnam also?

BAY: Our class, they didn't send the women. The classes after our ours, I think three classes after ours, they sent everyone. They didn't send married men, and they didn't send women to Vietnam. We joined the Foreign Service, and the Tet Offensive took place right after that. So, we were right in the middle of a very heated anti-war environment here in Washington, D. C. (District of Columbia). Some of the officers who came into the Foreign Service in that class had participated in the march on the Pentagon, and there was a lot of very spirited discussions among ourselves and among people who were not in the government who wondered why women would want to work for the government because the war was so divisive and had so polarized the United States at that time.

Q: How did you feel about this?

BAY: I felt, and I think many of us joined the Foreign Service, we talk about it now. We joined at a time of war because we really weren't in favor of the war, but we thought there was a better path toward peace if we were working within the government and working on the civilian side of government than if you were standing on the sidelines. So very many of us were motivated to join the government because we wanted to help and to try to bring a peaceful resolution to the Vietnam Conflict. Stuart, you and I talked before about some of my other class members because a few of these young men stayed in Vietnam for quite a long time. They moved from CORDS, and then they moved to the embassy where they were the assistants to the ambassador and political reporters. And two or three of them became really very key...

Q: Could you mention their names?

BAY: The two we talked about before. Alvin Adams was one, and another one was Ken Quinn. And these people ended up staying right almost to the end. They married Vietnamese women and were very assimilated into the Vietnamese culture, and some of them were very active in the efforts that Lionel Rosenblatt took to hire his own airplanes illegally to take the relatives of people who had married Americans out of the country because they felt that they were going to be killed if they stayed in Vietnam. So, it was an extraordinarily very hot time as far as the interaction between people and between ourselves and between others in the United States because this really was a very unpopular war. Now, I was sent off despite all of this to South Africa, and that was my first tour in the Foreign Service. So, I was very, very far away and isolated from all of this for at least the first two years of my Foreign Service career because in those days we didn't really...it was exorbitant. You remember, it was exorbitantly expensive to call home, and we didn't have anything like E-mail, and letters would take two or more weeks, and so we corresponded with one another, but the news I received about what was going on in the United States was always through a South African prism in South Africa. Of course, at that time also had its own intense problems because it was the height of Apartheid, and many of our own diplomats who lived in South Africa at that time were comfortable with the system of Apartheid, and South Africa itself was an extraordinarily polarized society. Nelson Mandela had just recently been put in prison and, of course,

remained there until after 1990. So, it was itself a very consuming society, and so I was kind of pushed away from the Vietnam developments for that period of time.

Q: You were where in South Africa?

BAY: I served in Cape Town for one year and then I served in Pretoria for the second year, and I did a temporary duty in Johannesburg, so I got to see different parts of South Africa. It was a very interesting experience, a very difficult one for me because I was really very young and pretty liberal, and it was hard for me to be put into a society where a certain race was treated as badly as the Africans were treated in South Africa. I became friends with a number of very liberal young South Africans who were also very opposed to their own regime, and that was a little bit controversial, but it helped the U. S. Government because I was able to attend student rallies and report back about what was going on in the student environment.

Q: In the first place, who was our ambassador? This is 1967 to 1969.

BAY: I was there in the spring of 1968.

Q: 1968 to 1970.

BAY: Yea, 1968 to 1970. I think it was Richard Roundtree who was our ambassador, and he was there... He was a career Foreign Service officer, had been a career ambassador, but he was not, I mean we didn't, there wasn't any way in the world that the U. S. government was at that time going to take any issue with the policies of South Africa. Now, South Africa was also at that time somewhat important to us strategically and remains an important strategic country because it's a producer of gold and diamonds and produced other things as well, and we needed it. I don't think we used it militarily, but it was available to us should we have needed it militarily for short visits. So, at that time we weren't going to label South Africa as a country that we had particular issues with.

Q: Was there an attempt by the embassy to tell you not to go out and get into student things and things like that?

BAY: No, they didn't tell me that. In fact, they did rather encourage me to be in touch with the students because the students were the only voice of opposition in the entire society. But I subsequently found out after I left the post that I was watched the entire time I was there. I was being watched by the South African government, and they were keeping tabs on exactly what I did and whom I saw and where I went.

Q: As far as work goes in the embassy, what were you doing?

BAY: I was in primarily consular work. Now, Cape Town was a very tiny post, so there was only me and a consul general in the commercial office. There were only three officers there, and when I went to Pretoria, of course, that was a larger embassy, but they still had a very tiny consular section. And even in Johannesburg when I went there for

three months to fill in for someone, they also had a very tiny consular section. You might remember Joe Olenik, he was the consul in Johannesburg when I went there. He was really the only guy in South Africa that really did consular... He was a real consular officer who really did consular work, so we did a little smattering of different things. In fact, it was very funny. I would get calls from the junior officers in neighboring countries. You know, in Zambia, or another country, and we would be trying to figure out what we were supposed to do? How are we supposed to deal with this adoption case? What is the proper way to deal with this particular visa question? I mean, we would sit together and read the manuals trying to carry out our training. We would talk with each other.

Q: Was there a generational split in the diplomatic establishment between the older people? Older officers are more comfortable with apartheid than those younger ones coming out.

BAY: There weren't very many of us young ones, so we were pretty much in the minority, but we were unhappy. I think the ones who were reforming and some of the ones who came after me had many of the same problems as I did. It was very hard to be a young American coming out of the... I mean, coming out of California in the middle of the 1960's where you have hippies in Haight Ashbury and _____ countries _____ the rules were so extraordinarily rigid. I mean, you probably have heard that blacks couldn't sit on the bus and could only sit in the back of the bus if there was a place for them on the bus. They could not enter restaurants. They couldn't stay in hotels. When I was in Johannesburg I actually... We got a call one day from the South African immigration authorities saying "we've got this guy in the airport, and we don't know what to do with him because he's an American military Major who's on his way to some other African country, but he's black. And we didn't know he was black. And so, we don't have anything to do with him, yet we realize that he is a high-ranking military officer." So, we got on the phone and started negotiating with them, and he had a 24-hour layover. He thought he just was going to be transiting and ended up being stuck for 24 hours. So, we made arrangements to have an embassy chauffeur, and I had to go out and get him to bring him in to bring him in to the embassy, and we actually brought him out to meet an African township. He would be one of the first American blacks who would have the opportunity whatsoever to actually enter South Africa and look around. He was pretty amazed by the experience.

Q: Did you get involved in arrest cases?

BAY: We didn't have many Americans visiting. You have the odd character who would show up in South Africa, but very few. And then you'd have sailors. And what we would get involved in is seamen who were being dismissed from their ships. Under maritime law the captain has legal authority on his ship and can make a determination about discipline or anything else on his ship. And periodically we would have a captain come in with a seaman who was being discharged either for drunkenness or because he had a fight with another person. So, we'd get these seamen, and we'd have to take care of these seamen, and then they would be repatriated back to the United States. I mean Cape Town is very far away from all the rest of the world, so in those days that was a big trip. And so

sometimes we'd have these guys for two or three days, and the local South African authorities would usually keep them detained until it was time for us to get them on an airplane to go. And so we often had to deal with these ships' registers and these ships' issues, but we really had very, very few people coming to South Africa who really got into difficulties. And I can speak with some authority because of my subsequent tours in Berlin, Germany and in Israel. The problems weren't very different to be sure.

Q: Speaking at the beginning, you keep referring to hippies. These were young people who were on the margins who resented authorities.

BAY: Some of my friends were hippies, but they weren't rough hippies. And there was one woman who had shown up. She was from California, and she's shown up in Cape Town on a ship, and left the ship, and was just living there. And she stayed for about a year or so and eventually left. But she wasn't an indigent person. There were other people that were young Europeans in South Africa who had gone there to get jobs and were working. But Americans really never went to South Africa as a place you would expect to have job opportunities. But I knew Scandinavians and Swiss people and people from New Zealand and Australia who were working there. And I still know those people and am still in touch with some of those people today who were sort of out for some adventure. But it wasn't ever a place of adventure for Americans. A young woman in the embassy and I visited the Okavango swamps. We had a two-week trip on the Okavango swamps, and it was our sense that not many Americans had made that trip before we did. Now it's a huge tourist destination, and there are a lot of safaris. But we spent two weeks in canoes in the Okavango swamps, and it was unheard of that anyone would have done that at that time.

Q: I assume you were seeking out other young South Africans who were college students and graduate type students. This was open to you, wasn't it?

BAY: It was. I mean there was no attempt by the South African authorities to restrain my activities. It was only subsequently that I learned it. Every friend I had was being watched by them, and I was being watched by them. They would have a list of guests if I had a dinner party at my house. And my friends were pretty liberal, so we... A few times I invited colored artists to my house. Colored is a person who has mixed blood. A colored writer to my house. And a couple of my friends subsequently became banned, were banned themselves. There were a lot of South Africans who banned themselves. They would say they were banned, but they weren't really banned. They left South Africa, and never came back. Many of them ended up in very fine educational institutions in the United States teaching law, politics and philosophy. There were some very young lawyers that I knew who left. There was a small but significant Jewish population in South Africa both in Cape Town and Johannesburg.

Q: _____

BAY: Right. And they were very...and they were liberal, liberal in their politics. And Helen Sisken who was a Jewish lady, very famous writer, was there with _____ And she was a person who they all really adored.

Q: Would you find there would some even bull sessions and all? Were they talking about living in South Africa?

BAY: Absolutely. There were all these years, there was this very strong strain of violence, non-violent opposition to the policies of the government. And so there were huge debates going on altogether about change and how you would ever get to change. And none of us could have imagined that we would see the South Africa that exists today. I had the opportunity to visit South Africa last year to attend an international conference, and it was just amazing to me to see how much progress has been made. The people who look at South Africa and study South Africa now are always nervous because they think democracy there is very fragile. But we couldn't have imagined that things would be going as well as they are because every... The policies of the South African government for all those many years were to keep each tribe separate from every other tribe so you would keep them from having commonalities. And when they worked in the mines they were kept in separate housing groups and separate individual units, and they tried to keep their languages separate so that they would have their separate identities, so that they wouldn't have commonality of view in position. So, the fact that these people are now democratic even though it's not a perfect democracy when you compare it to the countries that I've worked on in recent years such as countries of the former Soviet Union, there's no comparison. It's a real democracy, and it's really...it's really...thriving. Sometimes it's a little sleazy, sometimes it's sort of crooked. There's some long-headed policies that you see at the head of the government. But it's a miracle that it has involved into the entity, and it's still evolving into the entity that it is now.

Q: At one point during the late 1950's, early 1960's, I was on R&R (rest and recuperation leave) dealing in the African side of R&R, and I was dealing with the horror of Africa, but it was common accepted wisdom that South Africa would end up with a bag of wrong knives, the blacks would rise and so did the whites and something like that.

BAY: The kinds of discussions that my young South African friends would have... There were some of them who actually even had married blacks, but they couldn't live together. So, their spouse lived in another country. But the kinds of comments they would have when night of long nights comes, if you were a white person would you take up your knife and kill your fellow white person? Would you join with the blacks or would you stay with the white? I mean, these were really very fundamental kinds of discussions that these people had about their own existence and their own survival. It could still change in South Africa, but I think that with each passing year you see a better chance and more optimism. And I think Nelson Mandela contributed a great deal toward this because he was always a peacemaker and always wanted for there to be... He didn't want to have bloody wars, and I think he had a large impact in the beginning which was when it was really very important. But when you go to South Africa today, there are lots of newspapers and there's lots of political countries and there's lots of people running for

office, and it's kind of confusing. It's confusing, I think, to the white people and to the black people, but there's a lot of ferment, political ferment, going on. Everybody's free to speak, everybody's free to say whatever they want, and it's an extraordinarily interesting place.

Q: By the time you left there, this would be 1970, what was your feeling about whether Africa...

BAY: I wasn't very optimistic about the future of South Africa at that time because none of us could have imagined that there could have been an essentially peaceful transition to something different. And we couldn't see that. I don't think any South African would have seen that. But you always had that group of people that were pushing you. There was always the conscious element to the undercurrent of the South African political system. Always had these small groups of whites and blacks and coloreds who were pushing and pushing and saying we need to have change, we need have a different system. So, it was there, and they were ready. When the opportunity came, those people were ready to come out and to help to be free. I think it's interesting that the South African author just won the Nobel Prize for literature. That man could see. He had been writing all those years. I mean all though the ... I don't know when he started, but all through the 1960s and 1970s and 1980s, he was writing in South Africa and very much like you would see in a former communist country. It was like a communist country because it was really like a police state, very much like what you see from a communist country. The people who were the authors and the writers could write novels about things that always had a double meaning. And they could never write a documentary about these things, but you could write novels. And Coetzee who was a wonderful, gifted writer, was writing through this whole entire period, and he was writing about Africa and his... But all of his stories always related to South Africa and what was really happening in South Africa.

Q: While you were in South Africa, did you make the switch from staff to officer?

BAY: No, that came later. My next assignment was Berlin, Germany. And actually, I was assigned to go to Port-au-Prince, Haiti which I was willing to do. I thought this would be quite a switch to go from this all totally white society to a totally black society; however, when I was en route there was a political appointee, black ambassador to Haiti, and he said he didn't want anyone coming from white South Africa. And I was going to go to the State Department and fight it, but they called me up and said well, we'd like for you to go to Berlin. They actually had a junior officer die, and they said could you go to Berlin instead? And I said no, I want to fight to go to Haiti, and then I thought, what do I want to do that for? I think I'll go to Berlin. So, I went to Berlin, and I did consular work in Berlin.

Q: You did consular work from what 1970 to?

BAY: 1970 to 1973.

Q: Berlin has always been sort of a center of east-west conflict. What was the situation in Berlin when you got there in 1970?

BAY: I went from one logair to the next logair. I don't know what a logair is. A logair is a fence that really surrounds an encampment where you are being attacked from the outside, so you're totally isolated inside of that fence. So, I left the logair of white South Africa totally surrounded by black South Africa, totally cut off, totally isolated, and I went to the City of Berlin which was totally isolated inside Eastern Germany. So, I really went from one logair to the next. And by the time I got to Berlin, of course, I was right back in the middle of the Vietnam conflict and what was going on in Vietnam because our policies had become very unpopular in Europe, and the young German students... The free university in Berlin was and is one of the more liberal universities in Europe. And the students of the free university were very opposed to our policies in Vietnam and were demonstrating all the time. There were lots of ferment. I lived in the middle of the free university. The free university and the U. S. Mission in Berlin were a block from each other although normally the students did not protest at the U. S. Mission because we were occupiers, and this was still an occupied city, and we controlled the demonstrations. So, they always went after the America House downtown, because that was a much better place to go and break windows and crash things. So, we were usually saved from being in the midst of demonstrations, but there was a very strong political backlash against the Vietnam war by the time I got to Berlin. And I was a consular officer and again, Berlin was even pretty small as far as consular work. There was a consul general, and he had me as full-time vice consul and a part-time consul, and that was basically it. And so, we were responsible for essentially eastern Germany, and if anything happened to any Americans in eastern Germany, we had to figure out what to do. And a lot of things happened to Americans in eastern Germany.

Q: What sort of things would happen, and who were they?

BAY: Mostly the Americans who got to eastern Germany were either elderly people, returned people, or elderly Americans who were Germans, who had come from East Germany, and because they were retired they were allowed to go back for family visits, or they were members of church groups. I can give you a few examples of the things that happened. One example that one day... And in Berlin, if I thought I was being watched in South Africa, I was really being watched in Berlin because everybody watched everybody. The British listened to the Americans and the Americans listened to the Germans, and the Russians listened to the everybody. So, everybody knew what everybody else was doing. Every time we were on the phone, there were five different countries listening to every word we were saying. So, one day... So, when these things would start to happen, then everybody would know that something would happen. Within 20 minutes people would know. What happened one day was a tour bus was in _____ You could take a tour from West Berlin and go to East Berlin and go around East Berlin and come back to West Berlin on the tour. And the East German government, actually the Russian government because Russia was in charge of East Berlin, permitted these tours to take place. So, one day there was... a guy had a heart attack and died on the bus because he was an elderly guy. And we heard there was something, something had

happened on the bus. And so, we tried to find out and eventually found out. We eventually got the wife. The wife came back. They tried to get back with the body on the bus back to West Berlin because they knew there would be a lot of difficulties if they had to leave the body in the east. But they didn't make it, and it became... The Russians came and took the body away from the bus, and the East Germans had the body. So, and the Russians. It was always very unclear who had what, but usually it was the Russians who made all the decisions. So, they took the body, and they had the body, and it took us another 10 days before we eventually got it, or two weeks before we eventually got that body back. And when we did, it was stripped of everything. There was no jewelry, no clothes. Nothing. That was one thing. And another thing that happened was one day, one night we got a call, and by the time we got the call, everybody knew the Russians knew, the British knew, everybody knew what was going on. There were two little kids who had been sent to see their grandmother in East Berlin, except that they had been sent to Tempelhof Airport which was in West Berlin. And they were about 10 and 12 years old. And so, we started talking to their parents, and most of these kinds of kids came from military families. They had German mothers who married soldiers. The soldiers had taken them back to the United States. And eventually it took us a while talking to the parents but we realized that they had ticketed the kids wrong. And Tempelhof called us and said we're closing now, and these kids have been here now for several hours, and their grandmother was supposed to meet them. They were in pretty bad shape. They were crying. So, we went and got the kids at the airport, and I say we because I was with the embassy duty officer who was Felix Bloch which doesn't mean, I don't think, anything to you, but Stuart will know who Felix Bloch is. And Swiers and I went and got these kids and took them over to Felix's house, and we cooked them a hamburger for dinner, gave them some food, and they were pretty upset. And we then kept getting phone calls, and they said well, you know, we have the grandmother, the Russians told us we have the grandmother, and she's at Checkpoint Charlie, and she's on the East German side, and if you can get the kids down here, we think that we can probably get them over there. So, Felix Bloch and I went at 9:00 at night and took these kids and sat there with these kids. We went into one room, and we're only seeing Russians now. We talked with some Russians, explained to them, and we went then to another room. We stayed there for an hour or so. The kids were really losing it by this time. And eventually, we went outside and the grandmother was there. She was waiting. She was about 400 yards away, but 400 yards was...it could have been 400 miles. Eventually the little girls broke down and just started sobbing. And suddenly things started to happen. The Russians then said OK, we can see that she's not going to hurt anybody. Her grandmother's there. So, Felix and I kept advancing from one barrier to the next barrier. And eventually about midnight we were able to push the kids into East Germany and they were able to see their grandmother. And so that was one example.

Q: I think it's interesting that to capture the flavor of the times.

BAY: This wasn't by any means normal consular work I was doing. I mean, all of this became rather unusual work. One day we got a message. There were two sets of people, Russians and Americans, military, that were allowed to move around in each other's territory including Berlin and East and West Germany. So, we had a mission called the

Potsdam Military Mission. And they were in cars driving all the time. Driving around East Germany. And there were Russians who were driving in West Germany that were part of a Russian military mission, and they were allowed to be one at a time in these areas. The Russians who would move around in West Germany spoke fluent German. The Americans who moved around in east Germany spoke fluent German. Most of them had come from immigrant German families and were German-Americans. And one day we got a call from these guys, and they said we're on our way back, and we're coming to see you, but we've just seen a terrible automobile accident, and it appeared to be a bunch of American kids in this accident. So, they came back and reported to us. This is really horrible, but some of the kids are dead, some of the kids are injured. We know that they have been picked up and taken to hospitals in East Germany, but we don't know how we're going to get in touch with them. And these guys were really wonderful because they were the only people—they were the only Americans—who had ability to go to East Germany on a regular basis. We went to East Germany, we would go to East Germany because we were permitted to go to the Leipzig trade fair which was another exchange deal where they would let some Russians go to Book Fair in Frankfurt and...

Q: This is Tape 2, Side 1 with Janice Bay. Go ahead.

BAY: Neither we nor any other Americans had any ability except for the special occasions to go to this fair to enter East Germany. We went to East Berlin because we were the occupying power, and it's the occupying powers—the British and the Americans and the Russians and French—that could all go back and forth between East Berlin and West Berlin. So, we could go to East Berlin whenever we wanted to, but we were never allowed to go outside of East Berlin including to Potsdam. Potsdam was in East Germany. And so, these guys, these Potsdam military guys, were really quite wonderful. They said we're fathers, and we have kids. We're not going to let this one go. We're going to find these kids, we're going to find out what hospitals they're in. And they really accelerated. They got on the road. You're talking about distances of three or four hours driving on really very terrible roads. So they would get on the roads, and they'd just go to hospitals, and they'd walk in with their perfect German and in uniform, American military uniform, and ask "do you have any American kids here?" The doctors and nurses were frightened to death because they knew their medicine was so poor and so backwards and they indeed had these really injured kids. And they were so frightened that they didn't want to have these kids to die on their watch. And so, they told them yes, we have the kids. And so, we were able to get some information about the kids, who they were, initially for a couple of days until the Russians kind of put it all together. You've got to understand. When everybody's listening to everything, that's a lot of listening. And so, it takes—we didn't have computers—so it takes a while for everything to be written down and transcribed. So, it took a couple of days for the Russians to figure out what was going on, and then they put a stop to it. And then our minister went to the top Russian official and said we have to have access to these kids. These kids have families in America, they were only 14 and 15 years, they were a church group, some of them were dead, we need the bodies of the dead ones, the ones that are well enough to travel we'd like to get them back to West Berlin. So, we eventually started working with the Russians when the Russians finally agreed, but there were a couple of kids. So, we got some of the

kids back. We were able to get them back home. There were a couple that were so severely injured they couldn't be moved. They had terrible back injuries. So, we made arrangements for me and this time not Felix. Dick Barkley who you may know.

Q: I've interviewed him just recently. He was...

BAY: ...and so Dick Barkley and I got permission and Peter Swiers. I made a couple of trips. Peter Swiers was another. And Peter was a Russian speaker, so he was a good person to do this with. So, we went to, we drove to Leipzig and found this girl and talked to her. Here she is 15 years old, she doesn't speak a word of German. She's laying here in a body cast up to her neck. And we then started negotiating. We made about three trips to go negotiate with the Russians and the Germans and the American military to try to find a way to see how we could get her out. And initially the Germans said we can't let her go in our... We can't even let her go in our ambulance because our ambulance would kill her because we know our ambulance is so primitive that we know with a back injury like she's got, she will die. So, we were eventually able to negotiate. It was very difficult, days and days for the Russians to let an American ambulance, American military ambulance, to get her and transport her back. And in the meantime, the Potsdam guys, they had become sneakier, so they would move around at night more, and they would sneak in her room and bring her magazines and books so she would at least know that she was not another planet. Eventually we got her out. She was in a hospital in West Berlin for two or three months before she was ever even able to go home, and I stayed and visited her there. But she eventually got home and recovered. But that's an example. When we went on our trips to the Leipzig Fair, to Leipzig, we never signed up to stay in a hotel, and then we'd get there and they'd say oh, no! You didn't sign up to stay in a hotel. That means you have to stay with a family. So, we were actually put into homes and stayed in homes of East Germans, and we'd stay with them for a couple of days and talk to them. Sometimes it was a positive experience, sometimes it was a negative experience. It was more of a positive experience when there were homes with no children in the homes. It was more a negative experience when there were children in the home because the parents really didn't want their children to see these people from the West who were so much better off and clearly so much richer than they were. We would bring presents. Like we'd bring a pound of coffee to them because they'd have to stand in line for two hours to get a pound of coffee when it was available. So, we brought little consumable items, nothing else. Then we'd get in our cars, and we wouldn't ever go to the fair. We didn't want to go to the fair. We wanted to go to Dresden, and we wanted to go to other cities in Eastern Germany. So, we moved all around. I mean, we went to as many cities... And we even went to Potsdam one day. So, we would drive two or three hours and then come back and spend the night. And so that was the way we were reporting on the... And we were the first Americans that did that. So that was that. So, that was 1970 or 1971, they started allowing that to happen, and it was just that once a year. And, of course, we knew what we were doing. The State Department agreed we could do it, the Russians had agreed we could do it because they wanted to go to Frankfurt, and so we basically provided the first bits of reporting and the first bits of information that the State Department had since the end of the war except from debriefing refugees which was another whole program that went on in Berlin all the time as there was continual

debriefing of refugees about what life was like and what conditions were like. So, it was a very nifty opportunity for us. And later in my career when I was able to go back to Germany, I left Germany in 1973, and I didn't live there again, and I went back to Bonn in 1994. I was able then to really go and spend quite a lot of time because we were really encouraging the development of Eastern Germany to go spend a lot of time in the places that I had seen 30 years before, and even that was pretty remarkable because they hadn't changed much at all.

Q: What was your impression of East Germany when you went there?

BAY: Well, it was as I say. When I went there in 1994 it hadn't changed that much from 1973, but in 1973 even in 1973, 1970, 1971, 1972, 1973, it was as if World War II had just ended in many, many parts of East Germany. East Berlin had been built up because that had been considered the jewel in the crown, and that was considered the showcase. So, they had rebuild East Berlin, but in city after city in eastern Germany, you just saw crumbling infrastructure and really pretty deplorable conditions. Literally windows that hadn't been fixed since the end of the war. And people who would just have boards in their windows and a great degree of coal heating and not enough of that. It was really extraordinarily depressing. It was really a very, very difficult environment for people to live in. Of course, everybody had a job, and everybody went to work, and everybody got their sort of basic rations of, you know, potatoes and meat and stuff, but there was a waiting list if you wanted to get a car. People could make money and save money because there was nothing to buy. If you wanted to get a car, a Volvo or something, you'd have to be on a waiting list for two or three years or four before you could get a car. The one thing that you saw which you still see in eastern Germany is that people learn to preserve things. You saw cars from the 1940s driving around in eastern Germany which you never saw in western Germany. And you still today see some of those really old cars still driving around in eastern Germany, but people learned to preserve things. And the people that stayed there and survived did learn to work together and to have a sense of helping each other if there was a need to help each other. But there was a very extraordinarily restrictive political regime, so politics wasn't an issue of discussion.

Q: In Berlin were there any particular issues on the visa side?

BAY: One of the other issues we dealt with was because there was general harassment on the part of the Russians because it was the height of the Cold War. We helped people who came by train mostly. People could fly into Tempelhof Airport and come in directly into Berlin and not have to go through any authorities. But if you came on the train, you had to go through the Russian checkpoints. So, they would pull somebody off of a train who had a passport picture with a beard, and they had shaved their beard. Or they didn't have a beard and they grew a beard. Or any little thing that they could find would be an infraction, and then they would say "OK, you can't leave Berlin now until you can somehow sort this out". So, we would always be having to take care of issuing new passports to people. Sometimes we'd have to issue new passports to people if they didn't want the authorities to see a visa stamp that they had. But it was very difficult. But, of course, we didn't... Again, we couldn't negotiate in any way with the East Germans. We

could only talk with the Russians, and there was a lot of contact with the Russians. I mean, our minister would have cocktail parties, and he would invite the French and the British and the Russians. So, the Russian diplomats, we saw them on a pretty regular basis, and they would help to solve problems. But so most of the issues we had were Russians harassing us because we were Americans. So, we had a number of those issues with it, just anything that could look like a visa irregularity. And, of course, some people, again you had young Americans traveling around and sometimes there were visa irregularities, and people would be detained for two or three hours or two or three days sometimes, and often people would be detained and no one would even know it. You were 21 years old and traveling around Europe by yourself, and people wouldn't know that. So, we did have those kinds of situations.

Q: This was a period when I think, Kissinger was pushing détente and supposedly things were easing up. Was there any notice of détente in Berlin from your colleagues who'd been there longer?

BAY: It was changing over that period of time as we got into 1973 and got closer to 1974. We were actually starting to sign agreements. There were agreements being negotiated. Of course, I wasn't doing that work because I was doing consular work. But some of the things that were being negotiated were things that would streamline and pave the way for a better consular presence and better treatment. So, we were making progress. When we were there, something that would be interesting to you, Stuart is I met my husband in Berlin. He was in the Air Force, and he was at the time—he's now a diplomat as well—he was the nightly newsman on the Armed Forces television. And so, he took a lot of film, and he was able to go to East Berlin and actually film events in East Berlin. He had to go in uniform, so it wasn't always easy for him, but when we were there the people of one of the accords was the people of Steinstücken which was a tiny little isolated village in the middle of Berlin and for 20 years had only been able to go down a little path to get back and forth between West Berlin. They were West Berliners, to get between West Berlin and their home, they were able to get a road and to get access. And my husband actually was able to fly that day in a helicopter and film the road openings. And so, he has film of that. He also was able to film Walter Overick's funeral although he was harassed by East Germans that day because he was doing that. I'm not sure that he has that film, but he has some of this very old film. And East Berlin was, of course, a livelier place than the rest of the country. There was very good opera. There was very good ballet. And we would go to East Berlin to actually see the Komische opera, to go to cultural events. There was a wonderful symphony, the museum has some wonderful ancient antiquities from Egypt and Turkey and other parts of the Middle East. So, we people who were the occupiers, we would go whenever we wanted to and visit the wonderful cultural treasures of the east. It was also very inexpensive. The American soldiers liked to go there and eat because it would cost a fourth of what it would cost to eat in the west. And of course, if you had hard currency, there were things that you could go and buy. Not a lot of things, but things were really inexpensive.

Q: What was the background of your husband?

BAY: My husband, well he had been in the military. He was in college and had a very poor draft number.

Q: Where was he in college?

BAY: He had gone to Brigham Young University in Utah, and he wasn't happy there, and he'd left. He's gone off skiing for a semester, and his draft number was very low. And he'd gone off to Europe for a summer between his junior and senior year, and he came back, and he was drafted. He went and enlisted in the Air Force so that he wouldn't have to go Vietnam. So, he stayed in... He was in Nock Tom Phnom in Thailand, and he was there for I think about for not very long, 15 months or something, but he was going to be sent to some island in the middle of the Pacific or something, and they said if you're willing to extend one more year, we'll let you go to Berlin. And so, he went to Berlin and I met him there. And of course, at that time the Armed Forces Television Network had live news every night, and they had a full news program, and many of those young soldiers who were working in radio and television, many of them became very prominent subsequently in radio and television in U. S. markets because they were very well trained in radio and television.

Q: How about you and the Foreign Service, your status in the Foreign Service. Had that changed in Berlin?

BAY: At that time, yes. It changed when I was in Berlin. And at that time... It changed about the same time that they also changed the rules regarding the Foreign Service spouses. Up until 1973 a woman couldn't be married and really be in the Foreign Service. She could be married to a person who wasn't a Foreign Service officer. She could not be married to a Foreign Service Officer. She was forced to or she would have to be posted to a different country than her spouse. She was forced to resign, essentially, from the Foreign Service. It was at the same time that there was a sort of revolt about it because it so happened that most of the staff officers who'd been recruited, many of whom like me had master's degrees in political science were women. We were women, so that's how they got their 12 women in the Foreign Service. So, at that time they decided to change that, and we were made regular Foreign Service. We had to go through another oral exam process, another written exam process, and then we were brought in to the Foreign Service.

Q: Do you recall any of the questions asked in the oral exam?

BAY: I really don't. It was pretty easy. It wasn't difficult.

Q: This was pretty pro forma.

BAY: Yes, it was pretty *pro forma*.

Q: Was anybody making huffs and puffs about spouse... I take it he was on his way out of the military.

BAY: He was going to leave the military, and we weren't married yet, and that's a whole other story. I thought at that point I don't know if I want to marry this guy or not, and he's still in Germany and, if you just completed your European tour, it's unlikely that you're going to get another European tour. So, I looked on the map and said what's close to Europe. I was looking ahead to about 60 days. I certainly wasn't thinking ahead six years. And the number that came up was Tel Aviv, so I applied to go to work, still doing consular work, I applied to go to Tel Aviv because from Tel Aviv I could at least get back to Berlin. And so, in July of 1973 I was transferred to Tel Aviv, arriving there just days before or weeks before the October War.

Q: The October War and Yom Kippur War... Before we go to Tel Aviv, who was the head of our mission in Berlin when you were there?

BAY: The first one was Brewster Morris who I imagine is now deceased. He retired to Marin near Sausalito. And the second one was David Kline who may still be alive. So, they were the two ministers who were there when I was there.

Q: Did you as a consular officer get involved in what I have heard described as almost the theology of Berlin? There's a whole book on what you can and can't do and the status and all that?

BAY: Everything we did we were involved in that. One of the people that worked down the hall from me came from I believe Tennessee. He was a political... You know he came from... He was a friend of Johnson's or a relative of Johnson's and he'd worked for (the Bureau of) Alcohol, Tobacco, and Firearms. So he was essentially the sheriff, or the police chief, and so he was the police chief of Berlin, and he would give orders to the West Berlin police and tell them what to do. So the four power talks were going on while we were there, and they were, of course, taking place in Bonn, and there was always a huge rivalry between the embassy in Bonn and the mission in Berlin which exists up until today because the people working in Berlin always thought they were separate and independent and weren't really part of a diplomatic mission and an embassy, and that they knew and understood best what was best for Berlin and what the Berliners wanted. There was a judge who lived across the street from me, Judge Harris, who had been a judge and was judge in a town in America, and he had gone to Germany to be the judge in the Nuremburg trials, and he never left. He stayed in Berlin until he died. And there was a woman Kelly Holomony who was a book buyer who originally had come from Hungary, her family lived in Montana, and she had been there and that was another one of these exceptions where she was allowed to go to Russia and go to Germany and East Germany and go to Eastern Europe and buy books. And she bought books for 40 years. And she stayed there almost until she died. She went back home, and she did die. She didn't live very long after she left. So, there were people who spent, there were Americans who spent their entire lives occupying Berlin and doing this and having a very benign government. You know, there was the head of the Spandau prison with one prisoner in it.

Q: Rudolf Hess.

BAY: Yes. These people had spent, many of them had whole careers, maybe 20 years, maybe they would be head of the prison with maybe one prisoner in it. So, you had this whole group of people who were living like Berliners, and they had married Berliners a lot of them, and their home was in Berlin.

Q: What about your contact with Germans in Berlin?

BAY: Again, I was still pretty young. I was so young when I joined the Foreign Service that by now, I'm still only 26 years old. So, we had a lot of young friends both in the military and German friends, university friends. One of our young FSN's (Foreign Service National Employees) who was an economics officer became a close friend of mine, and he subsequently joined the German Foreign Service, and he is now a very high ranking German diplomat. And he and his university buddies and his diplomatic buddies became friends. Berlin was a very, very lively city. Berlin is where we sort of had the more traditional welfare and whereabouts kinds of consular cases when somebody would go to a bar and sit down next to a beautiful woman and find out later that they had a bill for a 1,000 dollars even though they weren't aware that they'd ordered anything other than one glass of champagne. So those things would happen all the time. Some Americans at the free university in Berlin. But we were very much heavily engaged in a lot that was going... And the Berlin cultural scene was just wonderful in those days. It was really the Berlin Philharmonic was wonderful. So, you had culture in the east and culture in the west and the nightlife never stopped. I mean, Berliners don't sleep, so in the summertime they would party all night long. So, it was an exciting, very interesting and exciting place to be as a young American.

Q: Did you feel under the gun as far as "Soviet menace"? Was it a feeling that something could happen at any moment or by this time were things pretty static?

BAY: We were so... I mean, all these things would keep happening which weren't normal, and I mean my career was probably given a boost because of all the strange things that would keep happening that I would have to figure out how to resolve. And this wasn't what was happening in the consular section in Mexico City, I can assure you.

But we felt that change was going to be difficult. Sort of like being in South Africa, we couldn't have imagined that you'd wake up one day and see the wall come down. At that time none of us imagined it, but we weren't frightened. We really weren't frightened. We didn't feel threatened. People would get very afraid, and these young people that would have things happen to them where they'd be detained 24 hours would just come in shaking in their boots, but we understood that it was all part of a strategic game, and we didn't feel personally threatened. We didn't feel that we ever would be nuked by the Russians. We felt that these were sort of the rules of Cold War and that this kind of was normal. This very weird abnormal world that we were living in was a normal year. It was like a world turning topsy-turvy.

Q: Did you get involved with any Americans trying to smuggle Germans out of East Germany?

BAY: Yes. There were a few cases of that. And that's another area where we had conflicts with our own military because they considered these Americans to be engaging in criminal activities. And I fought with these guys. I'd say it seemed to me that these Americans were trying to bring others to freedom. Sometimes they were doing it for money, and sometimes they were military personnel or former military personnel who were doing it for money. I think subsequently I don't think any of them spent time in prison, any of those people. There were other people, of course, who were caught in East Germany and ended up in jail in East Germany, and then we dealt with those handlers. There were a few special lawyers who were handlers who were able to work in the east and west and...

Q: In my interview with Dick Barkley he...

BAY: Yes. He knows about Mr. Fogel...

Q: Yes. Mr. Fogel was his main contact. These would fall outside the consular thing.

BAY: We dealt with him from a consular perspective, so if there were a person in prison, that would be something we would be involved with, but it was very difficult for us to visit any of those people in prison, have contact with any of those people. But we helped from a consular perspective with anything having to do with these people. That's why I worked hand in glove and Dick Barkley and Peter Swiers and people who were actually negotiating with these people who were the handlers. And we did have some success. We had a few people released while I was there, and as soon as they were released, they became our cases, and then we had to figure out how to deal with them.

Q: Now on to Tel Aviv.

BAY: I've got to go.

Q: OK. Well, this is a good place to stop, and we'll pick this up in 1973 when in Late September or...

BAY: Yes, I think I got there in, I must have gotten there in July, about the end of July.

Q: The end of July 1973 which was an interesting time to...

BAY: That was before the October War.

Q: So, we'll pick it up there. Great!

BAY: But the...

(Transcriptionist's note: Ms. Bay's voice trailed off.)

Q: It is the 22nd of October 2003. Janice, you went to a place, quiet, peaceful Tel Aviv in July 1973. How was it then? What were you expecting, and what was the atmosphere like?

BAY: When I arrived in Tel Aviv in July of 1971 from our perspective life was pretty much business as usual for the Middle East which means there was always tension. There had been a certain level of tension ever since the 1967 war that never really receded, but we felt that this was normal Israel, normal Middle East. You would have periodic isolated little bomb explosions, but nothing very large. We were very free to move around the entire country. A good friend of mine was a vice consul in Jerusalem and the same time that I...

Q: Who was that?

BAY: Her name was Gerri Putchin . And so, I spent many of my weekends in Jerusalem, and we really were in East Jerusalem, so we spent most of our time in the old city of Jerusalem. It really was a very thriving little economy going on in the city of Jerusalem, and it really was a very lively and fun place to be. I would drive through the West Bank to get to Jerusalem on the weekends and all alone and never really encountered any difficulty whatsoever. As people think about the Israel of today, you have to think about the Israel at the time and what that was like. And so, we knew there was a great deal of tension, but all of us were surprised when the 1973 war broke out. I was doing consular work in Tel Aviv. I was working in the American Citizens' Services section.

Q: Who was the Consul General? Who was in charge?

BAY: When I arrived there, I believe the Consul General was Larry Raeder who is now deceased, I believe. The person who was in charge of our part of that section was John Adams. And we had unusual work to do in Jerusalem, unusual consular work the whole time that I was there despite all the political comings and goings. We were dealing with this group of people who came out of Chicago who called themselves the Black Hebrews who had gone to immigrate to Israel and had claimed to be Hebrews and so were never really challenged by the Israeli authorities. And they had gone down into the...and desecrated their own villages and their own places to live where they lived pretty much alone and had created their own culture. And these people were, of course, were all from the inner city of Chicago, but they somehow believed they were somehow descendants of Abraham and Black Hebrews. At a certain point the Israelis were getting pretty nervous about them and wanted to deport them back to the United States, and so these people made a decision to renounce their U.S. citizenship. So, we had a couple hundred of them come to us. Each day they could come, and we would say well, if you're going to do this, you've got to schedule an appointment and think it over and have to come back.

Q: Essentially it was a delay system to make sure people didn't do this too quickly. This was a true...

BAY: Right. And the Israelis were breathing down our throats because they really hadn't ever had a visa policy for American citizens because they always encouraged American citizens to come to visit Israel. They really wanted Americans to visit Israel, and they liked for American religious groups to visit the Holy Land as well because that way they could see the situation and see what Israel was really like. And these people, though were very, very determined, and so once again we attracted a great deal of attention because suddenly, we had 200 people on our doorstep who were absolutely determined to renounce their U. S. citizenship and did so. So, over a period of about six months we actually handled—a couple of us—handled close to 200 renunciations of American citizenship. And we had lots of teams come in eventually from INS (Immigration and Naturalization Service) and even people from the FBI (Federal Bureau of Investigation) to make sure everything had been done appropriately and these people knew what they were doing. They absolutely knew what they were doing. They were very much under control of a religious leader from that group. So that was...

Q: ...before the Jonestown business.

BAY: And these people didn't, as far as I know some of them still live in Israel today. Some of them eventually did come back to the United States. Some of them renounced their citizenship and came back on immigration visas when they decided they were fed up. But most of them stayed in Israel and continued to make the Israeli authorities very nervous but didn't really ever create any major problems. So that was part of a context about what we were really worried about. And that year Yom Kippur happened to be over Labor Day weekend. It was the first weekend...

Q: ...of October.

BAY: You're right, it was October.

Q: It was the October War.

BAY: It was called the October War, but I believe it started around Labor Day, but I'd have to check. But there was a holiday. It was a three-day weekend, and a friend of mine from Jerusalem and a friend of mine from Beirut and I decided we didn't want to be there for Yom Kippur because it was a day where you were not allowed to go out. You weren't allowed to move around. If you did move around, you could have stones thrown at you. It was a day where everybody stayed in. So, we took off and went to Nicosia. So, we were in Nicosia when the war broke out. It took us several days to even get back into Israel. We came back in on the first flight that went back in, and it was a flight in the middle of the night with a number of Israeli-Americans or Israelis returning from the United States who were going back home to serve in the military. And once we got back home, then we were very much in... Our post in the Foreign Service...our home was our post. So, I went to Tel Aviv and my friend went to Jerusalem. So, we were very much in a wartime

situation. We lived in...all of Tel Aviv was under blackout conditions every night, so we couldn't have any lights on after dark and had to have all of our blinds pulled. And we worked seven days a week. No one took a day off although we didn't have a lot of tourism business at that time. But we continued to have a lot of these very patriotic Americans and Israeli-Americans and Israelis who had been living in the United States who were patriotic to Israel coming back to go in the Army, and eventually some of them wanted to go back to the United States, so we processed those people. We weren't dealing with a great deal of tourists at that time.

Q: I'm told somewhere that TV. A lot of the Israelis took note of the significant number of people dressed in Orthodox outfits getting out of the country, too. Assumed that a good number of Israelis had American passports, too, didn't they?

BAY: There was a huge amount of dual nationality, and the people that you would be talking about would be the very ultra-religious people in Israel, and many of those groups never have recognized the State of Israel. And so, they don't believe in war, and they don't serve in the military. And so, it's quite possible that those groups, most of whom lived in Jerusalem and places around Jerusalem, would have departed and left because those people did not support Middle East war. They did not support Israel going to war, and they did not serve in the military. So those people well might have left, and those people were of eastern European origin almost 100%. Their leadership is in Brooklyn, New York and in parts of...

Q: What is it, the Lubovitch...

BAY: The Lubovitch Rabbi. And those groups well might have decided to leave and would have just gone. The Israelis wouldn't have made any effort to keep them. The Israelis would have, of course, expected all young Israelis living in the United States or Europe or anywhere else to return because everybody, of course, in Israel goes into the military when they're 18, and they come out when they're 20, but then they're in the reserves. If you're in the reserves you're going to be called up if there's a war. So luckily for us the war didn't last very long, and we didn't feel there were certain rockets that landed in the neighborhood of Tel Aviv, and we all lived within a mile of the beach. So, all of us at any given point were near where rockets could come, but no one in the embassy was injured or hurt. And, of course, the war because the military campaign happened very quickly, we had shuttle diplomacy upon us very rapidly, and Henry Kissinger started coming to the area very shortly after the war began, I'd say three to four weeks after the war began. He came, and then he just kept coming. He would often do double shuttles. He'd like to stay in Jerusalem in the King David Hotel because he could sleep better there than he could sleep in some of the neighboring countries. So, he would often sleep there, meet with the Israelis in the morning, take off, go to Syria, come back, maybe go to Egypt and come back, and he'd often be in and out. So, for months it seems like we would have continual motorcades back and forth. He had married Nancy Kissinger by that time, and for a period of time I worked as a control officer for her. And basically, we just took the entire mission and the entire mission in Tel Aviv was in Jerusalem supporting Henry Kissinger's efforts to create some kind of stability and some

kind of cease fire which he eventually did succeed in doing. So that was really for the first six months of my tour there, we were very much taken up by many of these events.

Q: Go back to when you arrived, coming back from Nicosia. What was the feeling? Were you getting a feeling of how dicey this whole thing was? It was not for a game that the Israelis would win.

BAY: It wasn't that the battle was so quick, and they succeeded militarily pretty quickly. The Israelis were very calm when they were put to the worst kind of test. They were very calm, and they seemed to feel quite strongly that they would succeed, and of course, they did succeed in that particular battle and in that kind of battle. In the intervening period, we've seen that war has taken on a very different kind of flavor in that part of the world. But that was maybe the last traditional kind of battle where you really had forces on either side of the border facing forces and trying to regain territory.

Q: The consular section wasn't particularly flooded by people trying to get out or that sort of thing?

BAY: No, we weren't. The people that wanted to lead _____ in a conflict will keep flying, and the people who wanted to leave were brought out very quickly, and our problems were much more when many of these people came back and then decided to go back to the United States, and we had to deal with often competing citizenship claims or people who'd overstayed visas in the United States for two years. So those were the kinds of problems that we had to deal with.

Q: Did the visitor visa thing fall off during this time?

BAY: Yes. Israelis, because of the way they view conflict, most of them remained, and the young people remained, even those who were Americans and were Israelis who had dual citizenship. And, of course, people can keep both of their citizenships. Israelis automatically gave citizenship to every Jewish person who went to Israel, so these people were all dual citizens, and as citizens in Israel they were expected to be present in Israel. So, we didn't have a huge number of people. It wasn't a panic. There weren't a lot of people trying to leave.

Q: I wonder whether you had picked up some of the jetsam flotsam of elderly Jewish-Americans who'd show and couldn't really make any contribution but wanted to be there, and then maybe they had spent their savings and couldn't get back. Did you end up with any of these?

BAY: There were people like that living in Israel all the time. People who had basically retired in the United States and decided to go to Israel but really didn't fit in very well. We had a steady stream of people like that all the time. We also had a steady stream of people who thought they were Jesus Christ, because if you believe you're Jesus Christ and you are the Messiah, you had to go to the Holy Land. So, at any given time we had

one or two of these people who became indigent, were indigent, and we would have to repatriate them to the United States, and sometimes that was quite a challenge.

Q: Did you have the Jesus Christ waiting room?

BAY: It was quite a challenge, and the Israelis and the Israeli government really didn't want these people around and really didn't particularly want to take care of them in their own mental institutions, and so they really wanted us to be responsible for getting these people moving. So, there were always these kinds of people, and adventurous people, and American Jews and Jews from other countries who settled because they'd always been taught this was going to be the perfect place to be. But it wasn't necessarily the perfect place to be if you grew up in Brooklyn, it might not have been, and it might have been a less perfect place if you grew up somewhere in the middle of America. But all of that was just sort of normal business, and then we had the Henry Kissinger overlay on top of this that made things pretty frantic. But it's again the posts that I've been in imagining change in South Africa, imagining change in Berlin. I don't think any of us would have thought that the Palestinian conflict would get as ugly as it has now without having seen some kind of change, some kind of external imposed change or some kind of change. It's far worse now than we would have imagined it. Even during this period of time around the Yom Kippur war, we moved very freely in the old city, and the markets were open, the traders were there, and normal life was going on.

Q: Had your friend in Jerusalem, was she saying things really are different up there? Were they picking up a different side?

BAY: The people who followed the Palestinians always had a different point of view, but no, I don't think that they had a different analysis than we had. We would go to Bethlehem for Christmas Eve services or for Easter services. And the people on the West Bank, the people in Bethlehem, all people who hoped for peace and hoped not to see this kind of conflict that we've had. The place that was a little bit different was Gaza, and Gaza always was a little bit different because it was always separated physically from the rest of Israel and was always kind of kept separate. So, the people in Gaza were really different and didn't have quite as much contact with the other Palestinians, and were a little bit more strident and a little more prone to violence than those around the City of Jerusalem. But the people around the City of Jerusalem at that time, they really wanted peace. They really wanted to not have conflict. They wanted their children to be raised in peace. They, of course, did want, they always wanted, to have their own state, and the political players always wanted to have their own state. But remember at this time the political players were not in Israel. Arafat was in Tunisia or somewhere else. He wasn't anywhere near Israel at the time that I was there. So, he and his leadership, the PLO (Palestine Liberation Organization) leadership, were always away from Israel, so the entities that really wanted to govern the Palestinians were not present inside of Israel, so there wasn't the same kind of focus that you have...

Q: Also, there was not the aggressive Israeli settlement policy going on at that time, either.

BAY: We thought it was quite aggressive, but it was not aggressive at all compared to what you see today. I mean, these parts of East Jerusalem in which we moved around very freely when we were there in 1973, 1974, and 1975, you rarely ever saw an Israeli even walking around in those parts of East Jerusalem. Today if you go to Jerusalem, you have Israelis living in all those parts of East Jerusalem. So, it's very, very different and I think that's affected the politics a great deal, too.

Q: What were you doing with Nancy Kissinger?

BAY: We would take her around on tours, and we took her to Masada, and our goal was to keep her happy because no one wanted her to complain to her husband, because if she complained to her husband, we would all be very unhappy. So, we kept her pretty busy, and we would take her on tours, and she would do things and go to events. After a while, I don't think she came...

(Transcriptionist's note: Sentence trailed off at end of tape side and begins Tape 2, Side 1 at this point.)

BAY: Also, the consulate in Jerusalem was very small, and they had their own missions and their own functions, so it really is, the embassy really handles Israeli policies, so the government kind of just grew *en masse*. People worked very long and very hard hours, but they felt they were making a difference, and morale was really pretty good.

Q: How about the American services section that includes protection cases, people arrested, as there are Israeli-Americans or Palestinian-Americans. Quite a few. What about arrest cases? Did you get involved in those?

BAY: We got involved in arrest cases. We did not have many arrest cases, and they usually would tend to be some young American who was picked up on drugs charges or something, and we worked pretty carefully. They were not treated badly. If sentenced to prison, put into prison, they were in pretty good conditions, and we worked pretty hard to get their sentences shortened to try to get them back home. But luckily, we didn't have very many. We dealt with the people from Gaza. We didn't have so much to do with the people from, the Palestinians, from the West Bank mostly went to Jerusalem. That's where they did their consular work. We would have problems with young kids who would be coming in to apply to go to study in the United States. Palestinians from Gaza who would have been charged with terrorism by the Israeli authorities. These were like 13-year-old kids. And these were issues that were difficult for us to deal with because terrorists, of course, are not permitted to come to the United States, and we would have to get a lot of special opinions about whether the crimes these kids had committed were...

Q: They were basically rock throwers, weren't they?

BAY: They were rock throwers and people who had set off smoke bombs in theaters. That's why I said this is such a different environment than the environment today. None

of them had ever killed anybody, but now, of course, these kids are now probably the grandfathers of the kids that are killing people now. So, we would deal with those issues, but most of the West Bank people went to the consulate in Jerusalem.

Q: How about your relations with Israeli officials? I assume it would involve police, immigration, that sort of thing.

BAY: They were quite professional. I think that many of us who lived there disagreed with the way they treated Palestinians, but they were quite professional in the way they behaved and treated each other because Israel was a very high-strung society, and because there was so much tension there everybody that was living there was under stress all the time. One of the things that all Americans have to get used to is when you enter a restaurant, a movie theater or get on a bus, you're likely to have a soldier with a loaded Uzi machine gun sitting right next to you. It's a very armed society because of the threat, and the risk and the dangers that they face. And so, there's a great degree of stress in that society, and people will have arguments and arguments sound as if they're going to become violent. Usually they're not. But it's not a relaxing society. There's a very fast paced life. It's a Mediterranean life, so people stay up late at night, it's warm so people stay up late. They don't sleep very much. But it's an extraordinarily stressful society, and for people who are fragile mentally, it's a very difficult place to live.

Q: Did you have many Israeli friends in Israeli society from your perspective?

BAY: We had some Israeli friends, and of course we had our Foreign Service national employees who worked for us become our very good friends. We had wonderful employees, and they were wonderful to their bosses. I mean, they would include us in their lives, in their families, in the weddings, and their births and their funerals, and of course we knew neighbors, and we knew Israeli young people. But at that time for many of them their goal was to live in America. What they really wanted to do was go to America, study in America and get a graduate degree in America, and then come back. And they would make money in America and then bring the money back home. Israel is a very expensive place to live. There's a very high tax rate there. And so, for young Israelis it was hard for them to make money, and so they liked to go. And we had a very liberal visa policy for them. It was very easy for them, and they were very highly educated, so it was very easy for them to come to the United States. When I lived in Israel, my husband and I—we had recently married—by that time were able to also travel to some of the neighboring countries, and we were some of the first Americans living in Israel who visited Egypt. And when we visited Egypt at the time, the Russians were still there. There were very many Russians there, and our embassy was a very tiny embassy. It was still an intersection, and there were only about eight or ten people who were posted at that time, so we visited Egypt and traveled to upper Egypt, and we traveled with Russians. And I think we travelled to visit the Jordanian tourist sites. There weren't very many Americans living around in those parts of the world in those days.

Q: Having been in South Africa, were you seeing any parallels or the contrary between the Israeli treatment of the Palestinians to the South African situation?

BAY: It was quite a different situation. The South Africans really dealt less kindly to Africans generally, but it was much like the American south. You had Africans working in the homes and businesses of every South African family, so every South African family had a lot of contact with South Africans. Very few Israeli families had much if any contact with Palestinians unless they were running a factory or running a farm where they were employing Palestinian workers. So most of the Israelis who lived in cities didn't have any Palestinian contacts or Palestinian friends or Palestinian colleagues. Everyone in South Africa had African employees, African colleagues, and probably even African employees. There were people who were very anti-African, so there wasn't a sense of empathy, much empathy between the people.

Q: You mentioned your husband. You got married. Your husband had been with a civilian...

BAY: He was in the Air Force. And when he got out of the Air Force, he joined me in Tel Aviv. During the Vietnam war period he had been in Nock Com Phnom, Thailand in the north of Thailand, and then he'd gone to Berlin, and he had not completed his university degree yet. So, he went to the University of Tel Aviv and was studying in their foreign student program. We met a lot of new immigrants, Russians and others, new immigrants to Israel through that program, and he did that while we were still in Israel. I was there for another year and a half after we were married. So, he studied with a program through the American University here in Washington, District of Columbia that was an exchange program. And that was a very interesting program for him and actually got him started down the road of being interested in the Middle East and in the Arab studies as well.

Q: This is still early on for women in the Foreign Service having husbands who are sort of free floating.

BAY: I think he was number six. I think he was the sixth male spouse. Number one and two were people like Clare Booth Luce and her husband. They were very high-ranking people. So, this was very new and it was something that the Foreign Service didn't quite know how to deal with.

Q: Did you have problems?

BAY: We didn't have major problems. It was harder for him than it was for me because the embassy really didn't say he'd have to belong to the Women's Club or that wasn't appropriate and how would he fit in? But it turned out to be fun. It was a great opportunity for him to study and to get his university degree. And there were other spouses who were there who felt very much like he did. I mean, they sort of became a more emboldened group of young women who really wanted to have their own role and have their own function, and to do the things that they had been educated and trained to do. So it was quite an interesting experience.

Q: You left there before the Camp David Accord. Did you run across or follow Henry Kissinger at all?

BAY: I didn't personally, but his demeanor affected all of us. Everything we did was to try to make his visits whatever he wanted them to be, as painless as possible so that he wouldn't take it out...that the Wrath of Henry wouldn't be laid upon any of us or any of his staff. It was very difficult. I mean, working with Henry was a difficult thing for everybody around him. But I think as I say that morale was quite good and that what he was doing was extraordinarily important and was making a difference and, therefore, it was important for all of us to support him in doing what he did. When you think about Middle East peace today and then, the man did make a difference in his efforts—his personal efforts—did make a huge difference, and it takes a huge amount of resources to achieve a result like that. Of course, it wasn't the perfect result, no one's found the perfect result out there yet, but I think we all admired and respected the work that he did even though it was very difficult not only for our post which was a large post, but for those little posts like Syria and Egypt and Rome it was even more difficult than ours.

Q: Who was the ambassador at the time?

BAY: Our first ambassador was Kenneth Keating, and he died, and before that Walworth Barbour had been ambassador, and he had been there for a very long time. He was gone by the time I had arrived, and Keating hadn't come. And then Keating arrived, and Keating was there for a while. And then he left, and I don't think another ambassador came while I was still there. Nicholas Veliotis. Tom Dunnigan was the first Deputy Chief of Mission (DCM). Nicholas Veliotis was the first DCM. Tom Dunnigan was the second DCM while I was there. So Veliotis was there, and Veliotis was actually *charge* for quite a lot of the time. I cannot remember who came after Keith. You probably have it.

Q: I have it here.

(Transcriptionist's note: tape stopped and picks up at this point.)

Q: You were in Tel Aviv from 1973 until 1975.

BAY: Right.

Q: Then where?

BAY: Then I came back to the Department, and I worked in the operations center for INR (the Bureau of Intelligence and Research) doing what's called the INR Watch where we worked shifts 24-hours a day doing the watch work for the Ops (State Department Operations) center. So, I did that for two years, and then I took the economic course at the Foreign Service Institute I took the nine-month economics course, and then my career shifted. I moved into economics and spent the rest of my career until now in the economics sphere.

Q: What were you doing?

BAY: What we would do is we would scan all the incoming intelligence material including FBIS (Foreign Broadcast Information Service) material, and working with the INR analysts, we would do the intelligence part of the Secretary's morning briefing. So basically, it was a 24-hour a day operation that was entirely geared to writing a little intelligence summary for the Secretary of State every morning. It's now very much quite different, now more like the President's daily brief. But we would work around the clock, and we would work with the analysts in INR to put together alerts that we thought were things that should be the most important things that the Secretary should know. So, each one would only be a little paragraph about something that we should be watching in, for example North Korea, or this is something we need to watch in Mexico. But it would change a lot over the course of 24 hours as I'm sure it does today. I don't believe that the Ops Center really writes something like that. They might do some little short things for the Secretary, but it's quite a different system now. We did part of it based on intelligence, and the Ops Center would do another part based on cables from the embassies. So, when the Secretary came in in the morning, every morning at six o'clock, he would have his product waiting for him -- a little summary of what had happened overnight and a summary of things that he needed to look out for.

Q: The Secretary was Henry Kissinger during 1975 to 1977, I guess.

BAY: Yes, he was still there.

Q: He left early 1977. Wasn't this kind of hard being married and being on this shift?

BAY: It was OK. My husband was still a student and was finishing his degree at American University, and we didn't have children. And so, it worked out. It was hard for me because I'm a person who likes to sleep at night rather than stay up all night, but it was a very interesting job. At that time, I think we had a great deal of responsibility, and we were relatively young junior officers, and we were the ones writing the product and putting together the product for the Secretary of State.

Q: Were there any things that happened during this time that a particularly stick in your memory?

BAY: No. When you're doing a job like that, it's hard to say what stands out because everything is...because you do it all. You do the whole world every day. So, whatever were the issues in the news most. One of the things that I do remember over that period of time of course was our hostages in Tehran, and that was as much because when we went to work every single day at the State Department...

Q: He wouldn't have been there because the hostage crisis started in 1979.

BAY: That's right. That was later.

Q: We were having problems I guess in Beirut, maybe, but...

BAY: We had a Beirut sit rep (situation report) everyday. That was a separate sit rep. We had guys who worked on that separately, so that went on during that whole period of time.

Q: It's almost as though Vietnam fell off the radar completely.

BAY: When I was in Israel, of course, Nixon left then, and then after that, Vietnam did sort of fall off the radar screen.

Q: When you were in Israel, what about Watergate? How was that...?

BAY: Well, we watched it avidly, and I don't think the Israelis paid that much attention to it. They were much more consumed by their local situation, but sitting in an embassy and again, before the days of E-mail, people would listen to their short-wave radios, and we'd wait a day to get the news, and we were very interested in what was going to be happening.

Q: Did you get any feel for the upper echelon of the State Department at that time? People coming down and wanting briefings or things. Was there much playback?

BAY: We actually briefed them because we were dealing with in addition to our little report, people working on the day shift would actually go and see them and brief them. And we didn't get a lot of reaction about that, about things going on. There was at that time, there was a little political turmoil going on. You may remember this about Russia and our policy toward Russia and how much of a threat Russia was to us. You had this Pentagon section that was Team B, people were trying to develop alternative scenarios for what the Russians might be up to. A lot of the parts of INR were consumed with that, what were the weapons going in Russia and how strong were the Russians? So, a lot of that was going on, and that was very important at that time.

Q: How about the CIA and the stuff that came out of the CIA? What was your impression.

BAY: From the analytical point of view it seemed to be OK. I mean, Russia was the big theme throughout the foreign policy of those years. So, you had these different parts of the U.S. government giving different interpretations and different analyses, and it sort of depended on who was at the Pentagon at a certain time, and who was at the CIA (Central Intelligence Agency) at a certain time. In my mind I don't have all the personalities because that wasn't one of the areas I worked on. But it was a huge issue, and the State Department was kind of in the middle of it because we were the people who had an embassy, and we had the people who were actually observing what was happening on the ground, and if we were to go back and look my guess is that we would have been as we now have in Iraq policy, we would have tried to be a more moderating force about what were the strengths and weaknesses of the Russian military. That was kind of consuming at that time. There was a huge amount of energy paid to those issues.

Q: What pushed you towards economics?

BAY: I think that I felt I had done enough consular work, and I thought now it was time for me to do something different with my life. I had studied some economics at university, and I really enjoyed that. And they were looking for economic officers, and so I had the opportunity to take the economics course, and I enjoyed that a great deal and was assigned to the economic bureau to work on trade policy issues. So, after that I spent the next four years working on trade policy issues. I worked on trade policy issues up until 1982. So, from 1978 to 1982 I was doing those issues, trade policy with developing countries was what I spent most of my time on, and we were working on the Tokyo Round trade negotiations. And it was a lot of fun. It was really before the days of the State Department handing over our negotiating authorities to the United States Trade Representative...

Q: Special Trade Representative.

BAY: Special Trade Representative. We were the trade negotiators, and so there I was still as a rather junior officer, I was going off to meetings in Paris and Geneva where I was actually the negotiator for the issues I was negotiating on for the United States. I was the head person in the U. S. chair, and that gave me a wonderful exposure to learning how to negotiate, how to negotiate arguments. Our office also spent a great deal of time working the special preferences, trade preferences, for developing countries called the Generalized Trade Preferences which essentially is giving countries zero tariffs on certain items which don't compete directly with U. S. items, as a development tool, a way to help them. So, we spent a great time of dealing with that, and it was very exciting and exhilarating work. And one of the things that I always tell people about economic work is unlike areas like Middle East peace where you work on it for a career but never, ever resolve the problem. We have to resolve trade problems. When we had big problems, we would have to resolve them very quickly. For instance, if you have a fido-sanitary problem, a problem either with an import or an export from a country and you suddenly have rotting fish in port, you don't let that problem sit around. You get to work, and you resolve it. And I really enjoyed that work, and I really enjoyed what we were able to achieve. I worked on a United Nations conference on trade and development. Of course, this was the heyday of what was the north/south dialogue which was, again, kind of a spin-off from the Cold War. It was the north versus the south, and whether the north was going to provide benefits to the south. And so, I attended the United Nations Conference on Trade Development in Manila where we sent a delegation of 20 or 30 people just to negotiate various aspects of this north/south arrangement. And it was really a big deal. Of course, there was a lot of attention being paid at that time to economic issues generally because of OPEC (Organization of Petroleum Exporting Nations) and what had happened after the war and what had happened to gasoline prices, and people suddenly realized economic issues were really important, too. It's not just political issues. These economic issues can really have an impact on the cost of living in America and how people actually managed to live. We may not like OPEC, but we're going to have to go talk to them. Of

course, I was on the trade policy side, so we were trying to work on trade agreements. But it was really very exciting work.

Q: Was there a head of the trade policy while you were doing this?

BAY: There's always been a Deputy Assistant Secretary for trade policy. In the beginning it was Bill Bearclaw. There were a number of them in a row. I think Sharon Achmed was there for a while, and Teresita Schaffer eventually took over that job. Jules Katz was the Assistant Secretary when I first went to work in the economic development section, and then Bob Hormats was there after him.

Q: While you were doing this, did you have a particular area of responsibility in trade policy?

BAY: I was really working with international organizations on issues dealing with developing countries. So, I worked with OECD (Organization for Economic Cooperation & Development) where we put together positions with the developed countries to take into these north/south negotiations, and I would go to Geneva and work for the United Nations Conference on Trade and Development, and then I would go to these international meetings like the one that we held in Manila. So, I was really trying to do the multilateral face of our trade negotiations.

Q: During this time...you straddled two administrations, the Carter and the Reagan Administrations. What was the thrust that you were getting within our government and then also with the European governments about this? Let's do something for the southerners. Basically, it was the north that was supposed to do things for the south.

BAY: Right. That's right. It wasn't the south. And the issues that we were dealing with are exactly the same issues that are tying up our trade policy today. Wonderful, there has been, and still is in the U. S. government, over a span of years an interagency group of economists who think rather alike, and who really are people who believe in economic fundamentals, believe in a free market, believe that you should intervene as little as possible in free markets. If you are in a republican administration, you may be a little more free market, and in a democratic administration you get may be a little more push toward industrial policy. Sometimes you see the reverse. Sometimes you see republican administrations trying to pursue industrial policy. But generally, in Washington, we've had a way to come to agreements among ourselves, and a great amount of what you do in any economic or trade negotiations has to do with how successful you are in putting together an interagency position inside of the U. S. government that can hold because there are a number of differences between the Department of Labor, the Department of Agriculture Commerce, across the board EPA (Environmental Protection Agency). So, you have to find a way to reach a consensus, and generally we are able to do that inside of the U. S. Government. There have been times under the Carter years and the Clinton years where the labor forces became very strong and when the environmental forces became very strong and finding consensus was more difficult. And right now it's been a little bit less difficult, but that less difficulty hasn't helped us in the international fora

where the last summits have really been disasters. You really haven't been able to make progress because you still have the leaders in the south still making basically the same arguments that they made 25 years ago. We want extra preferences for *us*, we need help for *us*, you need to help *us*, we don't see that you're doing anything to help *us*. And it's not just the United States, of course. It's all the other developed countries that are being attacked by these countries. In many cases, these are the same people who were making these arguments 25 years ago. The people that I was negotiating with 25 years ago are now the ministers in their countries, and they're still making the same kinds of arguments. So, we still have some miscommunications in the world generally about global economic issues. But inside of the United States government, we're usually able to come to a position where we kind of can think alike enough to go to an international negotiation and have a position that can hold. The Europeans don't necessarily help us on some of these issues because they in fact are more protectionist than we are in a lot of these trade areas. But we're protectionists in certain areas as well.

Q: When you were dealing with the south saying you've got to help us, I would think that there are an awful lot of these countries, particularly in Africa, where no matter what you do it's not going to go anywhere. It ends up an economic disaster. Was the feeling that essentially these governments were not competent or honest enough to take advantage of help?

BAY: You have to realize that the leaders of the developing countries block traditionally 25 years ago and today tend to be Brazil, Mexico, India, and the very large countries that actually do have the ability to benefit and probably don't see it in their interest to reach agreements because agreements that would give more benefits to poor countries might actually be more...

Q: When you're saying Brazil, I mean Brazil is a major player.

BAY: So those are the countries that tie up these negotiations. Egypt is another one. So, they're the countries, the very large ones with very large populations who actually participate in the trading system and don't particularly have an incentive for liberalization, but they're the ones that create the biggest fuss. But certainly, in the most recent work that I have done which is further along in what we're going to talk about. One of the things we've all come to realize certainly in the last 10 years is you can give all the least developed countries in the world zero tariffs and free market access to everything, and it might not help them one bit because if they don't have anything or any capability to produce and export themselves, they're not going to ever become a player in the global economy. And I think in the international financial institutions, in the World Bank, in the IMF (International Monetary Fund), in most of the developed world there's a much stronger recognition that unless you can actually provide assistance to these countries, help them get to the point that they can produce something that would allow them to be in the global economy, they're not going to be there. And it doesn't matter how much development assistance you give them or what you do, you're not going to help them if you can't get them to start having some way to participate. In recent trade efforts taken by the United States in the African Global Opportunities Pact, we

recognized that by giving preferences to countries who can actually produce something to trade. And a lot of textile companies in the Far East move into Africa and produce things in Africa that can then come to the United States. So, there's some greater recognition of that, but trade issues are just about the toughest issues in the whole world to deal with.

Q: When you were mentioning particularly India and Brazil, things may have changed some, but India and Brazil were two of the most protectionist countries you could think of. It was more than just being protectionist. It was an active set of national identity. We should do it ourselves, by God, and yet they were asking for assistance.

BAY: Right. And Egypt was like that, too. But these are the countries that when you go to Geneva and when you go to these little trade organizations, they're the ones that speak up on behalf of all the developing countries in the world, so it's not really a fair game that's being played.

Q: During this time 1978, 1982, we ended up by going and coming up against the same players. Mexico, Egypt, Brazil and India. We couldn't...

BAY: But basically, we concluded the Tokyo round of negotiations during that period of time, and when a negotiation like that gets finally done, nobody gets everything they wanted, and we were able to reach at least minimal agreements with enough developing countries that they were able to push it through. This current round of trade negotiations we haven't been able to get to that point, but we did finish the Tokyo round. And there were certain benefits that were given, special treatment, special privileges given to certain countries. But you were absolutely correct. The key is even when you give them special privileges, are they able to get to the point of participating? Some countries can. There are countries that maybe only produce only one product or one raw product, and they can start actually producing and shipping to the United States. We have seen those successes in Africa where you had places like Mauritius. You had people come in and start producing textiles and then ship them to the United States. So, there are certain countries that have been able to benefit. But essentially to really help themselves, a country really needs to liberalize. The countries that have liberalized in such a way and have helped themselves, countries of the far east like Korea, and Hong Kong and Singapore, are kind of reluctant to fight with Brazil and Israel and Egypt and the ones that are making the loudest noises against the developed countries.

Q: It sounds like this North-South type dialogue and negotiations kind of ended up like saying oh, the hell with it. Let's do this by having the Tokyo round, the Uruguay round. In other words, not put it in North-South which set up a conflict or you own us this or something, but put it in the hands of negotiators to go across the board and deal with it.

BAY: Right. That's what they've been trying to do with the problems. We declared the North-South dialogue dead a long time ago. The problem is you still have a lot of the same players in the south still making the same arguments. That's why these rounds have been really stymied and have become political and confrontational in the last few years.

Q: When you were doing this, this was early on, wasn't it?

BAY: We're talking about 1978 to 1982.

Q: I mean in the North-South thing.

BAY: It really got going after the Yom Kippur War, and the OPEC (Organization of Petroleum Exporting Countries) energy crisis really got that going because then people realized that we have to pay attention to these developing countries, too, and trade was just one aspect of it. That period of time we were talking about we had all these commodities organizations, and there were all kinds of things being concocted to try to see what you could do to pay attention to the problems of developing countries.

Q: Did you find within the Trade Policy Economic Bureau there were little dukedoms of coffee and of wheat, other things as this thing. People who were great experts?

BAY: There was a great deal of autonomy given to the people who did specific things. People who did textiles would be a good example. That was a little dukedom, and they really were able to go to negotiate textile agreements. We were working on developing countries issues. We were always pushing for freer trade, but we didn't really have a great deal of conflicts between us. We always had excellent leadership and the excellent leadership helped us a great deal. Now, that period time was when the Foreign Commercial Service split off and was sent over to the Commerce Department and when a lot of the trade negotiating authority that the State Department had was given to STR (the Office of the Special Trade Representative), and as the trade representatives' office was attached to the White House, it was just by nature a more political animal. But again, it was staffed often by Foreign Service officers and by very good economists. Except for people who were either doing steel agreements or the textile agreements, there was generally a sense of "let's see what we can do and go as far as we can to try to restrain protectionism in the United States" and try to move to open our markets and get other markets open, too. Generally, even though we still have protectionism in the United States, we're not the problem. That was what the whole North American Free Trade Agreement was all about. The problems weren't that we weren't open but that Mexico wasn't open. We needed to get access to the Mexican market. It wasn't that Mexico needed to get access to our market. So, you still had this undercurrent of "let's see what we can do to get things to be more open."

Q: There were some things that were terribly political: Steel, textiles...

BAY: Steel was very political. Textiles were very political. But now rice is very political from my state and yours, the State of California, and the State of Louisiana. You still have very old vested political interests particularly in the textile area. But now the textiles agreements are going to be phased out, in another year they'll go away, and there won't be textile quotas in the world anymore.

Q: Did you have heavy breathers coming after you particularly when the Reagan administration came in and out? I'm thinking because it was a change in administration and whatever the previous administration did is awful. This was a particularly profound change between Carter and Reagan.

BAY: It didn't affect us that much on the economic side. I think we saw more changes between Clinton and Bush. Bush-Clinton-Bush. You do see funny things happen in both republican and democratic administrations. In the United States there's a lot of talk about protecting our industries, protecting jobs which is not intuitively what you would see in a republican administration. But you see these kinds of issues transcend party lines, and you see them in every administration, and even the political economists will come in and out of administrations, the people who are really good economists. So, you really do have a certain sense of continuity. I particularly highlight environmental issues and labor issues because those are issues that can and have tied us up in certain of the democratic administrations. But they can raise their ugly heads just as well in a republican administration. So, the issues aren't different. It's a difference of emphasis.

Q: Did Treasury play much of a role?

BAY: Treasury has always played a role in—we're talking about trade policy now—Treasury has always played a role, not a preeminent role in the interagency process except they are responsible themselves about whole parts of the services negotiations and trade rounds, and they do financial services and banking, and they really are responsible for that. So, they play a very strong role in the areas in which they are particularly interested in, and are very good at, and they're rather proprietary about the issues which they feel are their mandate, but in the other issues, they tend to be also free marketers and free traders in most areas. You can find differences when you look at tax policy issues. But pretty much across the board they would be along with the State Department STR (Special Trade Representative) pretty progressive when you look at let's open up markets, let's make our markets as open as we can. Again, in the United States our financial markets are quite open. So, our problems are getting other countries to open their markets, particularly these countries that I mentioned before. Countries like Brazil and India and Mexico, we really needed to get them to open up Egypt, get them to open up their markets for us.

Q: In the first place, you keep mentioning Egypt, but I would have thought by this time we were pouring so much money into Egypt as a part of the Camp David accords that Egypt wouldn't be much of a player in anything. They're just...

BAY: Egypt's just always been a player in international fora and has always had a certain leadership role to play politically in the UN (United Nations) and UN fora and other fora. We can talk about Egypt later because I served in Egypt. We can talk about the economy of Egypt, but Egypt has had a more important international role to play than you would expect based on its economy.

Q: Did you get involved in Japan? It's like unraveling an onion in something like this. You keep peeling things off trying to get a good picture.

BAY: I didn't work on Japanese trade issues, but the Japanese trade issues that we dealt with between 1978 and 1982 are very similar to the trade issues we're dealing with today. They're not very different issues. So I wasn't working on trade issues with Japan, but during that whole period of time from 1978 to 1982, we were intensely trying to open up the Japanese economy, and we had very high level people from the White House, from the State Department, from our own mission continually pushing the Japanese to open up. We had structural dialogues with them on how to change the structure of their economy. What I can say is it's the same issues that we're dealing with today. They have made a certain amount of progress, but the issues we were dealing with them in the banking sector and manufacturing sector and financial sector haven't changed very much. They have changed by degrees, but the economy... certainly the Japan experts will say the economy is more open than it was in 1980. But it's by degrees. It has not opened up a great deal.

Q: Did you get involved in the continuing battle over agricultural products between Europe and the United States?

BAY: Again, every trade round has at its crux agricultural arguments between the United States and Europe, and I was doing developing countries, so I wasn't really involved in that. I became intensely involved in that subsequently when I served in Paris and we were doing the end of the Uruguay round of negotiations. I became one of the central players there, but it's still the main block to liberalizing world trade. But that's where developing countries do have a very legitimate ax to grind because both we and the European Union still and Japan still have a lot of barriers to agricultural products in developing countries.

Q: After this period in 1982 where there?

BAY: In 1982 in May of 1982 I gave birth to a lovely young daughter and two weeks later was sent off to Saudi Arabia with my husband who by this time had joined the Foreign Service. That was another controversial assignment going to another kind of lager, sort of ... I was the first woman economic officer posted in Saudi Arabia and wasn't a very popular choice for the job, that I was actually overgraded. I said my husband has got a job there, I've got a new baby, I want to serve with him. Let me go. They let me go. I wasn't the first woman to go there. When I got there, there was a woman in the political section...

Q: Who's that?

BAY: Andrea Barstock. And she had gone to Saudi Arabia because she had joined the Foreign Service as a mid-level officer. Not as a mid-level officer but later in life. She had been living in Saudi Arabia. Her husband worked for Aramco, and she had lived several years in Saudi Arabia and joined the Foreign Service and asked to be posted to...

(Transcriptionist's note: Ms. Bay's statement trailed off as the tape ended.)

Q: This is Tape 3, Side 1 with Janis Bay.

BAY: So, she went down to Jeddah and was there when I arrived and was doing political work. And there was a woman assigned to the commercial section there, Alex Sundquist who had been assigned actually to the commercial office in Jeddah, and she was gone by the time I got there. And there were then a couple more women who came along to do consular work. But I was the first woman to do economic work, and they said that's going to be very hard because you can't sit in the office and do it. You've got to go out and see people, and I said let's give it a try. So, I went to Jeddah and my portfolio there was primarily civil aviation because Jeddah Airport was the main entry point for aviation and also the Islamic Development Bank which was based in Jeddah. So those two things and then...

Q: By this time Riyadh was the capitol.

BAY: Riyadh was the capitol. Our embassy was still in Jeddah. Except for me the economic section was pretty much in Riyadh not in Jeddah. Riyadh covered petroleum with Dhahran. They worked with Dhahran to cover petroleum issues, and the consul general in Dhahran was really the key U. S. government person to deal with Aramco and to deal with people on oil issues.

Q: You were in Jeddah from when to when?

BAY: I was in Jeddah from June of 1982 for two years from 1982 to 1984. And civil aviation in fact was a huge portfolio because when Ronald Reagan had fired all the air traffic controllers during his tenure, many of them had gone and applied for jobs in Saudi Arabia, and the International Civil Aviation Organization had a technical team in Saudi Arabia which actually ran the Saudi airports. So, the Saudi airports were actually being run by this whole group of expats, many of the air traffic controllers from the United States. By the time I got there many of them had lived there for several years, and there was this whole team of air traffic controllers, and there were continual agreements, renewals of agreements with them. So that was very active portfolio. The other issue that I followed of course was banking because Jeddah is the center of banking in Saudi Arabia. Jeddah is really the commercial city of Saudi Arabia, so the merchant families lived in Jeddah, and banking was very important. And then Islamic banking. And the Islamic Development Bank was very important. So, it was a great job for me, and I learned that I could actually do that job. It was quite difficult at times because I'd go to offices where no women had ever been, and I couldn't drive myself there because women are not allowed to drive in Saudi Arabia. So, I would be driven by our drivers who were Pakistani drivers or Indian drivers, and they would take me to these places, but if I was challenged at any point along the way, the drivers would often lose their courage. And one particular day that I remember, I was on my way to see the head of Civil Aviation in Saudi Arabia, and he was waiting for me. And the people at the gate said "you can't come in, you're a woman." But I said I have an appointment with your boss, the General

who was in charge of Civil Aviation. They said well, you just can't come. And so, my driver said you can't go in, and I said I have an appointment, I have to go in. And so, he said well, I'm not going, and I said well, I'm getting out of the car. So I got out of the car and started walking. And I had to walk. It was almost a mile down a long gate lined road to this large building where this General was waiting for me. So pretty soon these guys started following me in a car with guns. They were sort of waving their guns and said you can't do this, you're a woman. You have to stop. And I said I'm not stopping. I have an appointment with the General. And so, I finally got to the front door, and by this time there was quite a lot of attention being paid to me. And I went in and said I have an appointment with the General. And so, a person called up and said yes, you do. And so, I went up to his office. He apologized, and at that moment these guys with guns came charging in, and they were petrified. They said we're so sorry. We tried to stop her. We didn't mean to let her in. And the General said she's not a woman, she's a diplomat. She has an appointment with me. Get out of here! So, from then I could sort of write my own ticket. And the drivers learned, and people would say well, did you feel at any risk there? I said no, because I didn't think a Saudi man would ever injure a woman, particularly a foreign woman and stranger that he didn't know. Even though they show a lot of bravado, they weren't really interested in injuring me. But that's a sample, and there were other women who looked at my job after me who said they really didn't think they wanted to do that. And I went to extraordinary lengths, because the normal way to do business in Saudi Arabia is you don't make an appointment, you just show up at usually it's some point in the late afternoon because Saudis eat dinner at 1 or 2 or 3 in the morning then go to bed. They get up pretty early meaning by 10:00 or something and go to work, and then they have lunch in the afternoon, and then they sleep, and after they sleep they go back and go to work, and do their main work between 5:00 pm and 9:00 pm or 5:00 pm and 10:00 pm. So, the normal way to do business in Saudi Arabia is to just go sit and wait to be called on, but as a western woman, I didn't feel...or as a woman at all...I didn't feel that I could go sit in a Saudi office to wait to be called on. So, I would only ever go to any office if we called ahead and they knew I had an appointment, and they knew I was coming. I still sometimes had to sit, but at least they knew I was coming, and I wasn't going to be upsetting anyone or dissettling anyone. And I was persistent, but I really was able to gain access to all the people that I needed to have access to including the most prominent bankers in Jeddah. And they would see me, and they were saying this woman's coming from the American Embassy, they would see me and talk to me, and it was quite an interesting tour. It wasn't something that I would want to do for a lifetime because it was difficult. But having to rely on your driver or your husband at any given moment to take you from Point A to Point B wasn't the easiest of things to do.

Q: My wife actually had a driver's license in Saudi Arabia back in 1958 to 1960. Our Consul General in Dhahran went to bin Jiluwi who was the Emir in the eastern province and said my male officers are being forced to do women's work, and they have to drive in our society they have to drive their wives around. So, they allowed the women to drive between the air base in Dhahran and the royal company and the consulate.

BAY: Women did have driving licenses in Jeddah in the western provinces of Saudi Arabia up until probably close to 1960. And there was one female doctor who was maybe

Swedish who was a pediatrician, I believe, in Jeddah who had a driving license. It was never taken away from her. And she was allowed to spend her whole life driving and going to visitations. And there were many Bedouin women who drove out in the desert. Drove pickup trucks because that was considered part of their work. And so, it was quite common and certainly after the early years in Arabia in the early 1930s and 1940s if a woman, an expatriate woman, or any woman needed to get in a car and go somewhere, I don't think anyone would have stopped her although these rules about women came along a little bit later.

Q: How did you dress?

BAY: I dressed very conservatively but in a normal western way, and I felt that I was going to be a United States diplomat representing the United States government that I shouldn't be forced to dress like an Arab woman and cover up totally with a black cloak. I always wore very normal street clothes but very conservative with long sleeves and sort of longish skirts and rather loose, but I never, ever wore the black cloak that goes around women. And I don't know if today in Riyadh if the embassy women are allowed to move around without dressing in the black cloak or not. Most of the women in Riyadh did go out covered up because they felt more comfortable. They didn't cover their heads, but they covered their bodies. But I never did, and I didn't really have a problem with that. Another element was that I was married and had a baby, and Saudis actually liked to come to our house and see us. They would come, and I would say well, bring your wife, and bring your kids, and that seemed to be a way to get into their society. They liked that. And they hadn't had that opportunity before to go and visit an American woman and man and baby and enjoy American family life and Saudi family life. And, of course, they loved their families. Their families are really very important to them. So that was a way that I could also become friends with the people who worked in aviation and the people who worked in banking

Q: A lot of the Saudis, the upper class of married women from Egypt and from Lebanon and elsewhere, too.

BAY: Yes. The head of Saudi Airlines was married to an American woman and had been married to her for 40 years. A long time. And she had spent her entire life there. And, of course, if you lived in Arabia, you don't see these people unless you went into a home. You didn't see them outside. They didn't show up, but there were a lot of foreign, a lot of American women married to Saudis. And many of them have adapted very well to life in Saudi Arabia; others less well. It was an interesting period of time for me.

Q: What was your husband doing?

BAY: In Saudi Arabia he was vice consul. He was doing consular work. So he got to do the consular work at that time, and that was interesting to him because, as you remember the Saudis are not really credit card society, they are sort of half society, and when consuls asked "do you have enough money to go to the United States", they would become very insulted, but then they would open up their suitcase and show a suitcase full

of money. So, there were lots of things like that going on. But during that time, of course, Richard Murphy was Ambassador for a great portion of time that we were there. And so, you had the war going on between Iran and Iraq, you had continuing troubles in Beirut. We had lots of high-level visitors coming. George Shultz came, people would come to try to work with the Saudis to get the Saudis to help moderate the more extreme influences in other parts of the Middle East. And the Saudis did play a useful role in doing so.

Q: Were you there when there was the attack on the Grand Mosque?

BAY: That was after I...

Q: This was by an Iranian group.

BAY: Yes. It was afterwards. I remember that. That was after we were there.

Q: You were saying there were contacts, then, with Saudi families. Saudi Arabia's political officers really didn't get together with them very much.

BAY: We did. We made an effort of doing it, and they did respond. I was in Jeddah, and I was dealing with both people in aviation and business and people who were probably a little more Western. Many of them had gone to school in the United States. I mean, the Saudis used to send all their young people, their men and some of the women, to the United States to go to university, so many of them wanted to have contact with Americans. We didn't in Jeddah have at that time the problems that were prevalent in Riyadh at that time, and are more prevalent today with religious police going around and hitting people with sticks if they felt that they were behaving inappropriately. But we had quite a bit of contact with Saudis, and Richard Murphy was very well known among the Saudi families, and he would invite Saudis to his house, and they would come. We met a lot of Saudi ministers at his house. My husband, it was after he finished his degree at American University, he went to Johns Hopkins SAIS (School of Advanced International Studies) in Washington, D. C. (District of Columbia) for his graduate degree, and he had studied with some Saudis, and one of the Saudis who he was sitting with was Deputy Trade Minister. And he had organized a little group of SAIS graduates in Saudi Arabia. He invited us to come up to Riyadh to join him at his house with the SAIS graduates. And so, we had really quite a lot of contact with Saudis. In fact, my tour after that was Egypt, and we had more social contact with the Saudis than we did with Egyptians. And the reason for that is that the Arabs are a very proud people, and many Egyptians were very poor, and they didn't feel they could invite an American to their house for dinner unless they could treat them in a very grand style, and it would have been a financial hardship for them to do so. Well, for the Saudis it wasn't any financial hardship for them to invite Americans to their house, to entertain Americans. And so, in many ways it was easier to have relationships with the Saudis. It could be different today.

Q: What were some of the issues with, say banking that you found. Were you just essentially reporting or were there...

BAY: We were reporting on the banking sector, and of course the issues that are the front page issues today were issues that would have been there but were not issues that were high...

Q: What was in support of...

BAY: ...in support of terrorists.

Q: ...extreme Moslems.

BAY: Right. We met with people. Of course, the Bin Laden family is one of the largest commercial families in Jeddah, and they manage everything.

Q: I lived in a house built by Bin Laden Corporation.

BAY: Right. And they were wonderful people. We had a lot of contact with them. They were very active in working with our commercial section. I worked very closely with our commercial section because in Arabia you can't separate economics and commerce. They're really the same issue. But we were interested in the size of their financial sector and the size of the banking that they did. And, of course, everyone is always trying to understand their ban against interest and how you can possibly make a profit. And so, we were always writing and interpreting that, and we were very interested in the Islamic development thing, the projects it had in other countries. The Afghan war, of course, was at its height at that time. And so there was a lot of activity in Saudi Arabia to give assistance to people in Afghanistan who were fighting the Russians, who were actually the Taliban at that time.

Q: How about the Iran-Iraq war? How was that being viewed?

BAY: That was a sensitive issue for the Saudis. The Saudis supported the Iraqis. Of course, the Iraqis weren't the Saudi's friends, but they were better than the Iranians. And so there was a lot of money being provided, and we supported the Iraqis, too. People forget that. We were supporting the Iraqis against the Iranians. And so, a lot of the special emissaries and high-level people who would come to visit to talk to the Saudi ministers would be people that would be encouraging the Saudis to play a useful pro-American role because we hadn't, of course, ever gotten over and still haven't gotten over the Iranian hostage crises. So, we were supporting Iraq, and we were pushing the Saudis who were supporting Iraq as well. And then when you're involved in a situation like, that gets one involved in OPEC (Organization of Petroleum Exporting Countries) politics and oil politics and everything else. So we had a very good lines of communication with them. We worked very closely with them and considered them really to be very loyal and staunch supporters of the United States. At that time nobody was really looking in great detail at Powala and Powala networks. We knew...

Q: Could you explain what that is?

BAY: Powala is the informal method of remittances where people overseas or in any country will send money to people in another country that could be used for Islamic charities or could be used generally for people. But a lot of those networks were going through Saudi Arabia, and a lot of Saudi money was going into Powala networks and still is to help things like schools in Pakistan or schools on the West Bank or schools anywhere. Or the Red Cross in any of those places. And until after September the 11th, it wasn't really a big issue to try and find out exactly what was happening with all of these banking floats. Again, these banks had a lot of Americans and Brits and Europeans running these banks. There were a lot of expats in Saudi Arabia who were in very high positions in these banks but who were very circumspect. They were very cautious, they knew their bosses were the Saudis, they were not extraordinarily open in talking with the Americans, particularly those who were involved in banks that had a lot of Saudi Royal Family money in them. But it was a very interesting time. We did a certain amount of reporting as well on these remittances that would go back to the Philippines and back to India and back to Pakistan because there were so many foreign workers in Saudi Arabia that these remittances were huge, huge flows and huge support to those countries. We also had, of course, because of check book diplomacy lots of requests from people from the U. S. government and from other governments for the Saudis to just give money to countries that didn't have money. So, there was a continual stream of people asking and begging for Saudis to please write a check and please give money for such-and-such a purpose. I think today people have lost sight of how close and personal and intense the relationship we had with Saudis was. They, of course, never really agreed with our Middle East Policy, never really have agreed with our Middle East policy but always worked very closely with us on issues of concern to them and to us.

Q: Was there any problem of your having served in Tel Aviv?

BAY: We didn't talk about it. And I can't remember whether they even knew about it. I don't know that they did. But there are a group of people, quite a number of people who served in Israel and the Arab countries both now. At that time there were a few of us.

Q: At one point if you served in one, you couldn't serve in the other.

BAY: But you have people now who can. Kurtzer, who was our Ambassador to Tel Aviv, who was our Ambassador to Egypt who is a religious Orthodox Jew and who served in Egypt. And we have many Jewish officers who have now served in Arab countries, and many Jewish people receive visas to go to Saudi Arabia when we were there. So, I don't think it would have been a really major issue at that time. It might have been 10 years before.

Q: Civil aviation. Was there anything going there? Any issues?

BAY: There weren't any major issues. We had agreements between Saudia and U. S. airlines, and we had, as I said, we had this large international presence which we supported and helped to negotiate. There would periodically be little glitches, but it all went really pretty smoothly. And Saudia as an airline, of course, also employed mostly

foreign pilots. There were very few Saudi pilots. So, there weren't any huge issues. All in all, that was a fairly calm period. Again, there were lots of things going on in the area, and lots of supplicants for Saudi assistance and Saudi money. But it was generally a good tour, and when I speak with Saudis today because they're so very concerned about their image and how they're perceived in the United States, one of things that I tell them is you know, I think that building all these high schools and colleges in Saudi Arabia has really hurt you because your young people haven't had the experience that you had when you spent your later teenage years in the United States. And all of these Saudis will all tell you these wonderful stories about going to college in America and the town they went to college in and how much they enjoyed it. Now this generation doesn't even want to come to America because they're so fearful and afraid of how they're going to be treated and what's going to happen to them here. And that has probably pushed that society more in a conservative direction and having them now educated at home rather than abroad has made them more conservative. And it's going to be interesting to see what happens in the next few years. The older Saudis are really quite stunned and shocked about what's happened to the image of Saudi Arabia because they feel that for all these years they were a good and loyal friend to the United States. In their mind, that's how they portray the relationship.

Q: Were you aware of your...fellow officers and all...of a going education system being quite anti-Christian and all?

BAY: We knew that the Saudis were investing heavily in building schools and that their goal was to be able to educate more people in Saudi Arabia and send less of them overseas. But at that time, we really didn't perceive that as something that was going to threaten the west or threaten western institutions. We knew about Osama Bin Laden. We knew that he was the bad egg of the family of a very impressive commercial family, a very strong family, a family with a long tradition in Saudi Arabia. But we really didn't foresee that the educational system would be a vehicle that would move that society even further into the past rather than further forward. And I think the Saudis themselves are very, very aware of that now and are trying to do some things that will look more carefully at the curriculum in these schools they've created. It took them 20 years to get them to the point where they are now. It was starting when we were there. They were still sending students abroad. Most of the students were still going to school in the United States while we were still there. So, we really didn't see that coming at that time. It could be that those who came along a little bit after us may have seen that more clearly as they saw the dramatic drop in the number of young Saudis coming to the United States to study. And I said the United States. Some of them went to other countries, but they really preferred the United States. These people loved Texas, and they loved Arizona, and they just loved the American desert, states that were rather like Saudi Arabia and were really very happy in the United States.

Q: What was your impression of Saudi officialdom? When I say officialdom I mean in banking, not just government.

BAY: Saudis at the top level are very, very sharp and very well educated. That's a very thin veneer at the very top of the society, the *crèmes de le crèmes*. And these young people who had been sent off the United States who were coming back, were sort of the technocratic class, and some of them were very good. But when we were in Saudi Arabia from 1982 to 1984, literally every single Saudi entity, governmental or business, relied on foreigners to help run their establishment. And they really needed that foreign expertise. Saudis don't really have a work ethic that would lead them to work anything like an 8:00 am to 5:00 pm job. Their idea of work is that you should go sit in an office and people come call on you, and you talk about things and cut deals. These were traders. Those who had been involved in economic activity for the previous 100 years were people who were traders, and that's what they knew how to do. So, the Saudi idea of running an economy was to buy a business or run a government agency and then get people to come from outside who actually knew how to run it. And they had a lot of money, so they could get very good people. The eye hospital in Riyadh is one of the finest eye hospitals in the world. They have some wonderful very advanced institutions in Saudi Arabia that are totally run by foreigners, but what they wanted to do was to augment that foreign ability with Saudi ability, and they were making progress in doing that by sending students off to the United States to learn skills and technologies, and I think that's where they really have missed the boat by educating so many of these students at home. I haven't been back to Saudi Arabia since I left there, so it's hard for me to make a clear comparison, but clearly the religious influences are much greater now than they were 20 years ago.

Q: It sounds like from both a professional and personal point of view you really enjoyed your time there.

BAY: It was a challenge because I achieved something that hadn't been done before. And after me there were lots of other women that came along. Anne Patterson, who is now Assistant Secretary, has been Ambassador to Colombia, was Economic Minister in Riyadh and actually was pregnant and had a baby while she was there and actually had acquitted her job very well. And so, we, again, were pioneers breaking the mold and committing heresy by saying we think that we can try to do this, just give us a chance and let's try. So, after me there was no way they could block the rest of them. So, I did feel very good about that. I think we should stop here.

Q: I'm planning to. We'll stop now and go to Egypt. You went to Egypt when?

BAY: 1984. I was only in Saudi Arabia for two years.

Q: And you were in Egypt from 1984 to...

BAY: ...1986.

Q: 1986. There's a question I want to ask. I can do it anywhere along the line, but particularly at this period. Did you think you were part of a women's mafia? Was there something coming along? The women's movement as you indicated, and we all know that

there had been, was discrimination with jobs. Allison Palmer was part of this. Did you subscribe to or did you get involved in any of this? We'll talk about this the next time.

BAY: We can talk about that. When we get back to Israel, I was in South Africa for two years. I had taken a short home leave. I was told it had to be short. Went to Berlin. I was there for three years. I took a direct transfer to Tel Aviv. I got married. I was in Tel Aviv for two and a half years and asked to curtail because my husband needed to return to go to college. I had a female personnel officer, and I fought with her for six months, and she said I was just trying to take advantage of the system and she knew that I had now married and I was going to quit the Foreign Service. I finally at the end I said I am going to quit now because you won't even let me curtail my tour by six months, and I'm really not prepared to have my husband who has to return to the United States to go back and live alone for six months and me sit here for six months. I've been here for two and a half years, and the people who came with me have all finished their tours. And she was absolutely adamant. So finally, I sent in a cable to the Director General of the Foreign Service saying I'm resigning. I tried to resolve this thing. Can't. And I got a cable back, and that was the first time that I was aware that there was anything going on. I got a cable back two days later saying here are two job offers, don't quit. One of them was INR (Bureau of Intelligence and Research) watch, and one of them was something in the consular area. And this woman was just determined, and I started writing letters saying I don't think you'd ask a man who got married these questions. I had gone through in Berlin a period where the wives didn't have to entertain anymore. Some of them refused to. So that had already taken place. But I had been overseas all those years, so I hadn't been back in Washington and hadn't realized what was going on in Washington. So, it was only when I came back to Washington that I realized that there was a lot of attention being paid to women, but there were so few of us in the Foreign Service. And even at the point that I became a senior officer in the Foreign Service, we were still only three percent of the senior officers. And I became a senior officer 15 years ago. So, it's been a long haul. We've made extraordinary progress in recent years. But I was never one of the ones who was out leading the charge for the women's movement. I was one of the ones who were saying, "you've just got to let me do this. You just have to let me try to do my job." And after a while they started getting out of my way!

Q: OK. We'll pick this up next time. You're off to Egypt in...

BAY: ...1984.

Q: 1984. Great!

Q: This is the 27th of October 2003. Janice, you were in Egypt from 1984 to when?

BAY: I was in Egypt for two years from 1984 to 1986. I was assigned to the economics section in Cairo where I followed primarily our petroleum policy in Egypt at that time, and even up until today Egypt was a petroleum producer. At the time they exported about a million barrels a day which was one of the main sources that they had of their income. I

also followed trade and investment issues when I was there. And it really was quite an interesting time to be in Egypt.

Q: How would you put the state of relations between the United States and Egypt when you arrived there? Then we'll talk about the internal political situation.

BAY: When I arrived in Egypt, the relations between Egypt and the United States were excellent because, of course, Egypt was a great beneficiary of Camp David and of the Middle East peace process. And at that time Egypt was receiving a huge amount of USAID (United States Agency for International Development) assistance which dwarfed what they had been received before from other donors. And so, the relations were very good. President Mubarak had been quite helpful to us in the Middle East peace process trying to help encourage a more peaceful environment around the Middle East. And so, he again, like the leaders in Saudi Arabia when I was there, was visited often by high-level American delegations who were continuously pressing him to play a moderating influence. So, the bilateral foreign policy relationship between 1984 and 1986 between the United States and Egypt was really what I would describe as an excellent relationship. During that period of time, of course, there were both internal and external problems that happened in Egypt that caused a lot of turmoil in Egypt and a lot of turmoil that affected other foreign policy issues.

Q: On the economic side, before we get to what you were doing. It seems to me that when you consider that Egypt is essentially a river bank, could anything be done for Egypt? What do you do about it, unemployment, underemployment?

BAY: This is where, of course, we were injecting huge amounts of official development assistance into Egypt. One of the big projects that U.S. AID was working on when we were there was a huge sewer project. Others, the Japanese were helping to build a road, and others were working on the metro. So, it was sort of the era of big projects, trying to do something for Egypt by helping with big projects. But we had so much money flowing to Egypt and Israel at that time, as you recall, probably about a billion dollars a year over that period of time up until quite recently, the numbers are still large, that there was continual effort to look for ways to help and clean up Egypt and help generate employment. So, there were both micro projects that were very small, and huge major macro projects like this waste water project that the Americans were working on. At the time that I was there, there probably over a 100 AID employees in Egypt, and there were probably a couple of thousand contractors in Egypt, and several thousand FSNs (Foreign Service National employees). I mean, we were as big as anything going on in the Egyptian economy. They were trying everything they could think of, every creative idea that AID had was being tried in Egypt to see if one thing or another could help to generate employment and jobs and move them toward the market economy. One observation that I would make today in the year 2003 is that the problems in Egypt that we saw between 1984 and 1986 are just the same problems today. And some of these large projects that certainly had an impact, the waste water project did finally get completed. It was way more expensive than it needed to be, but it has had an impact on clearing up water in Egypt. The metro system finally was completed, and that has had an

impact on improving the way that Egyptians move around, but the Egyptians are really not closer to embracing a market economy than they were, and you have to realize that, of course, that President Mubarak is still president. He took over when Anwar Sadat was killed, and he's still president. So, his views and his thoughts about an economy and how an economy should be managed are very much the same as the views that he had 25 years ago. There are young Egyptians now who have more progressive ideas, but the economy of Egypt for those of us looking at it then and looking at it now was pretty much as close to a Soviet model of a planned economy as you could achieve. So, all of that money that we were spending, some of it was going for good purposes, but a lot of it had very little benefit. Today in the current Bush Administration, the people who are looking at Egypt are still trying to push economic reform. They're pushing the same kinds of issues that we were trying to push 25 years ago.

Q: On the political side, were we trying to do anything in this 1984 to 1986 period. Make this a more responsive democracy?

BAY: Well, Egypt was having incredible problems internally during that period as they continue to have today with the Muslim brotherhood. And during the period of time that we were there, we had several events that were very disruptive. One was the Achille Lauro hijacking which was a very disruptive event which was something, of course, that the Egyptians didn't have anything to do with. It just happened to happen in their waters. Another one was a series of police riots, and these police riots where you actually had the police rioting over the very poor conditions and poor pay conditions, were extraordinarily serious and actually shut down the city of Cairo for several days. During that period of time, there was also something that the Egyptians were involved with not directly but tangentially. Mubarak became tangentially involved in the region at that time, and they were tangentially involved in the Libyan hijacking of an airplane that ended up in Malta. And so that was something that we and the Egyptians were involved in, going in and raiding that Malta airfield in order to release those hijackers. So, there were all kinds of tumultuous things happening to Mubarak the entire period of time. But he was very resilient. We have pushed him over the years to provide more freedoms and to be more open to dissent inside his own government. But he has traditionally been rather resistant to doing so. On his behalf, these people do occasionally engage in rather violent activities, so there is some reason and always has been some reason for him to be concerned about this Muslim brotherhood group. I haven't been back to Egypt in many years, but I do understand that as in the entire Middle East the prevalence of Islamic behavior, more Islamic worship, more women wearing Islamic clothing has increased a great deal since we were there. You see many more women now covered up as you move around in Egypt. And so, I think that swing to conservatism that's happened in the whole entire Middle East has very much affected Egypt and certainly must keep President Mubarak so very much concerned and nervous about things up until today. The other element, of course, of his government is that he came out of the military. Sadat came out of the military. These people, the government, mainly is run by the defense establishment. And the defense establishment is a huge independent employer in Egypt, and the army itself is a huge provider of goods and services that bases the economy. So, it's really a very strange economy, an important one, because like India, there's so many

people in Egypt that it could potentially be a huge, large market. But its potential has never really been realized because it hasn't ever been possible for the Egyptian government to release the reins on the Egyptian economy and allow the Egyptian economy to move in its own direction.

Q: Looking at it at that particular time, did you feel that the Egyptians, some of the Egyptian worker productivity, would permit a bartering economy?

BAY: I think that the steps would need to be taken gradually. There were also lots of protests while we were in Egypt when the government tried to raise the price of bread essentially from one penny to two pennies. So, any time you raise the prices in Egypt, you would have huge popular out lash. But of course, that would need to be accompanied by opportunities for people to participate in the private sector. Generally, Arabs, as you know, Arab traders and Arab business people are free marketers, and they understand, and certainly in downtown Cairo, the people who are in business in the souks in the markets understand perfectly what a market economy is and have practiced market economics every single day. So, based on that, one would have to believe that it could be possible to move the Egyptian economy and the Egyptian society more in a market-based direction, but you're faced now with decades of people who have essentially been taken care of by the state, and even though their wage earnings are very tiny, they've always been provided with an extraordinarily cheap supply of food and other materials. But the quality of life is OK, it's not terrific, and the Egyptians are saved because they live in a hot, warm climate where housing means basically a roof over your head is all you really need to have to survive. You don't need to have either heat or air conditioning to manage to get by. And if you have food, you can live, and that's how most Egyptians live. Very meager housing, but they do have a cheap supply of food.

Q: Was there within the embassy, particularly the economics side, a certain amount of cynicism about the aid we were giving to Egypt? This was some to sort of counter balance to show that we're being even handed with what we're doing got Israel. But it was Israeli driven.

BAY: Well, everyone was aware of that, and certainly President Mubarak was aware of that. He, of course, was trying to get the maximum amount that he could get for his people. And for him it was sort of dollar diplomacy. It's one of the things that probably has helped him stay in power all these years - having that ability to provide resources and assets to his people. And I think one can say that I didn't work for AID (Agency for International Development) when I was there. We were a tiny economic section. There was this giant AID machine. But the certain things that we have done... (Ms. Bay's voice trailed off at end of the tape.)

(Transcriptionist's note: Start Tape 3, Side 2)

BAY: ...would greatly diminish childhood dysentery and diarrhea and improve childhood diseases. So, if you were to take a snapshot of Egypt today and in 1982, I think you would see quite a lot of improvements and the quality of healthcare, the quality of

water, the quality of sewer services. People provided the equality of transportation. But for people like me and my buddies the free marketeering economists at the State Department, we really don't see very much of any change in the philosophy about moving that economy towards a freer market, demand driven economy. And we would say that if you were looking at the reporting coming out of Egypt today in 2003, it could be word for word the same reports that we sent in 1982 and in 1984. And I think any of us who were there in the 1980s would say that there really hasn't been any change. There is hope that when Hosni Mubarak leaves there will be a younger generation of people who do have more free market ideas. But there's a great fear of the market in Egypt. And you do have an oligarchy because there are not a few, not 10 or 20, but probably just a few hundred people in Egypt who really do benefit from the wealth that comes from this very centrally planned economy. People that run the factories and the businesses and the industries are great beneficiaries of this Mubarak rule, that is a very stable rule generally even though there have been these protests. So, I think there's still hope for Egypt, there probably always will be hope for Egypt. Whether that hope will ever be realized, and that potential ever be realized, is very hard to say. And it's hard to say whether or not there is a son of Mubarak, and we don't know whether he will be the one who will take over. But if he were to take over, how much power he would have on his own to make changes. Somewhat like what you see happening in Syria today when you have the son of a leader who had been in power a very long time but who may not have a great deal of ability to make change on his own because he really has to defer to the older establishment.

Q: Let's talk about what you were doing. How did you do business in Egypt?

BAY: Egypt was a piece of cake compared to Saudi Arabia. And I felt that after coming from a society where it was very difficult for women and difficult for me to move around. In Egypt I was able to move very freely. And I had a lot of fun because I was following the energy portfolio which included nuclear energy because the Egyptians were always talking about maybe someday, they would get nuclear energy. And that was of very high interest to the United States because we, of course, had some concerns about safety issues and other issues, mostly really safety should the Egyptians manage to get any kind of nuclear power. So, I followed nuclear issues, and I followed petroleum issues. At that time there were over 20 American and multi-national petroleum companies exploring for oil in Egypt in addition to the large producers. So, I tracked very carefully what was happening because the amount of money a million barrels of oil a day that they were exporting was extraordinarily important. That and tourism and the little bit of cotton that they exported were the only income that they had. So, we followed this really very carefully. And it was wonderful for me because I got to travel all over Egypt with the oil guys and got to go out into the Mediterranean and visit rigs in the Mediterranean and go to places where they were exploring and where they thought there could be potential to explore and really track the way that the foreign oil companies were dealing with the Egyptian government. And so, it was for me one of the most fun jobs I had in my life.

Q: Was the feeling that Egypt had some way they had tucked away great oil resources or just basically amounts to it? A substantial amount.

BAY: The sense was and is that there probably are significant undiscovered petroleum resources in Egypt, but, of course, no one has really yet still made that really big find, but also petroleum exploration globally goes up and down depending on the price of oil and the oil market. And at that time, it was advantageous to have these people out exploring. When the oil prices went down, those operations were cut back. And my guess is that there's probably quite a few more people exploring for oil in Egypt now than there was then. But it's also the oil business is just a wonderful competitive business where if one guy's out there looking, then the other one's saying well, if he's looking there must be a reason that he's looking, so we better go out and look, too. So, there were a whole lot of them out there. And there are people who spend their lives doing oil exploration in mostly third world countries but also in developed countries who are quite a group of characters, quite interesting people, and really do learn how to survive and do business in a difficult economic environment. So, this was a lot of fun for me to follow the energy issues. And the nuclear issues were interesting, too, because there were scientists in Egypt who had all been educated in the United States, who really were quite determined to see if they could find a way to use nuclear power as a path forward to help Egypt with its burgeoning population. We were, as I say, quite concerned about what would happen if they were ever able to do this. And the view of the United States government is we wanted to track that very closely because even though we really didn't support Egypt moving in a nuclear direction, if they were going to do so, we wanted to be there. And we wanted to be the country that was there in partnership with them. We did not want them to be in partnership with other countries either other countries in the Middle East, certainly not with Russia or perhaps even other European countries. We wanted to make sure that we kept our finger in the pot. So, we had quite an intensive dialogue with them on these issues. They had plans, they probably still have the same plans to build some nuclear energy power plants. And one of the places that they wanted to build one was at El Alamein. And so, I went out to El Alamein, and we'd look at the deserts. And it was kind of interesting because we couldn't move around El Alamein very freely.

Q: Landmines.

BAY: In 1983 and 1984 because the land mines from World War II were still prevalent in the area of El Alamein. But this was quite an interesting job because it took me to all corners of the Egyptian deserts, and it was really quite interesting.

Q: Did you know of any concern about what Libya was up to during these days?

BAY: Whenever there was a high-level visitor to come to Egypt to meet with, of course, Mubarak, every high-level visitor met with Hosni Mubarak. He met with everybody who came. There was always discussion about Qadhafi. And Mubarak really felt that he knew Qadhafi quite well but didn't trust him at all. I think he probably still feels that way. And he would make a point of saying to every American visitor, you can't trust Qadhafi, I don't trust Qadhafi. He had lived in Cairo at a period of time when he was very young, and the Egyptians didn't feel he was very stable at that time. So, Mubarak made a big point at saying you really can't trust Qadhafi, although Mubarak's view of Qadhafi tended to depend on the political whims as well. But he was very, very concerned about

Qadhafi at that time, and there would periodically be little border skirmishes between the Egyptians and the Libyans, but he was very clear always with every visitor if the topic wasn't on our agenda, he would put it on his agenda. You can't trust Qadhafi.

Q: What about Israeli relationship? Was there any economic advantage to this?

BAY: The economic advantage was the huge aid flow that they managed to get. When we were there, some Israelis, I think there were one or two Israeli diplomats who would be assigned to Egypt, and there would be one or two Egyptians who would be assigned to Israel. But it was a very tentative beginning steps of trying to have a very diplomatic relationship.

Q: Were there any trade ties?

BAY: Very little trade. There were probably some energy flows. There was some energy stuff. The Egyptians ran some energy out of Gaza, and they got some benefit from that. But there really wasn't very much two-way trade between Egypt and Israel. And, of course, you are dealing with in Israel almost a developed market, a developed country market. The kinds of products that the Israelis exported would not be the kinds of products that the Egyptians could generally afford to buy.

Q: Was your husband assigned to that, too?

BAY: We were both assigned there, and our young daughter was there with us, and it was a very interesting period of time. We traveled a great deal. We were scuba divers, and we lived in both Egypt and Saudi Arabia and Israel. We did scuba diving in the Red Sea, and we, of course, when we lived in Israel, we did scuba diving in the Red Sea from the Israeli side, and when we lived in Egypt, we went to the same place but it belonged to Egypt. So, we went diving on the same sights under different sovereignties. And it was really a very interesting time. The Egyptian history, of course, is so rich and wonderful, and the Egyptian people are wonderful. The Egyptians are very, very nice people, very gentle people. And very poor people. And in Egypt one of the things one does notice is that certainly Islam gives them solace. People who have nothing get some solace from having a religion like Islam. It comforts them in having the obligations of the religion, the obligations to pray five times a day. Actually, it helps them to feel that they have something in life to look forward to when they really have a pretty miserable and meager life.

Q: Who was the ambassador?

BAY: Nick Veliotis was Ambassador for a good part of the time. When we went there Henry Precht was the DCM (Deputy Chief of Mission). Nick may have been there most of the time that I was there. I was only there for two years.

Q: During that time was there much interest in economic reporting or were you doing it off to one side?

BAY: There was quite a bit of interest in the projects we were working on. We wrote a report; our economic trends report on the Egyptian economy was the hottest document in town because the Egyptians had no ability to write a report on their economy. So, we wrote the report that became the document that all the banks wanted and all the foreign governments wanted. And so, we had some people who worked on debt issues. I didn't. We had a financial officer. We had one Arabist in the section who actually did go and look at poor Egyptians and reported on the prospects for poor Egyptians. And I worked on these other energy and trade issues. And we were very much sought after. Our information was very important back here in the United States and by all the foreign bankers and other governments because we were the only people who would sort of be able to try take a systematic look at the Egyptian economy. We were able to do that in great part, of course, because we had this huge AID (Agency for International Development) presence. So, AID had a large knowledge, a lot of information about the Egyptian economy which we were able to put together. And we had at that time something that was a very important document. We had Egyptian FSN's (Foreign Service National employees) who helped us write these reports. Today these reports are not terribly important in most countries of the world because so much information is available on the internet. But before the internet, this was really valuable information and very much in demand.

Q: After this interesting two years 1986 were then?

BAY: At the end of 1986 I returned to Washington and returned to the Economic Bureau where I had come from and became a negotiator for Civil Aviation agreements. So, I was one of the negotiators for our aviation agreements to open up aviation service to a number of countries in the world. And I was lucky to have that opportunity. I was the Office Director for aviation negotiations and actually led the negotiations with a number of countries including India, the UK (United Kingdom), Sweden, Denmark, the Philippines, a full range of countries. And I stayed in that job for three years. And it was very interesting.

Q: What was your impression of our airline industry at that time?

BAY: The Civil Aviation work is no free market economics. Aviation is one of the fields in the world that has been traditionally closed to foreign competition in most countries. The United States has a more open aviation market than most other countries, and we had gone through deregulation in the United States. So, there was a great deal of pressure to get more service for more American carriers to more countries. Other countries were not very interesting in opening up their markets because most of them had one airline. But we started to see during that time the demise of the weaker American airlines including Pan American. Pan American was a very strong and still a very strong but troubled airline when I began my work in aviation, and by the time I ended it, Pan American Airlines really didn't exist anymore. They'd gone bankrupt.

Q: What was its failing?

BAY: Its problem was a huge worldwide network and a huge cost structure, and really I believe it was an airline that couldn't deal with as much competition as it was being forced to deal with. We worked on opening up the Berlin Air Service because the Berlin Air Service was still a Pan American monopoly. And we were eventually able to do that. And that was very difficult and contentious. But that was always a money maker for Pan American, and once they had competition with Berlin Air Service, it became very difficult for them to maintain the level of service that they had. So, their problems were high costs, trying to be in too many places in the world, all over the world, at all times, and then the competition that they had to face in Berlin. And during this period of time, the people who were at the State Department and the Department of Transportation, were developing ideas about open skies, about free market policy for aviation all over the world. And we started going around trying to negotiate open skies agreements with certain countries. And we did achieve open skies agreements with a very few countries in the subsequent years. We now have open skies agreements with almost all countries in the world.

Q: An open sky agreement means what?

BAY: A true open sky agreement would allow any air service from the United States to that country which you have an agreement with, and you'd allow them to bring any air service to you without restriction. The exceptions, the countries we did not have at that time and still do not have an open skies agreement are Japan and the EU (European Union). So, the exceptions are Japan and the EU includes of course includes the UK (United Kingdom). Just the largest bilateral air market in the world is the UK-U.S. air market. So, the exceptions still remain very, very large. We in this year 2003 embarked on open skies negotiations with the EU. I don't know where that will go, but my guess is that those negotiations will take some time, probably some years to complete. But at this time, we were still dealing with Japan where we counted every single flight. And they counted every single flight. So, our negotiations were always trying to open up to achieve a more open ended arrangement.

Q: When you went into the negotiations, what sort of tools did you have or would you if someone was getting into this business now, what sort of things would you tell them to do?

BAY: Our goal, of course, we were driven by the wishes of our carriers. So, our carriers, and some of them were our freight carriers, UPS (United Parcel Service) and Federal Express, wanted to gain additional access to these markets. What we would offer on a reciprocal basis would be increased access to U. S. markets. So, if you were Air France, we would say OK, we'd want to have a certain number of additional flights to Charles de Gaulle Airport. We'd maybe also like to have service to Nice, and we'll let you have some additional service to San Francisco or to a city that you would want. So, it was very much a traditional trading arrangement where you would actually trade one-for-one. You'd look at the market value of what you wanted, then you would negotiate that. And also that period of time was the first period of time that you had computer reservation

services just coming into being. And we, of course, were far ahead of anyone else in the world in designing and implementing computer reservation systems. So something else we were trying to do was to get pre-entry for our computer reservation system, particularly into the European market but also into the Asian market. So, there was a great deal of turmoil with the Europeans very much protecting themselves. They were very fearful of competition and, of course, as we have seen, history hasn't been kind to the aviation industry, and very top airlines, the best airlines in the world, some of them don't exist anymore. Swiss Air was a good example. And other airlines have merged. Sabina and Air France are now one airline. So, you have the face of what international air service looked like. Even 15 years ago did not look like what it looks like today. There has been a great deal of consolidation in the industry in the advent of increased terrorism and tariffs to taxes has taken a real toll on the level of international tourism which airlines are totally dependant on.

Q: Did you figure any particular negotiations that were particularly difficult or interesting?

BAY: The French actually did renounce their air agreement with the United States because they felt that we were just pushing them too hard, and they didn't like the old agreement. They felt the old agreement was even too generous. So, we ended up in a situation with France where we ended up with no air agreement. We also had, I wasn't the negotiator to Thailand, but the Thais also renounced an air agreement. And when you have a situation with no air agreement, literally every single flight that's made between each country needs to be approved. And it worked out all right with France for a while, but eventually we got an open skies agreement with France, but that was after I was gone. So, these were pretty tumultuous periods of time. It was pretty unusual that you'd have a country like France coming in and renouncing an agreement. I negotiated the first air agreement that we had in 20 years with Austria. We also negotiated an agreement with Russia, with the Russians, to modify service with Russia. And that was something that was quite unusual, that we actually got to sit down and negotiate a more open agreement with the Russians. So, we were making progress, but it was sort of in bits and starts. I wasn't handling Latin America. Someone else was doing that, but in Latin American you also had agreements that pretty much have bits and starts. In some cases, these countries had a pretty good idea about what the market would bear, and they really were afraid of too much competition because they were afraid their own national carriers would go under which we then did see happen in certain cases.

Q: I was thinking of no air agreement with France. How can an airline, and American Airline or a French airline take reservations and all of that?

BAY: What you had to have was a very benign approval process on each side, and that's what eventually happened is that they had to file to get flight approved, and we had to file to get every flight approved. Most of the flights were approved as long as the level of service didn't change.

Q: Someone on both sides was watching that nobody was upping the number of flights.

BAY: That's right.

Q: So, it was basically status quo.

BAY: It was *status quo*.

Q: How about with the Brits?

BAY: The Brits are probably the most protectionist of all in protecting their own air market. And, of course, they have a very good airline and one that has survived and one continues to be a global airline and one that has done very well. What the Brits have, their leverage is that they have Heathrow Airport. Heathrow Airport is one of the most important airports in the world because it's the key and a gateway to so many parts of the world, and it only has a very limited amount of capacity. And they control access to Heathrow Airport, and that's what's given them the ability to stay in the catbird seat and to control the aviation relationships they have with all the countries in the world. The Brits will make it now very difficult for us to negotiate an open skies agreement with the EU (European Union) because they had been very protectionist in their relations with the EU as well although they also benefited a great deal. They have their own upstart airlines that are in competition with British airlines like Virgin Atlantic that have done very well and done well by getting into secondary markets in Europe and other parts of the world. So, it's going to be very interesting. But the old days of just having really controlled tight markets are really over. And I was one of the last negotiators to negotiate in that kind of environment. Sort of like now when we're going around the world looking for free trade agreements with a lot of bilateral partners. We really are looking for open skies agreements with countries to the extent that we can get them.

Q: How about Canada? For so long we had this peculiar thing where the Canadians wouldn't allow flights from Ottawa to Washington and all that.

BAY: It's still a very closed market. We don't have a fully open agreement with Canada. They used the negotiations over NAFTA (North American Free Trade Agreement) to gain some additional market access, but we still have rather limited service between Canada and the United States. It really is not an open market. If you still want to travel from Washington, D. C. (District of Columbia) to points in Canada, you go look at your service options and you'll see there are not a huge number of options.

Q: Was the airlines industry split or was there an airline industry spokesperson that would sit at your left hand and watch what you were doing?

BAY: We had the Air Transport Association actually attend and be part of the delegation to negotiations for aviation negotiations, and they represent all of their carriers. So, they represent a wide variety of interests, and usually they were a positive rather than a negative influence. If you had all the carriers in the room, you could have any number of them objecting at any given time. It's kind of like a trade negotiation. Aviation negotiation

is a trade negotiation. At the end of the day you have to come out with a balance of concessions, the balance of benefits that everybody can live with. Often, you'll find that your freight carriers, Federal Express and UPS (United Parcel Service), for instance, will have a very different view than your traditional passenger carriers. And some of your passenger carriers were much more aggressive in trying to gain access for their computer reservation systems than they were about actual flights. And so, there's always this very complicated balance that has to take place in order to come to an agreement, but essentially every single American entity who's participating in a given market has to be satisfied that it's a good enough deal for them or else you wouldn't have the ability to push through a deal that they wouldn't be happy with. It's very political. There's a lot of Congressional oversight because of constituencies. So, it's a lot of fun, a great deal of fun, and it was a great deal of fun for me to be doing it at the period of time when we really still negotiated tit for tat these agreements. Now when you have so many countries where we just signed open skies agreements, it's less challenging work than it was at that time. But it was a very interesting and exciting time to do that work.

Q: Did the Department of Commerce play much of a role?

BAY: Not very much. They were present and had the right to be on the delegations, but these negotiations were chaired by the State Department. One of the last economic negotiations still chaired by the State Department, and the technical advisors come from the Department of Transportation primarily given whichever political party is in power. The Department of Labor might have a person and they might have a strong position. The Airline Pilots Association participates in these negotiations, and they certainly have a labor perspective. So, it's quite an interesting dynamic, and until today is really a fine opportunity for a State Department Foreign Service Officer to actually play a lead in negotiating a diplomatic agreement that has the force of a treaty.

BAY: I stayed in that job from 1986 till 1988, and in 1988 I was promoted into the Senior Foreign Service, and I went to the Senior Seminar here at the Foreign Service Institute in 1989. I started in 1989. And in 1990...and that's a nine-month program. It goes from September until June. In 1990 I was transferred to Paris where I began the job of Economic Minister of our embassy in Paris, France.

Q: How did you like the Senior Seminar?

BAY: I thought the Senior Seminar was a wonderful opportunity. The theory of the Senior Seminar... There were a couple of different theories to the Senior Seminar which is now in its very last year. It's not going to exist again anymore. But the theory was two. There were 30 people in the seminar. Fifteen of them were from the State Department. The other 15 were from the branches of the military and other government agencies. So, the first theory was that Senior Foreign Service Officers should get to know and know how to work with people in the military and other government agencies. That was part of it. The second theory was that they needed to learn leadership and have skills that they could use in leading our embassies and missions abroad. Another part of it was that many of the Foreign Service people and many of the other people, the military

people as well, had spent 20 or 30 years abroad and hadn't really spent much time in the United States in those years, and the goal was to reacquaint this group with what was going on in the United States and to learn about domestic United States developments. And then there was always kind of an undercurrent that everybody should know more about political military issues, and the military participants in the course added parts to the curriculum that ensured that we learned more about political military issues and military and defense issues in the United States. So overall it was an outstanding and wonderful program.

Q: Any particular area that you find yourself concentrating on at any time during this?

BAY: We were in this Senior Seminar the year that the Berlin wall came down. And we were supposed to take a trip to New York, and we decided it would be more interesting to go to Berlin. So we went to Berlin, and we were one of the first groups of Americans who were, again, back to Berlin who were able to go into the East . We were meeting with East Germans and East German officials before they had the first election. And that was really very interesting. I did my own personal work. There's one month during the Senior Seminar where you do sort of a personal project. And I actually worked on Capitol Hill and was examining the brand new assistance that we were giving to Eastern Europe through the National Endowments for Democracy, and the kinds of assistance that we were trying to give to these brand-new countries. And that was kind of interesting, and I did a little study of that. And looked at how we were doing, whether we were making progress, whether these were good projects or not. Of course, it was early days, so it was too early to assess them, but it was very interesting. It was a very interesting year 1990, the year that we...

Q: The year of the miraculous year. You were in Paris from what

BAY: I was in Paris from 1990 until 1994.

Q: Who was the ambassador when you started? I assume there were several ambassadors.

BAY: Only two. When I got there in 1990 the ambassador was Walter J. P. Curley. And Walter J. P. Curley was a Republican political appointee whose father had been a very good friend of the Bush family and came out of an old Pittsburgh railroad family and so brought a large amount of assets to the job. And he was quite an interesting guy. And he was there until Clinton won the election, and then Pamela Harriman came. And that was really a very interesting time to have served. To have the opportunity to serve under Pamela Harriman on economic issues, we were really riding the hot seat because we were trying to complete the Uruguay round, and there was a total stalemate between the United States and France over the issue of agricultural subsidies. And it was a very nasty period of time. The French trade people and the American trade people weren't even on speaking terms. And Pamela Harriman when she arrived tried to see what she could do to help these negotiations conclude. And she really took it on as a personal mission of hers

to try and see what she could do to break open these negotiations and get the parties talking to each other. And she really did achieve that, and I think all of us who worked in Paris and worked for her at that time had an extraordinary amount of respect for her leadership and what she was able to do. And we're talking about making progress on issues such as subsidies of wheat and corn and grape seed and things that were very, very complicated. And when she arrived, she sat down and said I think I have to learn about these subsidies if we're going finish this round. And she would get on the phone and talk to the President, and talk to him about it and as said I think that we can manage this. We're going to find a way to get our people talking to each other. She was able to get a break through meeting between our Trade Minister Mickey Kantor and the French Trade Minister in Brussels at one point, and that really was the thing that started breaking things loose. Because up until that time they refused to have any face to face discussions with each other. So, it was really a very interesting time for us on the economic front, and we were really very much on the front page in Washington economic circles because we were really pushing and trying to see what we could do to move those negotiations forward.

Q: When you arrived there in 1990, Curley was the ambassador. How did you find the embassy?

BAY: The embassy was fine. As I said, he was a very close friend of the President's, and the President came to visit on his way to go out to the Middle East. And we were just about ready to go to war with Iraq. And so, when the war with Iraq started it was a pretty tense period of time there. But in that case the French were OK. One of the things we all learned all of us who were working in France at that time was you can talk to the French about any issue, and they will talk to you about any issue. And you can really have a dialogue with them about any issue, but it doesn't mean you're necessarily going to agree because they will tell us when they don't agree with our viewpoint and when they do agree with our viewpoint. Generally, their policy in the Middle East is very much affected by their oil interests and their energy interests. They had very clear energy interests. And both in France and in Germany, the next posts that we went to, we spent a huge amount of time having a dialogue about Iranian energy issues which are very much in the news again today because both of those countries felt it was very important to have a dialogue with Iran and keep working with Iran and not push Iran outside the fold, to keep Iran as a participant in international dialogue. So, both of those countries, we had a very different view, U. S. government view, of how you deal with Iran, was very different at that time from how they saw dealing with Iran. I think it's still true up until today. And so there was a lot of pressure on the French government at that time to try to help stop Iran from engaging in nuclear activities, moving into nuclear areas. And there was also a lot of pressure, this was at the time that the old CoCom (Coordinating Committee for Multilateral Export Controls) agreements that governed trade exports, were being disbanded. And so there was a lot of dialogue, a lot of work with the French on those issues. And eventually we were able to sort these things out. But we had a pretty contentious relationship with the French on a whole range of political and economic issues during that whole period of time between 1990 and 1994.

Q: How did you find some of your French counterparts?

BAY: Our French counterparts were, again, very constructive, people who were at the sort of upper middle branches of French government worked quite well with us. The problems came often when we were at the highest levels. But even then, we found that if we would bring the knowledgeable American who had a real issue that he wanted to discuss with the French, you could sit down with French ministers, you could sit down with deputy ministers, you could discuss those issues, talk about our differences, talk about how to move forward. And we spent a great deal of time trying to explore options on many of these difficult issues when we would be discussing with the French. But where we might find areas of common ground. One of the things we learned was that when the United States and France could find common ground together, it was usually a piece of cake to get that issue through an international meeting or an international organization consensus. But sometimes it's very, very hard as it was in the case of the Uruguay round, as it was on all of the Iranian issues. It's very hard for us to find common ground where we can agree. Once we do, things become a whole lot easier. But the French because they're very highly educated and very well educated, their diplomats and their bureaucrats are among the best educated in the world. They like to engage, and they like to discuss issues, and they like to explore and see what the possibilities would be for change or for consensus. They're just wonderful negotiators, the best negotiators in the world probably at the diplomatic game. They created the diplomatic game, and they know how to play it which also sometimes creates ill feelings among their American counterparts because they're sometimes better at the game than we are at the game. But one of the strong views that all of us took away is that when you can find common ground then you can go and make progress working with the French. And that's where I think those of us a lot has been said and a lot's been written about Pamela Harriman that that woman really showed an extraordinary amount of leadership when she would choose to work on a pursue an issue, she would go to our President, she would go to Jacques Chirac, she would...at that time it was actually Mitterrand and then Chirac. But she was really very, very able to push people into a room together where they would be forced to sit and talk over their differences and try to come up with a solution.

Q: Did you find that on the French side that some of the negotiators sort of resisted getting dragged into a room with Pamela Harriman?

BAY: They had a great curiosity about her, so most of them didn't really resist getting dragged into a room with her. And so most of them didn't really resist getting dragged into a room with her. They weren't really fearful of her, I don't think. They found her most unusual, and of course many of them even had known her. She had lived in Paris years before when she was a young woman at the end of World War II. And so, some of them had known her. I think many of them were surprised at her intellect. They didn't expect that she would have the intellect that she had, and the policy savvy which she had to pursue these issues. But certainly, as a Foreign Service Officer and diplomat, I was running the economic section. Tim Pendleton was running the political section. The people who worked for us would have gone over a cliff for that lady. When you talk

about a true leader, she really led and she used her staff and benefited from the knowledge her staff had in order to advance these issues with the French.

Q: When she was named as Ambassador, there was nothing in her background as true with any political appointee to be ready for economic negotiations particularly for the Uruguay round. How did she bring herself up to speed?

BAY: She asked us to teach her. And we started giving her lessons. We taught her. And we had a wonderful agricultural attaché, and the agricultural attaché spent a lot of time with her helping to teach her and help her understand. But what we learned is that although learning about agricultural subsidies is one of the most difficult economic challenges there is. She didn't need any lessons in learning about the politics about what was going on. She understood that the French were trying to and did try to protect what they considered to be their own land and their own territory. She understood what the issues were. And she understood that there were very few French farmers left, and they're a dying breed, and it was a very emotional issue with the French. And so, the politics she got immediately. There never was any problem with her understanding the politics, and once she understood that, that made it easier for her to then talk to both sides about what were the realms of possibilities. And she would call up the President and talk to him about it and go over it with him and really push him and say "I'm sure that we can manage to do this if we just keep trying." And she did that on a lot of different issues. She didn't always have successes in every area, but she made an awful lot of progress. And the French really grew to admire her for her leadership as well as we did in the embassy. And I think that many an American never saw what we saw for very strong leadership roles.

Q: I think we ought to stop at this point. We're talking about the time what, 1990 to 1994?

BAY: 1990 to 1994.

Q: You were in Paris as an economic minister.

BAY: Right.

Q: We talked about Pamela Harriman working on Uruguay round, how she learned the trade. We'll pick up about other matters and also how the Uruguay round played out. We haven't talked about that. And then we'll move on to other economic _____ And also what were the problems on the American side because of our subsidies and particularly agricultural products.

Q: This is Tape 4, Side 1 with Janice Bay. Today is November 5, 2003. Janice, you were in Paris. You were Economic Minister from when to when?

BAY: I was there from 1990 until 1994.

Q: You mentioned what a fine job that Pamela Harriman did in both learning the economic trade particularly with...was it the Uruguay round?

BAY: It was the Uruguay round of trade negotiations.

Q: From your observation how did she deal with the power establishment within France particularly from your observation on economics.

BAY: Pamela Harriman really understood that all issues are political. And she had a very clear understanding about all issues whether they had to do with terrorism or whether we were dealing with Iran or whether we were dealing with agricultural subsidies as we were in the Uruguay round. She understood that in order to solve these problems you had to understand the politics and reasons behind the very strong feelings that this particular government had, in this case agricultural subsidies. And once you understood the motivation for their position you had to find a political solution. And you could never find that political solution by dealing at the democratic level. You had to really get to the political level. And this is where she was able to play a really critical role in resolving the deadlock that had taken place in the Uruguay round. I think I mentioned the last time we met that the French trade negotiators and the American trade negotiators had refused to even speak with each other or even meet with each other. And this had been going on for over a year. There had been technical levels of conversations with agricultural specialists about subsidies, and Pamela very clearly understood that the essence of France was French agricultural life and how to protect the French farmer. And the essence of American trade policy had to do with keeping the American farmer in business and preserving a very important part of the American economy. And the U. S. and French governments both shared the desire to be sure their agricultural sector survived, but they had a different way of looking at how you went about that. And we actually helped teach her about EU (European Union) agricultural subsidies and about American agricultural subsidies. And she looked at this, and she felt that there had to be a way that we could come to an agreement, that there should be a way. There wasn't that much difference between the position of the United States and the position of the European Union, and France was one of the main obstacles. Germany was another obstacle to reaching an agreement on agricultural subsidies which was, in fact, the main block to reaching an agreement, and it's the main block today to reaching agreement in the current round of trade negotiations. It remains the issue of how you look at agricultural subsidies. So, she started working back channel politically both in the U. S. government and the French government, and using contacts in the EU to really try to say "I think that if we can sit down in the room together, talk through these issues, that I think that we might find a way to move forward." And she pushed and pushed including the President, President Clinton, talking it over with him. She spoke often with Mickey Kantor who was our trade representative, and she got her colleagues in Europe to also put pressure on people in Brussels to try to see whether we could find a way to get to talk. And eventually she was able to find a way to achieve that, and that created a breakthrough that allowed the technical negotiations to move on. Those of us who were working in the trenches on those issues did share that view. We told her that we felt that there was a possibility to reach agreement but it would take a lot of knocking heads at a political level to get there.

One has to remember that Jacques Chirac who at the time was mayor of the City of Paris had been the Minister of Agriculture in France. And so, this was a guy who's now president of France who totally understands everything having to do with agricultural subsidies. Françoise Mitterrand understood agricultural subsidies. The people that worked under him understood them. I think on our side that Bill Clinton actually understood agricultural subsidies, too.

Q: Coming from an essentially agricultural state.

BAY: Yes. Well, he is a smart, well-educated guy, and he had a pretty clear understanding. So, we had leaders who were very sharp and really did understand how one could move and how one could reshape these subsidies which we couldn't get rid of. All of us who are trained in free market economics think it would be a wonderful thing if we could get rid of agricultural subsidies. And that's exactly where this current trade round has broken down because the developing countries really feel that unless they can get better access to the U. S. agricultural market and to the EU agricultural market, what is the point of having a trade round? So, she really made a remarkable contribution. She showed us how strong political leadership without being an expert in a very technical field could drive you to the point where you could get a negotiation moving and get it to end. The Uruguay round in fact didn't end until after I departed from Paris. I was in Germany. It was about a year, year and a half later. But that breakthrough that she was able to create gave the impetus to moving along and getting those negotiations closed. And I think it was from our perspective of course there were many other parts of negotiations, many other elements, but that was really the barrier. And that was the barrier that had to be blocked. And if you just read last week's Washington Post about Pascal Lamy coming to Washington or going to Brussels with a new package which is really no step forward in negotiations, one can realize how difficult it is to move these agricultural trade negotiations forward. So that was really quite remarkable. She used that approach in the way she approached other problems as well. That was the one that I worked on most closely with her, and it was really a very contentious issue. But whether she was talking about Algeria or talking about Iran or talking to the French about any of the most difficult issues, she understood what their motivation was and why they felt as strongly as they did. And then she tried to find the common ground to see if there was a way to move issues forward. On some issues of course she was less successful, but on the Uruguay round her approach actually worked very well.

Q: Were there any particular points without getting into terribly technical things where we can find common ground?

BAY: There are lots of areas where the United States and France can find common ground on both political and economic issues. Again, we are two countries that care deeply about our constituencies and our people, and we are two countries who have the courage to stand up for what we believe is right or what we believe is the right path. We may not be correct, but it may be what we believe is the right path politically for our country. And there are very few other countries in the world that will counter the United States and France when we stand up for what we believe are the right issues. If the

French and U. S. governments decide to work together on an issue, we are a very powerful force. We can be a very powerful force in New York at the United Nations. We can create a very powerful force working on U. S./European trans-Atlantic issues in Brussels or whether we are working on other issues. We're even working on Middle East issues other than Eastern issues. The French have a great deal of influence over other important EU (European Union) members including Germany. Probably they have less influence over the UK (United Kingdom). The United States and UK have a stronger bilateral relationship. But if you get France to work with you on an issue and you are the United States, your chances of success in moving that issue forward and achieving your goal increase dramatically. And when American government officials and politicians decide to ignore France or to fight France it makes it much much... It doesn't mean you can't succeed, but it makes it much more difficult to succeed. Germany is important, too, but there is a very close alliance between Germany and France, and France often the shapes the way that foreign policy positions or the domestic policy positions are portrayed. So, for those of us—many of us—it is not a popular view in the United States, but most of us who served in France believe that you have to work with the French if you're going to make progress on international issues or any international issues that France cares about. Clearly, if you're working on NAFTA (North American Free Trade Agreement) with Mexico, you don't have to work with France. But if you're working on a trans-Atlantic issue or Middle Eastern issue or an African issue, and sometimes on Asian issues, and issues regarding the former Soviet Union, you better look and see where France is and what France is doing in that area because if they have interests, they will work very hard to defend their own interests. And there are so many times when we and the French really do share the same view and have the same analysis of a problem in a country or of the political leadership in a country. And it really isn't necessary for us to be in conflictual situations. The French often put us in those situations because they do have very strong and outspoken diplomats who play strong leadership roles both internationally and inside European Union. But we also are the other country that has strong personalities and strong leaders who will also sometimes stake out very black and white positions which make it harder to find shades of grey and ways to move forward and compromise.

Q: Did you find that you could work with the Quai d'Orsay, the officials there at sort of your level. Were you able to all see how we might do this, but the problem was to get the politicians on both sides to get on board?

BAY: Right. And that's why again I come back to the very important role that Pamela Harriman played. And she's one example. In the course of our foreign policy, we've had very many political ambassadors who played very important and strategic roles. We could work and did work at the Deputy Assistant Secretary level, at my level. I was the Economic Minister level. We could work at the technical level. We could have technical people come from Washington. We could work with the Quai d'Orsay. We could work with the ministry of finance. We would go to the Elysees Palace and deal with the people following economic issues there. And we could all talk together and see what the possibilities were to move forward but without getting to the ministerial level there was not going to be any hope of progress. In France you have always the Elysees Palace and

the Prime Minister's office, and we talked with all of these people. And you have to really engage, at the end of the day you have to have the president of the country and the Prime Minister on board in order to do anything. In our case it would be the same as having to have the President and Vice President on board if you're going to be able to have any breakthrough in a technical negotiation like that. It's very unusual in the United States that you would have ministerial level people understanding the details of a very technical negotiation, but it's not uncommon in Europe at all. Again, these ministers who come up in the European system get their training when they are more junior in some of these economic ministries including trade, including agriculture. So, they don't have the same kinds of barriers that a lot of U. S. politicians and political figures have in understanding these issues. But we had excellent, really excellent, working relationships with our French counterparts. We didn't confront them. Sometimes we would have very difficult conversations with them when we had visitors from Washington who were at a political level who were very aggressive with them. But if you weren't aggressive with them and if you talked to them rationally, and if you had well-reasoned arguments, then they would be quite willing to listen to you and talk to you. And we talked to people up to the Deputy Minister level, and we could see ministers. I mean, the French understand power politics more than anybody else. And if an American high-level figure comes along who they consider to be important and a key player, the ministers in France will take time out of their day to talk to that person and try to understand us and our position and why we would take a position on a certain issue. So, we worked on those issues, other very difficult issues that we worked on during that time were issues involving the end of the CoCom (Coordinating Committee for Multilateral Export Controls) economic export control issue which was coming to an end as the wall came down. And it was an issue that was very politically driven, and again one where suddenly we were in a new world, and we had to change the environment that had existed for about 30 years to control exports of sensitive goods. And it was political, everywhere it was political in the United States it played to domestic politics. It was political in France. And it was very difficult because lots of people had different ideas on how to do that. And we had lots of discussions when we would bring American officials to come and talk to the French on how best to do that. And again, there was a certain sense on the part of the French that the Americans were being very arrogant and were trying to dictate the new regime and how they wanted it to be created. And the French in particular had a very strong interest.

CoCom was based in Paris, and they had a very strong interest in wanting to make sure that they also had a role in looking at the shape of a new regime. All of these were very hot issues. All the issues that had to do with the fall of the Berlin Wall in those years, in the years right after 1990, were very sensitive. Looking back now, I'm not sure that any of us had exactly the right solution. And all the issues we fought over are kind of irrelevant now. It's become very irrelevant now. But at the time they were very critical issues. The old Cold Warriors were very reluctant to give up the control they had over anything that was considered sensitive in the East. And it was something that we just had to work our way through, and it was an area where you had very many competing interests inside of Europe because the Germans had one view of this. They were physically situated much closer to Russia and were very concerned about letting exports of sensitive items be relaxed. The French also had strong views by their leader about the

importance of the wall coming down. The French had other views, and the views also depended upon if you were looking at Poland or if you were looking at Russia or if you were looking at Romania. They had different views about different countries. So, it was a very lively period on all these important security issues that we dealt with. They transcended the economic and political military areas.

Q: I would imagine the French would be particularly sensitive to the fact that we were trying to flood the former block, particularly the Soviet Union, but other places with economic experts who were going to put in the American Way.

BAY: There was a lot of discussion about all that in the OECD (Organization for Economic Development and Cooperation). And actually, the French are very good commercially, and they got in really very early. They got into East Germany very early, they got into Russia very early. They're always kind of out in the lead trying to get into...seeing a new opportunity and getting a new market. So they were quite aggressive themselves in trying to get in, but they did have a lot of concerns about the sensitive security issues. And the Germans, again, were kind of schizophrenic about this because Kohl knew that it was very important to get a relaxation and try to really embrace the Russians and to bring them into the global economy. And the Germans at the technical level also, as the French were, were fearful. You have a whole generation of bureaucrats whose whole careers, and in the United States as well, had been built on controlling all these sensitive items of trade. And suddenly they were told it's a new world. We don't need to do this anymore. And as I say, the issues that we were fighting about, and it was very contentious in those early years of the 1990s are not very important now because eventually we all realized you've got to let Russia loose. If we're going to have a free Russia, it's going to have to be one where we're just going to have to let them do all of these things, and we're not going to be able to patrol it anymore, and we're just going to have to let them be free. And I think it helped, probably politically helped quite a bit as the shape of Russia took place, and you started getting all these new countries coming along. Because then the fear of the megalithic Russia was less. It gradually over those years became less. And here I'm talking about a continuum because I went to France in 1990, and I left Germany in 1997. So, I was in Europe from 1990 until 1997, and by the time I left the views of, the fears of Russia and the fears of the dangerous Russia were significantly less than they were in 1990 when everybody was still very perplexed. But as soon as things started happening in the former East Bloc, and as soon as the wall came down, the French were ahead of the line in inviting Russian intellectuals to come to Paris, inviting people who had interesting ideas to come to Paris, inviting Russian leaders to come to Paris because they wanted to understand. And there was, again, a lot in common between the way the United States was behaving and the way France was behaving in trying to figure out what would be the best way to look at a common future map. And so, it was a very interesting period of time.

Q: You mentioned the French saw us being arrogant. I think our trade negotiator...

BAY: It's trade representative. That's when I met with Mickey Kantor.

Q: Most of these people who get that job are known sort of as our junkyard dogs, real aggressive. Did you get involved with him at all when he came over?

BAY: Mickey Kantor was very close to the President. The good news when you have somebody like that as Trade Representative is that they do have the power and the ability to negotiate for the President. And he was a good guy to be in that job because he knew that you had to make not one deal, but in order to do a trade negotiation, you have to make 50 different deals. And again, the first rule of negotiation is when you're going to come to an agreement you have to make enough trades so that the other people are happy but you still have enough that you can take it back to your own people. And Mickey Kantor did come a couple of times to Paris, but the main negotiations, of course, took place in Geneva and in Brussels. And again, it was Pamela Harriman who created who forced a meeting. She forced a meeting in Brussels between Mickey Kantor and the European and French trade ministers. And that worked. But he was a very good trader. He knew how to trade bargaining chips in a negotiation to try to put together a package of what was achievable.

Q: Looking at it almost philosophically, in France, Germany and England and in the United States, we all have this vision of protecting the small farmer. So many of us came out of farm roots. Was there a way to protect the small farmer in these countries including our countries yet open a lot of agricultural stuff, or was this justified?

BAY: The first thing about the small farmer is that there's sort of a myth. It's mythology. It's a mythology about the small farmer. At the time that I was living in France, the number of small farmers left in France was down to 2 percent of the French population. Germany cares just as much as France does about the small farmer who is down to about a half percent. In England it's probably down to less than 1 percent, and in the United States, I haven't looked at figures recently, but the small farmer is certainly less than 1 percent of the U. S. population. So, what we're really talking about when you're talking about agriculture and agricultural trade negotiations is large farming. Corporate farming. And that was what we were looking at in France, too, and the issues had to do with export subsidies. Are you subsidizing goods just so you can export them to other countries in the world? And that's a relevant issue in the United States as well. In certain parts of the United States, in all of France, and probably in all of England, there is this mythology about the country, and it has to do with the way of life in the country, and how people live, and the simple beautiful farm life, but it's not real. There are parts of France that are totally depopulated now that 100 years ago were all agricultural land, but now there aren't even any people living on the land. And in England, England's a little different, it's a pretty small island, there's not very much farmland left. But there's still this mythology in Germany. Most of the farmers, a few in Bavaria and there are some up in the north, but it's pretty much mythology. And even in all of the European countries the farming that is really successful isn't small farming, it's corporate farming, and certainly it's corporate farming in the United States. Those farmers that are successful either have family corporations or they go on to corporations or they work for a corporation. And very few small farmers.... I mean this really isn't about small farmers, but there's still this mythology. And when you go to Japan, you're dealing with these same issues, because

you have very few farmers. The average age for farmers in Japan is something like 75 years old. One has to believe that in another 15 or 20 years these issues will be much less important because there won't even be much of a farming population left. We don't think about it so much in the United States anymore. We don't have this romantic vision, really, so much as the Europeans do and the Japanese do about going out and collecting eggs in the morning and harvesting your crops by hand. But it's something that really is still this romantic vision that has to do with living in the country and being in the clean air. That is very important to those cultures. And that's what the politics are all about, and that's what the political leaders in those countries have to deal with.

Q: Were there other economic issues that particularly grabbed your interests?

BAY: We talked about CoCom (Coordinating Committee for Multilateral Export Controls), and that was something the French were heavily engaged in.

Q: How would you rank the restrictiveness on CoCom?

BAY: The French were divided inside of France because they had the same military Cold War type of people who were very concerned about technology that we had, but they also had others who wanted to open things up. What was going on with the successor to CoCom, everyone agreed that it had to fundamentally change, and it's sort of like an issue that I worked on most recently. The Paris Club in Paris run by France which is the International Club which relieves the debt of developing companies. After 1990 it was decided that Russia had to become a member. We had to allow Russia to be a member. Russia is in a very unusual position now having joined a club in Paris where they're both a creditor and a debtor because they owe a huge amount of debt, but they also are owed a huge amount of debt. And so, it was agreed that Russia had to come in to whatever was the successor to CoCom. And it was a very sensitive issue with the Russian leadership. They said we are no longer the old Russia that we were. We no longer deserve to be treated like that. You have to treat us differently now, and you have to let us be part of whatever the successor regime is. It would be interesting to know what the Russians thought as they were looking at all this go on because there were all these arguments going on between the Americans and the French and others, the Germans. And again, each one... because we're trying to devise some new system where you would relieve the restrictions on most of these exports but still have exceptions for national security where you would still be very cautious about national security issues. And again, developments. Developments were going so fast, and the Cold War bureaucrats in the end just couldn't keep up with developments, and that's why we essentially have a pretty open system now. There's very little now that is really controlled and restrained.

Q: Did the computer revolution either in... It's in so many aspects, but did this have an impact on your work at all either in the commercial side or just the internal side?

BAY: Absolutely. As you talk to others who were working anywhere in any of the important capitols in the period of 1990 to 1994, I can't remember which year it was, it probably would have been 1992 one of my colleagues came running into my office in the

evening, and he said you won't believe what's happened. He said I'm sitting here sending an E-mail, and the person I'm sending it to is answering it right now. And so, we went to his machine, and he was typing in and getting answers back. From that day on our lives changed fundamentally because it meant that we could both tell Washington in real time and get answers back in real time. And it didn't mean that cables became unimportant, but it meant that as we were working issues that we could get guidance not only from the State Department but from the whole interagency process. We could go to any agency. We could go to the trade representative's office. We could go to the Federal Communications Commission if we were working on telecomm (telecommunications) issues. Telecomm was another lively area because we were trying to open up the telecomm market in France and later in Germany. We could go to the Department of Agriculture if we needed information on agricultural subsidies. And overnight the way that we worked and the way that we conducted diplomacy had totally changed. And it changed fundamentally and forever. It will never be the same. You still of course have the formal demarches which are sent by formal cable, but even now when people in Washington are working on formal demarches, they often send advance copies out to a post and say this is what we're planning to send to you in two days. Let us know if this is off base or if you have any problems with it. We had no ability to do that before. Even working between Europe and the United States because of the time difference, people like me would talk to Washington probably once or twice a day on the phone, but you'd just do that for that short period of time when Washington and Europe were both open. With e-mail you can send messages when you go home and have an answer waiting for you in the morning. Or you'll have people giving you real time edits, and as technology is growing by leaps and bounds, when you're working in an unclassified area, you can now even share documents, and we do of course an extraordinary amount of video conferencing. And we started doing that on the Uruguay round. In Paris we started inviting people in and having video conference session with people like Mickey Kantor and three or four posts, and people could ask questions such as "what is the U. S. position and how does the United States see these issues?" So, our work fundamentally changed. There also is the ability to send e-mails directly into host government ministries, so you also will have Foreign Service Officers in Washington and people in other U.S. government agencies, people for instance in the Department of Agriculture would be a good example where you would have a technical level person working directly with a technical level counterpart in the French cultural ministry. And many people think that this has made traditional diplomacy irrelevant. In fact, it doesn't make it irrelevant because it's just like in our system if you have a good contact and that contact only deals with you, and you're transferred to another position, that the person who is sending you the messages doesn't realize that your messages are just going into a void. And unless you still have diplomats on the ground to manage the process, you don't really know if you're getting to the right people, and it could be that the agricultural people are going to their agricultural contact who's giving them lots of feedback and lots of information, but that person may not be the person who is the decision maker in the interagency process in France. The interesting thing about France and Germany both, and I believe the United States is the same, I know the UK is the same, is that they have the same sorts of interagency processes that we have with lots of give and take arguing before a decision is finally decided. And this is one of the reasons why people like me who have served in

important European posts feel that it is extraordinarily important to maintain a very vibrant diplomatic presence that covers all issues in important European capitals because once the European governments take their issues to Brussels, it's too late. They've already made their interagency decisions, and it's too late to modify or change the way they're looking at an issue. Again, agricultural subsidies would be a good example. It's not something just determined by the agricultural ministry in France. There's a whole interagency trade group that looks at these issues, and they have a lot of discussion about the issues, but once they have made their decision, it's very difficult to change or affect that decision. So, if we're going to have an important influence on economic relations between the United States and the European Union, it's critical that we get to the decision makers in the countries before they take their final decisions to Brussels because once we get to Brussels, there's not much we can do to influence those decisions.

Q: To the historian, it's going to be very hard to sort through how things were developed or policies are developed because of the E-mail, the consultation going back and forth, you aren't going to be able to look at a piece of paper with a lot of pencil notes on it and that sort of thing.

BAY: You're still going to have your formal record. And what the historian may or may not be able to see depending on how they are able to analyze an issue is the chatter, the chatter going on underneath an issue. And, in fact, and if you ask others, they will tell you well, go out and ask the U.S. ambassador and say "this is the demarche that we're planning to send to you in a couple of days. It's not cleared yet in Washington, but what are your views on it? Does this work? Is this an approach that will succeed?" So, in effect what we're doing is we're improving our ability to tailor our positions. We also run the risk, though, of playing into the hands of ambassadors who may have clientitis because they may come back and say "hell, no, I am never going to deliver that demarche if you send it to me that way." You see, these are the kinds of things no one thought about. Even 15 years ago these weren't issues that were very..

Q: One of the things that has been put forward is that with the ease of communication, ambassadors and their staff are nothing more than messenger boys. But in many ways, the power has increased because they get in on the developing of orders process.

BAY: They get in on developing the U. S. position on issues in a way that they never would have been able to do 20 years ago. I know people talk about ambassadors in particular countries 20 years ago who would have been on the phone every day, all day as much as they could talk to people in Washington to get that feel of what was going on in Washington and what was the Washington view? But as I said, I had mid-level officers working for me who would be talking on the internet with 20 different U. S. government agencies on a given day and getting their comments individually to these people who were part of the interagency process in Washington which gave them the ability that did not exist until that day when that officer said "look at what's happening, they're answering me right now." Before that day, that officer would never have had that influence, but now that officer does. The most successful diplomats are the diplomats who figure out how to use that process to their own benefit and to figure out how we can

best tailor our demarches formally so that they will have the best chance of success. Again, you do run that risk of having an ambassador who's really sort of gone over to the side of the country that he's in. But we always have that risk because when you send a demarche to an ambassador, you never really knew how he would deliver that demarche.

Q: Deliver with a wink. You know.

BAY: Today if you're in a European capitol or in Japan, any major capitol, probably 50 percent to 75 percent of demarches are faxed over to foreign ministries. Even though we have large embassies, if you get 100 demarches a day, if you're covering France or Germany where you have 50 U. S. agencies representing every possible issue, representing terrorism, security, FAA (Federal Aviation Administration), customs, agriculture, internal revenue service, NASA (National Aeronautics and Space Administration). You're not going to be delivering every message, and certainly the ambassador isn't going to be delivering every message. So, the ambassador or the DCM (Deputy Chief of Mission) or the economic or political minister is only going to be delivering the most important high-level messages. Some of them will be delivered by mid-level officers. Generally, the practice is that you fax it over to the person at the host national ministry, and then you follow up with a phone call, and it's really important that you go see them because these people are extraordinarily busy, too, and it's hard for them to take time in their day to meet with an American diplomat. So, you do develop probably closer working relationships as well at the technical level between the people in ministries in a country and the individual officers. The officer who worked with me both in France and in Germany on telecommunications was really close friends with all of his counterparts and all of the relevant ministries because you develop this ability to work with them. The other element that I think one must mention if you're having this kind of discussion about how diplomacy has changed is that language skills have become probably even more important. Certainly, in France the Quai d'Orsay people are forbidden to speak to you in English even though they speak fluent English, they have to speak to you in French. In Germany you have lots of people at the technocratic level although most Germans speak English who really aren't comfortable in English. And since the fall of the wall, you now have ministers and people from the eastern part of Germany who don't know English very well. So, language skills are really pretty critical. That's when diplomats still play a critical role because if you don't have the ability to actually either have an interpreter or speak to someone in their own language. On these kinds of issues, these economic issues, you can get things really screwed up if you aren't very cautious. And you can even get things screwed up on larger political issues. We can talk Iran policy when we get to Germany because that's an issue where everything was very, very sensitive both in France and in Germany, but even more in Germany than in France.

Q: How about the other side, on the French side. Were they going through the same revolution, too, within their internal things? Were you seeing any hiccups problems there in their system?

BAY: Because of the IT (Information Technology) side. In both France and Germany, the people we were dealing with were the people that in France most of them went to AINA (the National School of Administration) which is the school that trains everybody who is going to go to a high level in government service. Or they went to something that they called X (Polytechnic University) in Paris. And those two schools represent the sort of top 1 percent, the crème de la crème of the French economic political group. And all the CEO's and ministers have gone to those schools. So, you are dealing with a very intelligent, bright group of people in France. And those people adore new technology, and they adored getting the internet, and they adored being able to start using it. So before then end of 1994 you already had, I can't remember what year, probably 1992 or 1993, you already had Brussels connected live to all the important people, certainly all the deputies and secretary level people in the EU (European Union), in the ministries and capitols of the EU countries, and we would go to see them to deliver a demarche, and they would have an E-mail saying that we know about that demarche because it's already been delivered in Brussels, and we're going to have a vote on it. The E-mail here about this is when the vote's going to take place. And they were far ahead of us in being able to manage information. They have a dedicated terminal in their office which gives them the latest information on what's happening in Brussels. So, anyone sitting in Europe is getting in real time the information from Brussels that affects their issues. So, it was hard for us to even keep up with the pace of information that they were getting. And it was very useful for us, too. We could sometimes get information in capitols that wasn't being shared in Brussels, because in Brussels our people were also overwhelmed with hundreds of demarches and sort of getting information. But when you're dealing with economic issues, you're dealing with hundreds and hundreds of issues, you find the one person who's working on that one issue will be a master of all the information on that issue. That's what we have in Washington, people who are masters of that information. So, you can get this sort of technical level of expertise. But the Europeans are extraordinarily well organized on the IT side, so I think this did change them a very great deal. And I'm sure that in some of the small European countries it's been very difficult probably for them to keep up with the pace of all these issues. If you're sitting in the Portugal foreign ministry and your portfolio is economic policy, and you're dealing with EU issues and dealing with the United States, you're probably a three-person office. And you're dealing with these same hundreds of directives and hundreds of EU issues, and it becomes very, very, very difficult. And even with our mission in Brussels, it is very difficult to keep up with the pace of all of that. But the Europeans moved very quickly. I mean it's like when people talk about the telephone systems either in Paris or Rome which basically in 1985 or 1986 still didn't work. In neither one of those capitols you could have made an international phone call more easily than a local one. And when they changed the system, they changed it overnight, and from that day on they had a better telephone system than we have in the United States. So, these are people whose elites, and I stress the elites because the elites really do make the decisions in those countries, the elites embrace new technology and are very creative and are not opposed at all to new ideas or new ways at looking at doing business.

Q: What you're describing, too, is you were there when this new technology was coming in which is also helping to knit Europe together. If everybody is talking to everybody else, it's no longer in the hands of a few people...

(Transcriptionist's note: Mr. Kennedy trailed off at the end of the tape, and Side 2 did not pick up where he left off.)

BAY: ...deals were being cut between France and Germany behind closed doors or between the UK (United Kingdom) and Italy behind closed doors. Everybody has access to information, and that's very important in creating a very cohesive European Union.

Q: We talked about the working level of computers and information. Were there any economic issues that came up during your time in Paris dealing with computers like the internet or other issues that were connected to that that ended up being a problem?

BAY: Telecommunications were a bilateral issue in France, and we were trying to open up that market. And we made some progress there. We developed a great new dialogue with the French telecommunications regulators. But one issue and again when you're talking about the economic issues that were in the purview of EU (European Union) competence, one of them was data privacy and data privacy in controlling the internet where we had continual discussions with the French and the Germans and others about whether or not we should be trying to control the flow of information coming over the internet. Europeans were still very, very concerned about issues like pornography on the internet, issues that would betray their privacy rules. Their personal data privacy rules in Europe are much stricter than ours are. So, these were issues that were very lively at that time and still are. There are still issues where there still are a lot of complications because the EU officer in Brussels will adopt certain regulations, and basically the U.S. providers just have to live with those regulations. But some of those regulations were not even able to be implemented because some of the people that were creating the regulations in Brussels really wanted the ability to be able to see everything going across the internet. And of course, this was an area where we were different. We were far ahead of Europe in penetration of the internet to the average consumer and to the average family. So, we moved way ahead of the Europeans when the average person in America started getting internet in their home and using it. By 1994 it was still rather an elite sort of thing in most of Europe for use of the internet. By that time every American 16-year-old and almost every American 10-year-old was on the internet. So again, there was a time lag, and a different cultural way of looking at some of these issues. And again, it has to do with this elite who still govern Europe and make decisions thinking they know what's best for most of the people, and they think that data privacy is something that's important, and it's very important to make sure that they don't betray any of the privacy rules. Across the border data flows have been an issue between the United States and Europeans for years and years, which has to do with not only with private data information, but information about bank accounts, transnational banking, transnational salary payments. So, these are issues that the people, we call them the EUE's (European Union Experts), in Brussels spend a lot of time working on. And again, an example of these very, very technical issues where you almost have to get to the person in the government who works on that

issue in order to be able to have a conversation about how you might to be able to modify or move that issue. Another issue which we worked on which is a different trade issue and is still a very lively trade issue was genetically modified organisms (GMO). The Europeans also have the idea of wanting to control, have much greater control over products than we in the United States. And we have been forced over the years because of the arguments and the opposition that developed in Europe in the early 1990s, we were being forced to comply with a much greater transparency about the contents of our products and the nature of our products. And these are issues that also are going to be very important in the current trade round of negotiations whether we will be able to see breakthroughs in looking at how we deal with genetically modified organisms which goes back to agriculture and the farmer and this romantic view about natural products and things that aren't manufactured biologically. So, these are examples where it is very important, where diplomacy is very important in trying to teach and discuss and have conversations with the relevant national officials in countries about an issue that's going to be decided in Brussels at the EU level.

Q: We're still talking about the 1990, 1994 period. Were you seeing either the beginning or was it full-fledged Frankenfood and Jose Bove and all his ilk going around and destroying genetically modified crops and things like that? Was that beginning?

BAY: It was starting during that period of time, and during that period of time we were visited often by the U. S. multinationals who were at that time about ready to go to market with their new products, with the new genetically modified wheat and other products. So they were making the rounds during that period of time visiting European ministries, talking to European officials, European businesses to try to sell their products and the concept of their products to them. So, it was already starting at that time, and we were already starting to have problems with U. S. exports which were just coming on the market at that time on a large scale. But again, the Germans were even much more difficult than the French in looking at these issues because the Germans are really paranoid about wanting to know exactly the contents of every single item that is or can be consumed by a human being.

Q: Were you seeing this as a campaign that rose almost spontaneously from the people, or was this something that was done by European food processors who were trying to control the market?

BAY: It's hard to say. A lot of the products were not even necessarily... A lot of the American products, not products necessarily that the Europeans eat and produce. I'm sure there's a degree of protectionism, and of course a lot of the American products were products that were wheat and grains and so forth which were not anything that would have necessarily a protectionist angle unless you're talking about a sort of trade war between European wheat and grain producers of seeds and the American wheat and grain producers of seeds. So really it was more part of this whole mythology and mystique about food and nature and wanting natural products and not wanting anything that's been genetically engineered. It's something that's very deep inside the average European, and the average European I think really does believe this, that they really want to have natural

things. They don't want to have things that have been altered. And so, I think it was not really driven by protectionism. Everything can have a protectionist angle. If you had a European producer of peanut butter, that European producer of peanut butter certainly would take advantage of saying "I have a natural product, and your product isn't natural and, therefore, my product is superior and you have to label your product in such a way that we know that." And in the early days probably some of the American producers didn't understand the depth of the European feelings about these products. But the genetically modified organism debate is even a much larger global debate now than it was in those early 1990s in Europe.

Q: How did you find, and certainly on sort of the political international affairs area, the intellectual class, I guess the equivalent of the English chattering class, is quite important. Economically did you find that this was a group that you had to pay attention to and to work on?

BAY: Yes. We had a lot of contact with them, and we participated in their events. The French loved to have events where they would have some prominent person come and speak or have a panel debate, and we participated in all of these events. And again, if France, I know less about the UK, but I think it's similar and I knew a lot about Germany that was very similar. You have this sort of moving in and out between a very small group of people between business and government. And so, you have a pretty small elite group who are the important decision makers and need to be influenced. So, meeting with the person who was in charge of French steel could be just as important as meeting with the French trade minister. And so, we spent a lot of time cultivating these people, too, the people who were in charge of the large oil companies, people that were in charge of the largest of the large industrial groups because these people had a great deal of power. In fact, the person who was the head of Usinor Sacilor French steel when we were there is, I believe, the current Minister of Finance in France. So that gives you an idea of the importance and important influence that these people have and the importance that their view has on issues because these people have the ability to pick up the phone and call Françoise Mitterrand or call Michel Rocard, the Prime Minister or one of the Prime Ministers at that time. There were lots of Prime Ministers. So, they had a huge amount of influence, and they would have the ability to affect the views of an agricultural minister or trade ministers as well.

Q: What about the universities, particularly in Europe, have always had a very strong Marxist strain in the professors. It appeals to the academic. Was this important or was there a change with the fall of the Soviet Union. Because it eventually impacts on economics, control economies or not control.

BAY: Certainly. The people who are in these leadership positions in countries in Europe and up until today, and you're talking about people who probably range in age generally from 50 to 65 because Europeans retire at 65. They don't retire before 65, but they retire at 65. So, most of those people still believe in managing an economy, but it's what they would call a free market managed economy, but I wouldn't say that Marxism isn't important. Again here, I think one would say France... There's where you see a lot of

differences between Europeans. France has a view, Italy and Spain are probably close to that view where you say these are the smartest, brightest people, and they're in charge of the economy, and people really don't fight with them. I think that when you get to the UK and Germany you have quite different influences, and the UK has always been more laissez faire ("allow to do") and it's allowed the economy to operate separately from the government. History and tradition in the UK are quite different. And Germany is a lot different for other reasons, for historical reasons where you really, because of their own history, still have a very strong left group that feels very strongly that you don't ever want to see the past. It will come back to be the way it was. In a certain sense people who were fighting, who think they're fighting still, the legacy of the former Nazi history are leftists because they don't want to see a right wing government that would have a totally laissez faire kind of, a Berlusconi kind of economics. So, in France you very much have the elite, and they probably are challenged much less now than they were challenged in the late 1960s. You still have farmers' riots. You still have truck drivers' riots. When they have labor issues, the Communist unions are still there, and the Communist unions are still not large but large enough to be a thorn in their side. So, it's still a force to be reckoned with, and these forces still very much impact the ability of government leaders to change labor laws, to change pension plans, to change retirement plans, to change the number of hours people work, so there are still these influences that have to be taken into account. But I think that as you move along, as we've moved into a new century, that those influences like the mythological farmer are diminishing and are much less important. Certainly, Communists are much less important in France than they were in France even 15 or 20 years ago.

Q: I watch French news here in Fairfax County. You can get French news every night on Channel 3. I keep seeing these demonstrations—protests—not over working conditions but over pensions and hours, but even more so the ability to hire and fire, particularly fire or to drop an industry. Looking at it during this 1990, 1994 period, did you see the French control, the pension system, the inability to fire people for economic reasons, a hindrance to the development of the competitiveness of French industry?

BAY: It does damage the competitiveness, and it affects both Germany and France. It affects the UK to a lesser degree and the Italians to a lesser degree, and something that's debated all the time in Northern Europe about competitiveness is a huge issue. As you had in recent years in France you had a more conservative government, so they've tried to deal with the issues. Françoise Mitterrand was trying to deal with the issues, and certainly Helmut Kohl was trying to deal with those issues. And so, it's kind of like looking at health care and whether or not we're going to be able to reform our Social Security health care system. It's an issue that you see on a continuum and whether you're looking at conservatives or liberals, they have to deal with it. And all of them, because we're talking about these small elite groups, realize that they need to change. They have to change if they're going to be competing with Indian call centers. They have to change if they're ever going to compete with Chinese manufacturers, and yet the social compact between the government and people, and that's what has allowed these elites to be in charge, is very strong in Northern Europe, and so it's very difficult to betray the worker in a certain sense. But if you go back and look at France, say in 1988, and France in

2003, there have been a number of reforms and changes, but it's really tough. In both France and Germany, the leadership at the top finds it very difficult to basically dis their working class. The working class is still considered to be very important. The working class in France in particular on its own behalf has a long historical tradition of protests, and they have always thought this is the way we can show the government our opposition to what they're trying to do. So, you've always had this tradition in France of protest. The key issue is to see...it's kind of like looking at the farmers. The steel industry is one where there really isn't very much steel industry. The coal industry, there isn't much coal industry left in Europe, and so it's kind of like some of the industries in the United States. The people are still talking about protecting where there has been protection for 30 or 40 years like the textile industry. Are those people going to be around to protect anymore after another 10 or 20 years? In some cases, they won't be, and I think what both Germany and France are really trying to do is move young people into more modern, high tech industries where they won't need that kind of protection. But as long as you have these old entrenched groups and with an element of Communist and Socialist Unions, in those groups, I think it's going to be very difficult for the leadership elites in those countries to go forward publicly and say that they're unwilling to listen to these people and to listen to their concerns. So, it makes change more difficult than it is for us because the government has a stronger role in industry than in the United States.

Q: Were you as an economic minister watching France dealing with competitiveness plus protection of workers with a certain amount knowledge that this was basically helping American business do better?

BAY: During that period of time, of course, it very much was, and the dialogue sometimes got rather ugly between us and the Europeans. The French would call us barbarians because of our labor laws and our ability to hire and fire people. And we actually had labor dialogue, too. We would have people come from the United States. Once Bill Clinton became President, Robert Reich was our labor secretary, and Robert Reich would come and talk to labor groups and meet with labor people in France and talk about the differences in our systems. And again, it was a matter of trying to help each other to understand the reasons why we had different sets of rules and different sets of regulation. The European systems—the European social systems—are very, very expensive, although what we learned, and we had people from Congress coming, when we started looking at health care reform in the new Clinton Administration we had large Congressional delegations come and meet with a wide array of French officials on the French health system. And then they went to Germany and talked about German health system to see whether or not there were lessons that we should learn from their more socialized medical systems. So, there is a lot of interest on both sides in why one system is better or worse than another system. And again, I think it's very important to note that without diplomats you wouldn't be able to even put together these types of programs where you could bring a lot of our Congress people and a lot of their Congress people, and a lot of technical experts together and just talk about differences in our systems. One of the thorns that we bear in the United States is that we think we have a good system. It has a lot of lacuna in it and is a very expensive system. And it certainly doesn't cost more than Germany, and maybe it doesn't cost more than France, but for what we pay it's a

very expensive system. And so there was a lot of interest in looking at how countries like France and Germany and the UK are able to do things more cheaply. The answer is they do a lot of things more cheaply because they use a lot less technology.

Q: Speaking of Congressional delegations during the 1994 election, you'd already left then. I'm just saying we're a Republican dominated Congress. I'll save that for the next time, for the next place. What about on foreign policy, Iraq and Iran. We were pretty hardnosed on trying to keep the sanctions on these countries. The reading in the general reader would be in the United States the French and Germans and Russians were trying to sell their mother if they could make a little money in Iran or Iraq. How did we view that?

BAY: At the time of the first Gulf War and look at statements the French leaders were making and French U N (united Nations) representatives, a lot of them sound very similar to the statements the French were making last spring. They really didn't want that war to take place. They really didn't want to support that war. The difference, of course, between that war and the current one was that it was a very fast war and we took a political position probably influenced by those countries. You are not to try to remove the leadership of the country and at that time we said this war is not Kuwait, it's not the invasion of Kuwait. We didn't take on the fundamental issue of Iraq, but traditionally the Western European views on dealing with Iraq and Iran are very much influenced by oil diplomacy. And this has been something that's been energy and meeting our energy needs has been to them something that is part of their important national interest. So, you have to think about both France and Germany and how they looked at Iran and at Iraq. You have to think about how they look at their own national interests and their own energy supply. The critical energy supply is a factor that for them is right at the top of their foreign policy considerations. You have to look at it through their prism if you want to try to understand the way they view this. And they have always wanted both countries to have better relations with the modern Iraq—well, particularly with Iran—not so much Iraq because you have to remember that during the 1980s, during that time that I was in Saudi Arabia, Iraq was our ally. We were allied with Iraq, and they were fighting this bloody war with Iran, the Iraq-Iran War. They were considered to be on our side. So traditionally our views of Iraq have changed over time, and our views about Iran have not changed very much at all since the hostage crisis in Iran. So, our views have been pretty much in the same place about Iran, and our views about Iraq have changed over time. But if you're sitting in the middle of Europe, those Middle Eastern oil supplies are pretty critical to your sense of having security for the future of your country. France as an example was so concerned about energy security that over the last 30 years, they have developed a huge amount of nuclear capability inside of their own country, nuclear energy capability. Germany did less of it for political reasons. It was very difficult for them to do very much because of political pressure. But France has a lot of nuclear ability and is very, very concerned, about its stability and ability to have and its sense extends beyond the border of France. It extends to all the countries surrounding France. They want to be sure there are enough energy supplies. And that has very much affected the Arab behavior and has affected always their willingness to do business with those countries and their unwillingness to confront those countries on security issues in the

same way that the United States has wanted to confront them on security issues. So that's the real backdrop, and I can't really talk about the present situation as regards France.

Q: Actually, I want to stick to this period of time. Did you find yourself coming up with trying to bring instructions from Washington, trying to make the French less forthcoming, particularly to Iran or not?

BAY: Iran was, of course, during that period of time, and we dealt with Iraq and Iran during the Gulf War as a political issue, and so my political colleagues were really dealing with trying to get the French to come along with us on Iraq which they eventually did. Eventually the French came along in the first Gulf War, but Iran and it became a much larger issue for me when I went to Germany than it was in France. But during that whole period of time from 1990 right to 1997 in Europe, we were being hit every week with messages from Washington saying you have to go tell them that they have to take a different position on Iran. You have to go tell them that they shouldn't be having as much close contact as they are with Iranian officials. You have to go tell them they shouldn't be sending officials to go visit Iraq. You have to go tell them. So we were the only ones involved continually, and as I said it became a bigger issue in Germany than it was in France, but both the French and the Germans have this view, but their view still is very much governed by their sense of energy and also the geopolitical sense. They consider both Iran and Iraq to be important countries that they wanted to be stable countries. They didn't want to see instability in those countries. And everyone knew that Iran had become kind of unstable, but they would—both the French government and the German government—would believe that the United States did not look at Iran with objective eyes, that we were very much influenced by events in Iran and that had kept us from having a more objective look at how Iran had developed. It was like how people, if you think about how the French looked at Vietnam, when it left Vietnam that after that... Well, Algeria maybe even is a better example, but the French will think really truly objective about Algeria because they lost a lot of their own lives there, and it was a very difficult situation for them. So other countries have these particular interests, but they do believe that if you took away some of the particular, particular historical bilateral experiences that the United States had with Iran that we might look at Iran with a slightly different light. And I think that view is up until today the way that Europeans look at Iran. Iraq is a little different, but one has to look at oil, and you have to look at the fact that Iraq is sitting on what we know are huge reserves that have not been exploited. It's a very low cost, high quality source of energy, so for that reason a country that will always be important to countries in Europe. And when you have a country in that position and you understand France and the history of France and the history of French diplomacy, the French are not going to give up on wanting to play an important role in Iraq and, to a lesser extent, Iran. In both countries. Actually Japan, which behaves very differently, has similar views about Iran and Iraq. The Japanese have always maintained an energy dialogue with Iran during this whole period of time.

Q: Were there any countries that impacted on your work, France's relations with other countries from Japan, Russia?

BAY: I didn't engage in it so much, but of course Africa is always out there. And we have in the American Embassy in Paris, at any time there is an Africa watcher, a person who just has Africa. And so, we were always having issues with the French and ourselves on whatever conflict was going on and whatever little African country at whatever any given time. And sometimes we agreed with France on how you would handle a certain conflict, and sometimes we rather disagreed, and sometimes there were other conflicts if we decided we were going to intervene ourselves to send in some military assistance or economic assistance. Sometimes that put us in conflict with something that France was trying to do in that country. So, we had a pretty high-level dialogue most of the time because there's always something going on somewhere in Africa. So most of the time there was some dialogue going about one particular or another particular country in Africa. In some cases, we were actually able to try to work together. I think in recent years we work much more with the French in Africa. Part of that is because the French in their own desire to be more competitive and to cut their government budgets, the part of the budget that they were able to cut when they couldn't cut social benefits was their military budget. And so, they have fewer military assets that were available to go to Africa to deal with conflict, and so now the French have to work with others a little more. They still are trying to manage these African conflicts themselves, but it's much more difficult for them because they have a much smaller military presence. And that also became a factor, of course, in the former Yugoslavia. The French were very interested in the conflict in Yugoslavia and with a much smaller French force, this affected their ability to work with NATO (North Atlantic Treaty Organization), affected their ability to engage in conflicts in Africa, and it meant that the French had to start picking, and it affected their ability to work with us in Iraq. So, they had a much smaller military presence, and it made it much more difficult for them to be everywhere at one time. They still have this idea of being this glorious France when they decide to do something can really go and make a difference. But they started having to make really hard choices because their budget choices had been made, and they had cut the size of their military down to pretty much the minimum level that they can manage to still be working on a hearty basis with NATO and should be able to engage outside of France. So, this is something that very much had an impact on French diplomacy, and they will continue to try, even when they don't have troops, to make decisions that will affect strategic decisions. The French, of course, were very engaged in the former Yugoslavia because they have many, many immigrants from the former Yugoslavia living in France but in different parties. And you had Bosnians and different people as in Germany. Factions among themselves but put them in a difficult position. I think the French actually tried in the case of Yugoslavia, they tried to be honest brokers, and I think they did make honest efforts to be honest brokers in the former Yugoslavia.

Q!: One last question to cover this French period. What about your observations during this time, anti-Americanism either overt or latent or not. Was this a factor?

BAY: Again, at the highest level we have arrogance on both sides, and there would be arrogant French people, there would be arrogant American people, and you would get sometimes anti-American confrontations with these people. When the French social groups which you point out because you watch the French news, when they decide to

protest they might be protesting against genetically modified organisms, or they might be protesting against trade liberalization, but usually it's against their own government. It's more often against their own government than it is against the Americans. I think that the days when you just saw huge protests—and there are some caveats because you're seeing anti-war protests go on now around Europe and around the world—but at that time most of it wasn't anti-American. It was as much telling their own government don't make that trade deal. One day we ended up with burning wheat and burning tires and the police had a big confrontation right in front of our embassy. I remember that day. I was out with my daughter and had taken her to a doctor's appointment. She said Mom, there's Marines hanging out of your office window with guns. I said "oh, you're crazy, let's just keep walking." And then as we got in the middle of this mess, that's exactly what was happening because they were so fearful that they would actually try to hit our embassy. But the wonderful thing about French demonstrations is that they never quite get to that point. But they'll attack their own police, but they're not really trying to get foreign interests, and they're not really trying to destroy foreign interests. They're really trying to send a message to their own government, tell their own government we disagree with the position you're taking.

Q: This is a good place to stop. You left in 1994 and what happened?

BAY: I went directly to Bonn, Germany, and I went to the same job. I was Economic Minister in Bonn for about a year. In the second year and third year, I became Acting Deputy Chief of Mission.

Q: We'll pick this up in 1994 when you're off to Bonn, and we haven't talked anything about Bonn.

Transcriptionist's note: Conclusion was appropriate, but the pick up or continuation occurred as noted below.)

Q: ...next time about observing Italy. Basically, the coming together as you were watching both from France and more so in Germany, as Europe is really coming together economically.

BAY: Yes. We can talk about the advent of the European Monetary Union.

Q: OK.

Q: Today is the 19th of November, 2003. Janice, when did you move to Bonn?

BAY: I moved to Bonn in the summer of 1994.

Q: First place, had you had any German experience before?

BAY: Yes. I served in Germany, as you will recall, from 1970 to 1973. I was in Berlin at that time, so I am one of the few Americans, official Americans, American diplomats or

U. S. government employees who actually traveled to East Germany in the early 1970s and had the opportunity to come back and serve in Germany again at the unification. We were going to be talking about European Monetary Union?

Q: Yes. Why don't we talk about that. Maybe this will probably straddle both things.

BAY: It straddled, and on all of these European issues because I was in Europe continuously from 1990 until 1997, for seven years straight, the experiences that I was dealing with were half of the time in France and half of the time in Germany, but were the same experiences in looking at the formation of the European Monetary Union.

Q: Why don't we look at this because basically the whole European Union—the whole idea is kind of political—it's basically putting it together economically. So, if you want to comment and use any examples you can. I'm talking about the various elements: the Monetary Union, the people who were bureaucrats are putting together the organization—I can't say the name "bureaucration," I guess-- and then your perspective on how this was sitting in both sides and what was in it for the various countries and what wasn't in it for the various countries in which you served?

BAY: The one thing that's very important to remember is that the whole purpose of the European Union was to ensure that you didn't have another war in Europe and to bring Germany into the fold. The two politicians in Europe who basically devoted their entire life to promoting the European Union were Francois Mitterrand and Helmut Kohl. These two guys were absolutely determined that they wanted to leave a legacy of a Europe that was really knit together. Although they had a great deal of differences between them politically, and they had a very different political outlook about political issues, they were both very, very committed to the European Union. Certainly by 1990 all of the major diplomats in all of the countries of the European Union with the exception of the UK (United Kingdom) and some of the Scandinavians were very, very committed to the European Union and to making the European Union work. Both Mitterrand and Kohl were extraordinarily committed to the creation of European Union, and Helmut Kohl really wanted the European Monetary Union, he really wanted it to take place before he died or was out of office. I think that this was very difficult. It was a very interesting period for us as American diplomats and economists because we were reporting on the preparations for the European Union both in France and in Germany, and to a very questioning U. S. audience both in Washington, D. C. (District of Columbia) and New York City of Wall Street, the financial circles and the government circles really doubted that European Monetary Union was actually going to take place. They didn't believe that it would happen, and we finally decided that the main reason why the Americans didn't believe that would happen was because most of them didn't read European newspapers and didn't read the economic press of Europe. They read British papers. They read "The Financial Times". They read "The Economist". And they talked to British politicians and British economists, and of course the British were not ready—and still are not ready—to come into the European Monetary Union. So, they were putting out their own line which was this might not happen, it's going to be a failure, and it's going to be a very bad thing, yet everything that we saw showed that all of the countries, certainly of the north central

Europe were very, very committed to moving forward. And France and Helmut Kohl and Francois Mitterrand were really the driving force behind that. And although the Germans and the German Central Bank really pushed hard to have very, very strict criteria that countries would have to meet, and at the beginning when they started pushing these criteria, Spain and Italy certainly couldn't meet the criteria. Spain and Italy during this whole period of time started moving their economies so they would meet the conditions and the requirements and so they would be ready at the time that they needed to come in. At times we both in France and Germany, we who were reporting on these economic issues were considered to be almost heretics in Washington because we were reporting our analysis of what we felt was going to happen, and we were convinced that our financial and treasury people were convinced that European Monetary Union would go forward despite all of the difficulties of countries reaching the conditions and meeting the criteria regarding the amount of debt and the amount of inflation and the monetary reserves that they needed to have in order to be able to jump into the Monetary Union. We knew that the Scandinavian countries were very ambivalent and the British just kept seeding doubt about the whole project. And so there were times, and certainly secretaries of the treasury and probably people at very high levels at the White House in Washington and people in New York City on Wall Street really didn't believe the European Monetary Union was going to take place, and they felt they were very concerned about threatening the dollar. And so there was a certain element of that. But we stuck to our guns and just kept continually reporting that we were convinced this would happen. We were convinced this was going to take place, it was going to come about and, of course, by the time I was in Germany, it actually did come about. There was quite a bit of dialogue between high-level U. S. economic and financial officials and high-level European economic and financial officials, but there was always that doubt on this side of the Atlantic that it would really take place. And it was really quite amazing for all of us. When we started out looking at this—when I started looking at it around 1990—Italy and Spain were really very far off, and they really weren't in shape to meet the conditions of Monetary Union. But they moved into very, very strong political steps in order to put themselves in the position to be there, and both Mitterrand and Kohl knew that they had to have Spain and Italy because what would European Monetary Union mean if it was just France and Germany and Luxemburg and Belgium? It really wouldn't be a real European Monetary Union. So, it was a very, very interesting period of time, and all that we reported and all that we wrote about did come to pass. The very interesting elements now are that both France and Germany are basically out of these strict conditions that they insisted upon having member states come into the European Union... (Ms. Bay trailed off at end of this tape.)

Q: This is Tape 5, Side 1 with Janice Bay.

BAY: According to the constraints that were written into the European Monetary Union compacts at the insistence of the German Central Bank, a country should be fine if they are within certain specific criteria. Not only did they have to meet the criteria to get in, but they had to maintain those criteria, and right now both banks in Germany are outside the criteria. Neither of them was fine last year, and I rather doubt they will be fine this year. I think the UK will eventually decide to come into the Monetary Union, but I don't

know how many years that will be. Looking at it now, I think we have to consider that it is quite successful. It has contributed to certain problems in Europe and certainly is a higher cost of living in some of the countries like Italy and Spain, countries that have difficulty meeting the criteria. But that's what Monetary Union is supposed to be all about. And there will be further challenges as you move forward with expanding the European Union. It's just amazing to see that these two old guys, Francois Mitterrand and Helmut Kohl were really the drivers, and they were just determined that they were going to get that done on their watch, and they did. Both of them felt so strongly about that.

Q: Were ambassadors, particularly in Germany and France, reporting that this was coming about or was the economic techs like yourself?

BAY: We were the economic and financial techs. We were all reporting that would come down. In France when I was there under Walter Curley who was a very close Bush family confidant, he had a lot of personal doubts about it, but I don't think that he was doing any contradictory reporting. When Pamela Harriman came around with the Clinton administration at that time Robert Rubin became the Treasury Secretary, and I don't think that Robert Rubin was quite as questioning as the Bush I Administration people had been, and he certainly, coming from Wall Street, was very well informed. But we still continued to get lots of harsh and critical questioning from Washington. And lots of harsh and critical questioning about our reporting and they really didn't think that we knew what we were talking about as we kept writing this. But anyone who was reading the German newspapers and the French newspapers and the Italian newspapers and economic journals, everyone in Europe knew this was going to happen. Everyone in Brussels knew it was going to happen. But it was really a denial. But I think it was a fear that this could be weakening to the dollar as a gold currency. I think that now we haven't seen any huge impact one way or the other. The dollar has certainly been trading weaker against the Euro in the last two years, but before the Euro was trading much weaker against the dollar. So, I think we're seeing to the extent that one can judge at this point still very, very early days to make any kind of judgment. It has had a rather harsh impact but a good one, a good disciplinary impact on those countries like Italy that had very weak discipline and Greece that had very weak discipline, so those countries have been forced to become more fiscally responsible. Overall, I think it's probably had a good effect on Europe. We'll have to see what happens now with the expansion of the European Union and what will happen as additional countries attempt to come into the Monetary Union.

Q: What about on the reporting and analysis. Was there any discrepancy between the Treasury representative in Paris or in Germany? Also, how about the CIA. Were they a player in the reporting?

BAY: All of us who were sitting in Europe were convinced that the European Monetary Union would come about. There really wasn't a difference of opinion between the Treasury financial people, the Foreign Service Economic officers and any intelligence analysts who would be looking at these issues. And there's a great deal of reporting, most of it unclassified about this. Most of the treasury reporting sent in over that period of time was unclassified, and our Treasury attaches were convinced. They were very strident.

And they had difficult discussions with their own bosses, very difficult discussions with their own bosses about this, but it was one of those cases where you can see the people on the ground who are doing their homework and doing their nuts and bolts analysis basically have a very clear understanding about what was going to happen. And I think that all of our people in Brussels understood that, too. I don't really think that there was a difference of opinion among any of the American diplomats in Brussels. There was always a question about to what extent would you want to challenge an unpopular view in Washington. And people who were in high political position, some of our ambassadors in Brussels, may not have wanted to take that issue on openly, but we were very convinced. And it was really fascinating to see that Mitterrand and Kohl who both were from different sectors of the political spirit, one a socialist and one a conservative, felt it was their burden and their responsibility to knit Europe together before they died. And, of course, now Mitterrand is dead, so it's quite amazing.

Q: What about your British economic colleague in Paris? Was he or she or he's and she's... Were they on Europe's wavelength but having problems at home?

BAY: There are certain British diplomats and economists who really believed that the UK (United Kingdom) ought to be in the European Monetary Union. There were certain people who had been prominent in the Bank of England over the years who had hoped pretty strongly that Britain would come in. I think that Tony Blair had said often that he thought that Britain should come in eventually. But it's been such a neuralgic issue, and one has to remember at the beginning when these criteria were written down, there was only one country in Europe that met the criteria, and that was the UK. The UK was the only country that actually met the criteria to join the European Monetary Union, would have been able to step in instantly without having to take other steps. I think that we all believe that the UK will eventually come in, but it's a very, very divisive issue domestically in England, and the British diplomats who we worked with both in France and in Germany were also rather doubting, and they continued also to put out this line that it would likely fail, looked like it might not happen, looked like it might not take place. We were sure that they were receiving demarches from London that they were delivering expressing doubts at the ability for the European Monetary Union to move forward because none of them that we worked with were extraordinarily enthusiastic. But there was a huge dialogue. Remember, there were these national referendums in all these countries. People voted, and there were lots of British central bankers, British financial figures, people from the exchanges in England coming to Europe and participating in very large events in France and Germany and speaking about the future of Europe and saying that in their view England should eventually be there. Certainly, the people in London who worked in the London markets would like for Europe to include the UK and would like the UK to be part of this. But it was a very, very important time and, of course, another element of this which we see much more starkly now than we did then although we saw it then, too, is that the United States was very concerned about other political developments at that time. The time that I was France it was Yugoslavia and Yugoslavia falling apart. And yet it was really consuming Europeans, keeping them from moving forward on their agenda. And, of course, Europe is large and they have a lot of diplomats and a lot of people specializing in a lot of issues, and they're quite able to

focus on more than one issue at a time. But we in the United States tend to think that the issue that we're concerned about—whatever that issue is—is the most important issue, and it should be at the top of everyone's agenda. We want everyone else's agenda to be the same as ours. And certainly, over this period of time it was much more important for the Europeans to be getting themselves pulled together than it was to be necessarily giving whichever political issue the United States was concerned about a very highest priority, and these people can do both. But even in France and Germany and certainly in the UK when you look at the numbers of people in your foreign ministries and finance ministries working on international economic issues, you're dealing with a handful of people. You're not dealing with the very large numbers that we have in Washington working on the same issues. So, you're working with people who will be covering everything regarding integration of the European Union and will also be responsible for the sanctions issues and also responsible for nuclear issues. So, it's a very different kind of system there than what we have here. And, of course, while all of this was going on, people in Brussels were just continuing to expand, write more directives and more directives to continue to make Europe closer and closer together economically. And the Brussels people certainly were like missionaries. They really believed in what they were doing, and they really believed that there was a new Europe and there was one new Europe and everybody who was in Europe was part of that Europe. And you have a full cadre of diplomats and bureaucrats whose life's goal was like Mitterrand's and Kohl's to really make Europe together. So, it was a very lively period of time over that whole seven-year period.

Q: Was anybody looking at the long-term consequences for the United States? I'm not an economist, but I understand that the fact that we are the reserve currency with the dollar is very important to us. And all of a sudden, the euro becomes an alternate or even a better reserve currency, that means that we're going to pay a higher price.

BAY: This is the business that Wall Street feared. I don't know, I'd have to go back and look about Robert Rubin who was actually on television this morning because I think he may have just written a book or something, and he may cover some of his views about this certain period of time. There are alternate views, and I haven't studied what Greenspan's views were, but one view was that this could have been very damaging to the United States if we were no longer the swing currency for the whole world, but another view was that it was probably too much anyway for us to have played this role, and if you have a very stable other large currency, the euro, you'll end up with the yen, the euro, and the dollar, and that's not a bad place to be. It's not bad to have three currencies if they're all stable. The yen was a little less stable than the euro and the dollar, but I think just what we've seen just since the euro has come about is that no one's talking about these issues anymore. It's kind of now ho-hum. So, these very great fears—and they were very real fears—that this could have a large effect on the world economy have certainly not yet come to pass, and I doubt that they will. As I say, the euro was very weak initially, but for over a year, about a year and a half, the euro is stronger and the dollar is weaker. So, we're seeing normal currency movements, and certainly from the point of view of economic efficiency, it's much more efficient for American exporters to deal in one currency across Europe than it is to have to deal with individual transactions

and exchange rate transactions in every single country. So, from a point of view of economic efficiency, it's really a good thing for America and American business to have a much simpler and more efficient monetary system in Europe.

Q: Also, for economic reporters makes a lot simpler, too, not having to fiddle around with all sorts of currency. You've got, in a way, don't you have easier indicators?

BAY: Right. One of the interesting elements which is just an aside which relates more to my more current job is that when we started looking at a new currency for Iraq, and we had a lot of lively discussion about that all winter and all spring this year, there are lots of people all around Europe who are in a position now to print currency because they don't have their own currency to print anymore. So you have people in Spain, people in Portugal, people from the former central banks who have everything. They have the printing presses, they have the paper, and they're out marketing, so they're marketing to companies in Africa and countries in Asia and countries in the former Soviet Union their ability to print currency, and they do it very well. And they're people who have done it for hundreds of years and are very well trained at it. And they're out of business now. So, what they're now doing is there's now a market, but there's now a competitive market for printing currency for countries, countries like Spain and Portugal and Italy and the UK, too, have people who are very interested in that market, and so there's a competitive market out there now for printing currency that didn't exist before because there wasn't a need for it before. But the other part of this is when you think about it politically, in Germany in particular, there was a great fear about the old German... They talked about the old German ladies, the old German ladies and men, but there are more old German ladies than men, being so afraid of their savings being devalued because of currency, because anyone who remembers World War II remembers the horrible hyper-inflation which was really part of the cause of World War II. And that's part of the reason that Helmut Kohl was so determined to make sure there wouldn't be a possibility for this to ever happen again. So, there was this huge, huge concern about what would be the reaction of the woman on the street. And the Germans handled that really quite beautifully. They had a huge campaign, and they built up over three years to prepare the people so they would know what was going to happen. And everyone...it happened! Everyone was ready. It's interesting that Scandinavia there still... The Scandinavians have always had their own pride and their own issues over whether they wanted to be a central part of Europe.

Q: Still within the European Union is the perception of overregulation. There we're talking mania on the economic thing. The size of cucumbers and other things of this nature. Both in Paris and in Bonn, were you monitoring the regulators? Who was looking at that and seeing what they were putting together?

BAY: We did. When you work today in Europe you work on bilateral issues. Both in France and Germany we were working on telecommunications issues because they were trying to get those markets open for U. S. telecommunications companies. And so, we had to deal with whatever the local regulators were doing but also whatever Brussels was doing. And sometimes it actually worked to our advantage to be able to go to Brussels

and talk to the people in Brussels and say we think what France or Germany is doing is a little bit inconsistent with what you guys are trying to do. And France, of course, we talked about France the last time, France is a country that's going to fight for its principles, and France disagrees with some of what the people in Brussels are trying to do on the regulatory side. They don't want too much control over things that they consider important to them. Germany is rather different. Germany kind of likes... they kind of like the control. They like all of the regulations on food and genetically modified organisms and data. Data flows. Our people in Brussels during this whole period of time were very engaged in arguing with people in the European Commission about the sweeping nature of a lot of these regulations. And, of course, you hit different hot buttons in different countries. France wanted control over culture. Germany wanted control over food. Germany wanted control over data flows.

Q: When you say data flows, what do you mean?

BAY: Transporter data flows. The flow of data. These are regulations that... It's impossible. We can't even conceive of it in the United States. Basically, the Internet has burst it wide open. But you still have people sitting in Brussels thinking they can find a way to tax and control data flows across borders. And so, these sorts of issues were all consuming in Brussels, and you still have the Brussels people trying to write every day regulations that govern a lot of aspects of life that in the United States we consider should be unregulated and totally free. But there, because you do have different interests in different European countries, the Brussels people haven't been able to move as quickly as they would have liked in all of these areas. But certainly, food is one that's become an extraordinarily important issue to us because they wanted every American product to be labeled in its entirety. Every bottle of peanut butter and every jar of jam they would want to have every single ingredient listed and, in some cases, in multiple languages. It's been an interesting experience for us. But we found in Germany when we were trying to get electrical distribution, we had free market private sector operators from the United States who were trying to get into what they call the New Lander, the eastern part of Germany. We found that we could go to Brussels and tell the people in Brussels that it did not seem to us that Germans were complying with the Brussels directives having to do with power generation, and often the people in Brussels would agree with us and go back to the German government and say we think that what you're doing is inconsistent. So, we could use that to our benefit, so it plays both ways. But there have been and will be for the next 20, 30, 40 years continual discussions between the U. S. government and the European commission and the European Union officials about the broad sweeping nature of all of these directives. And that's why there's such a very large presence among the U. S. business sector and banking sector and legal sector in Brussels so that we can represent our interests. We would tend to remind people both when I was in France and in Germany that we have these terrible economic battles all the time. I used to tell people that in my wars no one ever died. But we would have these terrible battles, but over 90 percent of the trade between the EU (European Union) and the United States flows freely right now. So most of the trade flows very freely, and you have your exceptions. You have cultural, audio-visual, you have agriculture. Now we're having our tiff over steel, but generally we have a huge amount of free trade, huge trade flows that go back and

forth without any problem whatsoever. So, we spend our time on those people who are working on those issues in Europe dealing with the 5 percent of the issues that are the problems.

Q: You were in Bonn from when to when?

BAY: The last group of diplomats to serve in Bonn. I went there in 1994, and I stayed there for three years until 1997. And I said that was a really interesting experience for me personally because I had been one of the few diplomats who had the opportunity to travel into East Germany, into Communist East Germany between 1970 and 1973, so for me to come back and have the opportunity to go and work in the eastern part of Germany after unification was a very interesting experience.

Q: Moving from Paris where you had been for four years as Economic Minister and moving to Bonn, what was the difference in work atmosphere? It's a different country, different bureaucracy, different problems. What struck you?

BAY: One of the first elements was what we were just talking about which is the high-level bureaucrats and high-level diplomats, and for the most part, the politicians in France and Germany were committed to Europe. They were really committed to Europe, and there were very few who were not committed to Europe. You might have an odd politician that might not be committed to Europe. But that was one of the main differences. And one of the other differences, of course, was by 1997 the Germans were still very consumed with the East and integrating the East into the rest of Germany. We were quite consumed with that, too. When I arrived in Germany Richard Holbrooke was our Ambassador. He was only there for a few weeks, and he departed. One of the very first things that we did was we had huge conference in Berlin to which we invited international figures, top-level American CEO's (Chief Executive Officer) of companies, political figures to celebrate the fall of the wall. And we had a huge celebration at the Brandenburg Gate, and we had a huge business conference. Richard Holbrooke was very committed to what I believe is still our mission in Germany now, to really try and promote American investment in the eastern part of Germany, to help to bring the eastern part of Germany into the western part of Germany. So, everyone else in Europe was supportive of what Germany was trying to do. The Germans were still distracted by their own issues, and so that was something that was very important. Another factor that affected us both in France and Germany, of course, was Russia because both Mitterrand and Kohl were also very consumed with making sure as they saw Russia change, that you had a stable Russia. And Helmut Kohl as a German felt closer to Russia and so was very concerned about, much more concerned than we saw in other countries in Europe, about making sure that Russia was, indeed, stable. And he had a lot of dialogue with Russian leaders and spent a lot of time working with them. So, the Germans had a slightly different view based on geography and their own issues and their own problems. And we were really, certainly during the entire Clinton Administration, we were very, very committed to helping Germany, supporting Germany in its endeavor to integrate the east into the west, and to make sure to work with them together with the Russians to make sure that Russia really evolved into a more democratic and more free market kind of

economy. So, they were a little bit distracted by these other issues, but all of these... I think we talked before about how in France you have a rather small group of people that really make the political, the economic and financial decisions for the country. In Germany it's a larger group because it's a larger country on the business side, but on the government side, it's still a small group of people who make most of the decisions, and these people are known intimately, all their French colleagues, and that's something else that the Americans need to remember as we look forward and think about how we deal with Europe is that these people, everyone that we would call at the Deputy Assistant Secretary level, are on the phone probably every day with their colleague in France or their colleague in Spain, their colleague in Italy. They're in Brussels with them sitting in meetings with them at least once a week or once every two weeks, so they get to know each other very, very well. And we're outsiders. We're the outsiders, and I think that's hard sometimes for Americans to understand as the European Union has moved closer together. It's taken a lot of time and energy, and the people who have worked on these issues as they've progressed and become more senior in their career, and certainly the people that become the stars of the bureaucracies of any country in Europe, they are very close to one another and are E-mailing each other day all day. They're on conference calls with each other. So, we're coming in from outside, and these people are really a tightly knit group. And they certainly do have differences about issues from time to time, but they work very closely together on the European issues. Again, it's the same people who are working on these European issues as are working on any bilateral issues of the with the United States. So you're dealing with at the German Foreign Ministry or the French Foreign Ministry or the German Economics Ministry or the French Finance Ministry. You're dealing with a small cadre of people who are dealing with all the issues. One of the differences... It's not exactly a difference, but it became one of the sharp issues between us, we and the Germans during the period of time that I was in Germany, it was less of an issue in France mainly because the French handled it differently, but it's an issue that's still very much alive today which is the issue of Iran and our relations with Iran and how we looked at what Iran was trying to do in development of nuclear power plants. And we were always pressing the Germans very hard. We really didn't want them to be having meetings with Iranians as we didn't want Iranians coming to visit Germany. Again, this is where Helmut Kohl had a different view from the view that we had. He felt that Iran was an important oil country on the edge of Europe, was a country that shouldn't be avoided and shouldn't be shunned. And the French shared that view, too, but the dynamics... I guess one of the things, and you'll have this in some of your other interviews with some of the German crowd, that the dynamic with Germany was a little bit different because for so many years Germany was basically, was such a close ally to us that they would follow whatever guidance we gave them. And after 1990, Germany took a more independent streak and felt that they were emboldened to do so. And those feelings in Germany of being a little more independent and a little more distant from the United States are very, very strong, and they're stronger among the young Germans than they were among the older Germans. So, I think this was something that was very hard for the older State Department Germanists to deal with because they had always dealt with the Germany that we'd say "we want you to do this in the UN (United Nations) and we want you to support us on this issue", and the Germans would always say "yes." And certainly, by the time I got there in 1997 and this had been going on before, there were a

number of issues where we had rather sharp political issues and certainly Iran was one of them because Germany felt it was really more important to try to deal with Iran than to isolate Iran. And their view of the Middle East is you don't really want to have countries out there that you're totally blocking off and shunning. So, this was something that was difficult for us. And Germany, as I say, the Clinton Administration was pretty supportive of what Germany was trying to do with Russia because they felt the same. We pretty much shared the view that we really had to embrace the new Russia and get to know as much as we could about them. So that didn't create so many problems, but there were other isolated issues where there were more difficulties. And again, sometimes France would be with us and sometimes France would be against us. My own assessment of the whole seven-year period of working in France and Germany was at the end of the day, France and Germany almost always come together on almost every issue, and it's very difficult for us to drive a wedge between them. And people who try to drive a wedge between France and Germany will usually fail whether they be inside the European Union or outside the European Union. So, it's a whole lot better to work with France and Germany to come up with a consensus where you can move forward on an issue instead of trying to split them because if you try to split them, usually you're going to fail. Most of the time you are going to fail. I wouldn't say there isn't the most brilliant diplomat in the world who might succeed in actually making an alliance with one of them and breaking away from the other, but generally they're going to come back together at the end of the day. So, it's better to try and work together and see what you can do. And you can work with them on these hard issues. You can talk to them about these hard issues together. You can actually establish sort of three-way dialogue.

Q: Looking at this seven years particularly, you were in the field that was the most important in bringing together the European Union which is the economic trio which is the engine that drives it. We had our missions in Bonn and in Paris and in Brussels and in the other places. Did you have the feeling that maybe the diplomatic apparatus of the United States to deal with these issues was somewhat outmoded? There might be a better way of doing this? This is probably true for the British or the people who were outside, such as the Japanese. It sounds like you're doing your thing, the Parisian guy in Paris is doing his or her thing, and then in Brussels they.... It sounds...

BAY: Of course, we have a uniformity of positions in the United States, and when we receive guidance on an issue, it depends on the players, but if it's a European issue, I mean the same guidance for the 12 outposts in Europe, there is a difference among the diplomats in the United States. Among the economic diplomats there is a difference. The people who live and work in Brussels—the Americans who live and work in Brussels—tend to believe that Brussels is all that matters and you don't really need as much work being done in Europe in your bilateral embassies. However, I had served in two of the most important of those embassies, I had a very different view because what you would see happen is that you can affect and influence European positions of individual European countries before they take those positions to Brussels. Once they get to Brussels, the door comes down and everybody is unified, and then there is nothing that we can do. So, we need to be doing both. We need to be working on issues very early on. If we know an issue... In the European time scale, things take a while. We know an issue

that we care about on the economic side is going to be coming to a decision, we need to start a year ahead or two years ahead working in capitols, and then we have to try to make sure that it would find resonance in France and Germany, and we can often find resonance on individual issues where they agree with us on those issues that they have to go to Brussels and speak up before something becomes final. I feel that way. But we do a pretty good job at getting our uniform message around to all the capitols in Europe, and we do it simultaneously. Our demarches go out and will all be delivered on a certain day. We also work the Washington Embassy circuit a day as well here to make sure the Washington embassies understand what we're trying to do on important issues. The biggest problem with the EU (European Union) is that you're talking about hundreds of issues, so at any given time there's only a handful of them that will come to the top of our agenda. There are some of them that come and go, and we'll be quiet for a while and then get busy again. But it takes a lot of effort to do it and do it well, but it's quite possible to do it, and it's quite possible to work with countries like France and Germany who are leaders, and to have them work with you in a way that they can go to Brussels and make a difference on a decision that will be taken in Brussels. There still, of course, is a great deal certainly in France there's a great deal of a sense that want to still have an independent foreign policy and security policy. They don't necessarily want to give up all of their autonomy. Germany feels less strongly about security policy because they're really Europeanists and they always have had since World War II, no or very weak military. But the French certainly feel strongly about some of the security issues, and then again intermittent issues where France or Germany will feel more strongly. But one cannot underestimate France and Germany, the importance of France and Germany in every single decision that is made in the European Union. The British can be important and influential. Interestingly, the British bureaucrats who work in Brussels, the ones on the economic side really are just like any other European. So, they probably don't reflect a lot of the domestic debate that still is going on in the UK (United Kingdom) about the sense to which they want to be close to and part of everything that's happening in the European Union. I would say the same thing about the Scandinavians. Most of the Scandinavians who are working in Brussels are Europeanists. It goes with the turf. People who devote their lives to that believe what they're doing and may or may not be reflective of the political grass roots level of opinions back home.

Q: Going back to Germany specific. Did you find it different dealing with a country that is a federal republic, the Lander as opposed to the... The French departments it all goes back to Paris, but in Germany...

BAY: It's very...

Q: ...are real honest to God states...

BAY: ...it's very different because they have a huge amount of authority. Each state has a huge amount of authority. It's much more like the U. S. system where you really have to deal with state governments and state laws. And certainly, when we were having commercial disputes and we were trying to do market openings, we had to deal with individual lander. And also, of course, in the new Germany you have people from the east

who had been integrated into the ministries, and we were dealing with the eastern lander. Again, as we were trying to promote U. S. investment and U. S. business in the east and we would have these conferences, we spend a lot of time working with people in the east. And the people in the east, of course, were very different and had very little in common with the people in the west. And some of the events that we promoted and that we sponsored, would bring German businessmen along with us because German businessmen were very prominent in the German American Chamber of Commerce and these kinds of organizations. And for many of them, we would take them to places they'd never been before. They had never visited these places in the east that we went to. And in the east, English is not a common language. People spoke Russian and German. And so Russian was the second language. So, you still had a lot of very high-level officials in the eastern states who did not know English. They had not been exposed to Europe very much, although they have been exposed more now. Many of them had never traveled to the United States. Every older German had traveled to the United States. Most of the older Germans had studied in the United States. Any German...

Q: We're talking from the west side.

BAY: From the west side. Any German over the age of 60 years old in West Germany almost had been an exchange student in the United States, gone to college in the United States, and had some experience in the United States. And now we were dealing with this group of people who had no contact with Germany for all those many years and had not any contact with the outside world except the East Bloc. So, it was very interesting to see the political dynamics inside of Germany which was a challenge for the Germans, too, because they initially thought that we could treat them in a certain way, the way that we treated the West Germans after the war. Just tell them what to do, and they'll do it. And they weren't so happy with that. They had lots of cultural issues, and lots of cultural problems. And, of course, you had very, very different living standards between the east and the west. This was another area where Helmut Kohl took this very bold decision and when he did the currency for Germany, he made it all one-to-one. And so that created certain problems. There's a great deal of unemployment. In the east there are still a lot of people who are members of the Communist party, active Communist party members who vote Communist. And so, the Germans at this time, it was already seven years, but when you look at what happened over 50 years, it's a whole generation that's kind of lost, and it's going to take a whole other generation to really change that, and the average East German who was I'd say over 40 years old really isn't ever going to adapt to the free market economy. Many, many of them were just pensioned because it was cheaper for the German government to just pension them than to try to retrain them and put them to work or to pay them unemployment insurance forever. In Germany because it is a social state, the unemployment benefits for people who are unemployed are the equivalent of 70 percent of their base salary. And they can get these unemployment benefits for a long time, for two, three or four years before there are efforts to try to force these people to go back to work. So, you had a whole swath of this new society that just had been told "you're irrelevant, and there's nothing in your life that's meaningful to us". But the very, very fascinating thing is that the kids that were 10 in 1990 were 17 in 1997, so these young kids already had grown up without Communism, and they were just fine. The

biggest problem with them was that they were all leaving and going off to the west where they could get jobs. And they worked hard, and they really did well. They didn't all do well. They still have the problems with the skinheads and people who weren't very well educated. But based on that, based on what we saw in Germany where Germany was spending like a billion dollars or a billion D marks a month to truly to integrate the society. And what I saw were buildings that in 1997 had never been repaired since I'd seen them in 1973. They were still in the same shape only worse. Broken windows, very poor electricity. Roads all over East Germany that were totally destroyed and had to be rebuilt. It looked to us like it was going to take 20 or 30 years to get even the country of Germany back to where it could be considered to be one country. And it was happening fairly quickly, and I think for those of us who saw that, it made us think differently about Russia who basically... Russia's a rich country but it doesn't have anybody to go spend that money to help rebuild it. There were lots of Koreans who would come and visit Germany while we were there. Lots of people from South Korea. And clearly, they were looking at the model to see whether there was anything that this could portend for them in the future as they tried to integrate North Korea and South Korea, and to see what would be the lessons that could be learned from that. But I think the Koreans were shocked, too, when they found out how much money it was costing the Germans to try to do this. Helmut Kohl made these decisions, and he bought integration, and he got integration, but it's still going to take 20 or 30 more years before you really have an integrated area. But the West Germans who we knew then and who we know now will tell you that sure, they've got cousins but they didn't see their cousins for 50 years, and they don't particularly have interest in seeing their cousins, and their cousins don't particularly have interest in seeing them either. So there really had been a split. So, it was fascinating to see, and you see it of course very starkly in Berlin where you see the East and the West come together, but Berlin is kind of a success story, and this is another area where you have Kohl and Mitterrand. I mean, a lot of these French bribery scandals that are going on right now have to do with a lot of French money that was put into the East at the urging of Helmut Kohl. Françoise Mitterrand made sure that a lot of French money was invested in Berlin and helping rebuild East Berlin, energy projects in the east, and a lot of these have to do with a lot of the scandals that are being prosecuted right now. And again, it's just the sense that you have to make sure that you get Berlin and you get Germany integrated and that you just make sure that everything's going to be peaceful and calm. So again, one cannot underestimate that the determination of these two old guys to make sure that they had permanent change. They could see permanent change.

Q: Let's talk a bit about from the Bonn perspective food...

(Transcriptionist's note: Mr. Kennedy was cut off by the end of the tape. Ms. Bay picks up as noted below.)

BAY: You have this idea of paradise where paradise is the little French farmer who's off tilling his fields, but in reality, of course, French agriculture has to do with huge acres of planted soybeans and so forth. But the Germans have the same sort of myth about German agriculture except the German agriculture is even smaller than French agriculture. It's really pretty much confined to... There's some of it in the north, but most

of it is around Bavaria. But you're really talking about a very, very tiny part of the population. But the Germans are absolutely paranoid about not knowing the contents of everything they eat. And if you go to a German market, you will see every egg will be labeled. Not every individual egg, but everyplace you see eggs for sale, and they'll say where they've come from. And every tomato will tell you exactly where it came from, if it came from Morocco, if it came from Belgium. Every cucumber will tell you where it came from. And the Germans want that knowledge. They feel it's very important to have that knowledge. Now during the period of time while I was there, the large American multinationals that have invested and have now delivered the genetically modified seeds were preparing to launch these new seeds. And so, they were coming around. They had a lot of visits. They would come to both France and to Germany, and they'd go to the UK (United Kingdom) and talk with people in the economic and the political areas about these seeds and how they considered these seeds to be very safe, and there wouldn't be any problem in using them. And, of course, we also have the issue of our wheat that has been genetically modified, and that became an issue for all of us in Germany because the Germans wanted all this stuff labeled. And they convinced Brussels that all this stuff had to be labeled. And we had been mixing it in our warehouses in the United States, so we were not able to discern what was genetically modified and what was not. So, there was a huge political battle which certainly continues up until today about whether genetically modified seeds are safe, whether genetically products are safe and, again, this issue of labeling everything and making sure that we know what everything is. So, it's a very real issue, and it's an issue that's an impossible issue for German politicians to ignore because this is something their constituency... I can assure you it feels much more strongly about that than their policy on Iran. What they eat is very important to them. And it probably again is something coming from the war when people had nothing, and probably also from psychologically knowing that bad things happened in the war and ever since then, the Germans have just felt, and maybe they were like that earlier, too. But they must want to make sure that they're eating natural products.

Q: As you say this, this was not just a bunch of German business people stirring up the population in order to keep them from buying American stuff but to buy German stuff.

BAY: No. In fact, we talked with people who were involved in biomedical research in Germany, and a lot of them were doing very well and actually were doing some things that we couldn't do here because basically the regulations hadn't caught up with them yet. But biomedical doesn't carry the same connotation as food. The Germans really feel strongly about the origin of their food. Very, very strongly about the origin of their food.

Q: Was the message getting back to our people? There must be ways we could respond.

BAY: We knew because we would be... up until today, from then until today and before then, too, we still had periods when they would just close us down and not accept certain products from the United States. At one point it was any products that had canola in them. If they couldn't say that the canola didn't come from products that were genetically modified. At one point it was beef with hormones. I mean, we always have our list of products that we have a hard time. These were the hardest issues to deal with, and these

were issues where we had to duke it out in Brussels. But again, the German view is very important, and it's very difficult in Brussels for the European Commission to take a decision on one of these food products without the Germans acquiescing. The Germans have to at least acquiesce or they're not going to be able to move forward. So, this whole category of issues, all the agricultural issues, is really in the box of unsolved issues that we have to keep working on it, and we will keep working on it.

Q: Is this a matter of some diplomat working on it, or is this a matter of getting our business to make the right labels?

BAY: Both. Some of the things that our business said in the early 1990s that they could never do. It would be too expensive, and they would go out of business if they had to label our products in two languages and list all the ingredients. We're not doing that. So, some of that we are doing. But a lot of it has to do with education and educating. We spend a huge amount of effort, we in the government and people in the private sector, in educating the people in the German ministries on our views about the safety of these products and giving the scientific basis of the safety of the products. So, we developed a very real dialogue. And sometimes we have had successes, and in some cases we have convinced the Europeans that these products are safe, and in other cases we haven't been able to do so.

Q: With the French it goes without saying we had cultural wars. What about the Germans?

BAY: The Germans didn't care about culture. They cared about food. Again, we talked about when you're in a trade negotiation, you'll be trading off different things. You get to the point where neither the French nor the Germans are going to betray each other. So, you have to find a way to come to some agreement. The French have been extraordinarily successful in Brussels in protecting what they call culture.

Q: It sounds like the French ride herd on the Germans. If the French aren't going to give on some things...

BAY: The Germans are also very influential on some issues with the French. Like these food issues, for instance. They will have influence over those issues which the French probably care a little bit less about.

Q: How did you find dealing with the German bureaucracy as opposed to the French bureaucracy?

BAY: The Germans generally, despite the fact that they really want to be more independent now, they're much more open to dealing with Americans, and we had wonderful contacts in Helmut Kohl's own cabinet. We had people who were in cabinet meetings, not his cabinet, but his personal, private cabinet, people who worked directly for him on issues. I think that he probably set the tone for the behavior of the top officials around him as he felt that the dialogue with the United States was extraordinarily

important, they also felt that the dialogue with the United States was extraordinarily important. As a result of that, we had much greater access in Germany than we did in France to high-level officials. It was much easier. It was very hard in France to get access to high-level French officials. In Germany it was never hard. We could always get access to them. We could always see them and talk to them. We didn't always convince them on all things, but we had a good dialogue. And certainly, the people who worked for Helmut Kohl, and I think this really applied to issues across the board. They would want to understand why we felt a certain way and what was the basis of our thinking, why did we think about an issue in a certain way, and what was driving us to take a certain position. And the Germans, of course, are very blunt, and they'll tell you when they think that something is impossible. They'll say well, that's impossible or it's impossibly impossible to achieve in Brussels, but we had really a wonderful dialogue, an excellent dialogue with them. The other thing that's really very interesting in Germany and in France, I think in all European countries is that when you have a change in an administration, you have only a handful of people that change at the top of the government because their career service which goes all the way to the top, so literally the

Ministers and the deputy ministers would be the only ones that would change when you have a government change. So, when you have a complete transition with Kohl left and Schroeder came in, some of the people that were Kohl's closest confidantes around in his office are still there working for Schroeder, a totally different political party, but they're still there. And the same is true in France. And the same is true, I believe, in the UK (United Kingdom). A few more people changed hands in the UK. But you have a pretty high-level of career people who were working on the issues. So, you have much more continuity than we have in the United States when we have a change in administration. So, they don't miss a beat. The people with whom we had really wonderful contacts were working on the most sensitive and difficult issues. And when we talk about our difficulty with Iran and Helmut Kohl talked with our President a lot about Iran, and we would talk with all these people about Iran, and we would argue with them and go back and forth. We had a really very rich dialogue with them on any issue we chose to have to discuss. There wasn't any difficulty. The only difficulty for Americans, and it did not apply to the State Department Germanists is that these easterners who were now in politics and higher levels in government really didn't know English. So, it was harder. There aren't very many Americans who speak really good German. So, it was much more difficult to bring, especially on some of these technical issues, particularly like some of the agricultural issues and some of these other technical issues you had easterners who were being put into pretty high-level positions. And so, it was harder for us to bring Americans to talk to them without interpretation. The French, although they were forbidden to speak English to us at the Foreign Ministry and some other places, when we had visitors from Washington they would just speak to them in English. If somebody came from Washington, they'd say OK, we'll talk to you. But the Germans and the Germans in the east had quite a bit of difficulty. Of course, the German business sector, everybody speaks English in the German business sector, so that's fine. But it is different. We still have, despite it all, we have a closer relationship with Germans and German officials. And, of course, in Europe, the bureaucrats all work till age 65 because they can't retire before 65. And the ones that get to be in top positions only get to be in those positions

when they are about 63 or 64 or 65 years old usually, but you have exceptions. Generally, people get to the top. So, these are people who come from an older generation in Germany of Germans who are really pro-American. Very, very pro-American.

Q: Did they understand Americans and American politics and the complexities of Americans.

BAY: The older Germans understand American politics. The younger Germans, most of them I don't think they have a clue. Which is interesting because in France, I think probably most of the older French, don't really understand American politics so much, but the younger ones do because a lot of them come and live and work in the United States. And you're seeing this will have implications down the road. The exception in France, of course, is Jacques Chirac who came to the United States when he was a young student and took a Greyhound bus around America and speaks colloquial English. And so, he's an exception. He spent six or eight months traveling around the United States on his own as a young man, and he knows quite a lot and understands a lot about American politics. But the older French don't understand American politics. The older Germans do. The younger French, though. I think do because they love coming here and they love being here. The younger Germans less so.

Q: Did you notice any concern? I keep thinking of Germany. I originally went there as so many young males of my generation when I was in the military service! I lived in a kaserne (barracks) in the Air Force as an enlisted man. I really loved Germany, and my whole generation—I'm 75 now—went through this experience. If you're a tourist, and this is myself today, Germany doesn't... I want to go to Spain, I want to go to England, go to France, Italy, but Germany is a little bit dismal and the prices all seem kind of high, so Germany is off the tourist radar. Or it seems to be.

BAY: I think that's right and, of course, you have to remember that from 1990 to 1997 we reduced our military presence in Germany by three quarters. We've closed consulates. We closed America Houses. And this is where we come into extraordinary battles with the older Germans who are very prominent, high-level politicians and the high-level businessmen who come to us in tears and say you can't close America House because that's where I learned how to read. That's where I went after the war. That's where I got my education. But the younger Germans didn't care anything about that, and certainly the younger Germans didn't care anything about keeping American troops. It's a real clear generational shift in Germany between the young people and the older people. They really were upset when we closed consulates. We closed Stuttgart. We withdrew all the troops. And Bonn right now is ... the area where we lived was a very vibrant little American town, and now it's an abandoned place. There's not much going on there right now.

Q: Were the Germans concerned about the lack of American ties? I would suspect that there aren't a lot of American tourists proportionately ...

BAY: Well you still have a lot of American tourists in Munich, and you still have a lot of American tourists to Berlin. For people like me it was fascinating to see the east and go up even to the north, way up in the north onto the north coast and see some of the areas that had been the jewels of the crown of the whole entire eastern establishment. But for the average American, you are right, there isn't very much interest in that. But I think you still have a lot of Americans going to Munich and a lot of Americans going to Berlin. That is probably the extent of it. I think you are probably right. The parts of Germany that everybody got to know so well, people say well why would I go there unless it is August or something.

Q: Well how important were the German bankers in your line of business in contrast to the French bankers?

BAY: The German and French bankers were both important. In Germany again because you have this federal structure you have Landesbanks (regional banks) and you have individual banks, but the German bankers are very important as an influence on the German government and the German Bundesbank. They wanted to make sure the economy would be safe as they moved into the European Union and that everything would be stable. But again, these German bankers were older and were very much influenced by Helmut Kohl. Helmut Kohl's influence really can't be underestimated. They were very pro Europe. They just wanted to make sure there wasn't going to be any risk to the old German grandmas. They really feared they would come and take and put their money under the mattress if they were afraid of the European Monetary Union. But the German bankers were very important. In Germany you have a little, as you do in France, a little oligarchy of high-level business bankers, government people who basically make all the decisions, and there are close relationships between them. You do not have the adversarial relationships in those countries that the business sector in the United States has for their government. They do not have a tradition of going and arguing with their Congressman. We would find sometimes that we would be put in a position and we would be representing the interests of an American company that had a partner that was a German company. We would go lobby for the American company before the politicians. We would actually go do that, but the Germans would never do that because they could consider that wasn't really playing according to the rules, and the French handle influence in a different way. And the French would never go and openly lobby for positions. But we did a lot of that.

Q: Going back sort of to the American politics. Did the split between the Republican Congress and Clinton, did that affect you all? I mean was...

BAY: Well it affected us when we didn't get paid, when we were all put on furlough. It didn't really affect us too much. I think the one thing that is really important as we think about the past and the future, you know I went to Germany and France in 1990. We still had very high-level Congressional delegations. We had very high-level government secretaries of departments that would come to France to talk to the French. By the time I got to Germany there was a whole lot less of that. I think what we are seeing around the world is a whole lot less personal contact at the high level. I stress that because the

Europeans do know each other so well. Now people who work in Washington are so busy that it is really difficult for them to take, basically you have to take almost a week if you are going to make a trip to Europe. But it is hard to do that. It is hard for them to take time to do that. You can go to Europe in less than a week, and people do. They fly all night long for a meeting all day long and fly back the next day. But I think that that personal contact, actually knowing people and understanding the reasons for them taking certain positions is something so critical to being able to achieve our goals and interests. My fear is, and I think if you were to look at the number of Congressional delegations because of our own domestic political situation, and the criticism of people going on junkets and traveling and spending the taxpayers' money, I think that is really harming the transatlantic relationship. I think the transatlantic relationship is suffering a great deal because you don't have as many American politicians and government officials traveling to visit and talk to European government bilaterally. You have organizations that promote transatlantic relations. You have a lot of European businessmen and government officials who will come to Washington to talk to us. But I think that the level of contact, the level of personal contact has diminished a great deal in the last 15 years. That may be one of the reasons why we seem to have more public differences of opinion about things.

Q: Did you ever see, was there ever a case where the United States and Japan sort of getting together to gang up on the European Union? I mean did we have much contact with Japan from your perspective?

BAY: During the period of time that I was in France and Germany, I didn't see too much of that. Subsequently in the recent years in Washington we have aggressively sought out the Japanese and tried to work with them more closely on a lot of the international economic issues. We are working much more closely with the Japanese than we probably ever had in the past to try to engage them and bring them more into this international economic dialogue. That goes across the board. We started when we were working on Afghanistan. We aggressively sought out the Japanese and brought them right in from day one with us, working with us on that. That was on trying to finance the development issue. But it is really across the board. We are trying to engage the Japanese, and I think there is really a different, quite a different attitude dealing with Japan now. I wouldn't say that it is necessarily partisan or based on partisan politics, but there is a whole lot less of lecturing to the Japanese about how they have to change their system, and a whole lot more of trying to see how we can work with the Japanese and engage them and have them work with us as we try to work on these international issues. You do have, also this is past my time in Germany, and we can talk about that some more when we get to the later years. But you do have a generation of Japanese diplomats and government officials who actually have had a lot more contact with the west than their parents and grandparents, and have had a lot more contact in Europe. Your Japanese economic officials, many of them have served in Paris at the OECD (Organization for Economic Cooperation and Development). Many of them have served in Brussels. You know a lot of them have been posted to Washington and London. They are very good at languages. They speak English in a way that ten years ago.. we didn't see high-level Japanese speaking English the way that these people do. They understand us a whole lot better than any of their predecessors did. So, we are dealing with a different set of people in Japan, a

different outlook about the way they look at the world than we saw 20 years ago, for sure. I mean 20 years ago people looked at Japan in the OECD and said do they really belong here? Do they really feel the same way we do? Of course, the Japanese economy is still a very different economy than other economies in the OECD. But the Japanese politicians and officials are really, I mean they have made a huge amount of progress in actually being more western, thinking more about the private sector, about market economies, about how you work internationally, collaboratively on issues than they did before. It is a pleasure to see them. Sometimes it is very difficult to get the Japanese to take an aggressive position on an issue whatever that issue is. Of course, they also have their own trade issues on which they are very aggressive. But particularly when it is something that is not confrontational in Japanese politics, they can be quite constructive in working with us. They have been quite constructive in the United Nations in recent years in working with us, and they are quite constructive in working on these financial issues. They are very enthusiastic participants in the World Bank and International Monetary Fund. So, I think we are seeing a permanent change in Japan and we will see more of it as we move forward in the next years as these people who have been so much more exposed to the west start to assume much higher level positions. Their prime minister is an example of that. I mean Koizumi is an international guy. He likes the international issues and he is an outward thinking person.

Q: This is...

BAY: But we are seeing it across the board. I mean it is amazing. It is like one day we woke up and suddenly we had fluent English-speaking Japanese showing up everywhere and talking to us and wanting to get information from us and seeking us out. That was quite interesting. But I can't relate that to specific issues in France and Germany.

Q: Were we concerned with the Germans overreach from our perspective of trying to nail markets in eastern Europe to our detriment and all that in this whole new area.

BAY: Well we could be concerned about it but they went in and did it. Again, I give this to Helmut Kohl. Helmut Kohl just really understood the importance of making sure that someone got in very quickly and got things going in those countries and tried to start, you know, linking them to the rest of the international economy. We had and still have a really hard time in getting U.S. companies interested in going into some of these little markets like the former Yugoslavia, little countries. Right after things started to fall apart out there, for a long time the D-mark (Deutsche mark) just became the currency. Even today you can use the Euro but...

Q: Yeah, I went there with an OSCE (Organization for Security Cooperation in Europe) monitoring group. We were paid, we did everything. We were in Bosnia and were all paid in D-marks.

BAY: It isn't really a question of the United States complaining about it. We weren't there. We had a very hard time getting U.S. companies interested in wanting to go in. We are still pushing hard to get U.S. companies to go and make investments. All of our

ambassadors in these little countries considered it their mission to try and see what they could do to get more American interest in those countries. It was really difficult. It was easier for the Europeans. The French were there too because it was nearby and they did not have to invest as much as an American company would need to invest to go into a place. But they were committed to doing it, so I guess I don't think that there was from the point of view of the U.S. government we understood that despite our efforts it was really hard to get large U.S. multi-nationals to have much interest in these countries. We have had a hard time in getting them to be interested in eastern Germany. If they wouldn't be interested in eastern Germany it is harder to get them interested in the little countries. They are in Poland, and of course, some companies are in Russia. A lot of American companies lost their shirts in Russia, so now they are a little more cautious than they were about that.

Q: Was Russia at all a player while you were in Bonn? It was more, it wasn't an economic power was it?

BAY: It wasn't, and I talk about some of these issues like nuclear issues because in Bonn I handled it all. I handled economic issues, science issues, all these other law enforcement issues. And there were continual issues. Things like nuclear smuggling was a huge issue. And there was a great fear in Germany that you would have dangerous nuclear materials and loose nukes and things like that coming across the border. So, we were very engaged in those issues. Those issues were, again there was always a dialogue between Helmut Kohl and whoever was U.S. President, and whoever was head of Russia at that time. They would talk about these issues. You know, we have got to have better controls. Both we, and of course we had Senator Nunn and Senator Lugar who came forward with their Nunn-Lugar approach to give assistance to Russian nuclear plants and facilities so that they would be able to have better control. And the Germans were right in there on their own, and are still in there giving their own bilateral assistance to improve former Russian military facilities so that we won't have this prospect of escaping weapons. But the Germans were really concerned about that. And we were quite willing. We were very willing partners in working together with them to try to see what we could do to improve the situation. It became very clear to all of us, to the Germans and to us that it was a much bigger issue than just trying to deal with the military bases. We had to train customs officials in all these new countries. So, we worked to develop a new customs training academy where we could train customs officials from all over the east. The Germans were really with us. We and the Germans worked very closely together on these issues. The Germans, if we were to tally up the money, I mean they put a lot more money into Russia for these kinds of programs and projects than we have, because again this is their border and it is very near to them.

Q: Well what about Iranian nuclear developments which kind of reached some sort of agreement right now with the European powers. But I mean looking at it from sort of an American perspective, of course, we did not trust the Iranians at all given our past history. But here was an oil producing state that is developing nuclear potential of some kind which could be quite dangerous. Did we see it differently than the Germans did for example?

BAY: Well again we, and it is still a problem and you see it played out in the press in the last few weeks. We feel that any country that is a rich energy producer probably doesn't need to have nuclear energy. Why do they need nuclear energy? This is the question we always asked. Why does Iran need nuclear energy? We don't think they need it. We have plenty of other sources of energy. Certainly, the Germans and the French and the Italians felt, who all have nuclear energy of course, felt well the way to deal with the Iranians isn't to just stiff them and tell them you can't do this and you can't have this. The best way is to work with them. That is what, I mean the dialog today is the same as what the dialog was in 1994, 1995, and 1996. We would keep asking these questions. And essentially there is a very different philosophy about working with the Iranians. I mean they just felt strongly, the French and the Germans both, that it was better to work with them and to isolate them than to push them away because you may end up in a more dangerous situation. But the one question that the French and the Germans could never answer is why does Iran need nuclear energy. We don't think they need nuclear energy, but they felt that they did. That is why we always, when I wasn't working on the political military side of this, we had a lot of people who devoted their whole careers to working on that, who felt very strongly that there is no reason in the world why the Iranians should need to have nuclear power plants. It could only be for other purposes. You probably do have information you have to talk to other people about that. But we never got good answers, but the answers that we got always went back to a different question, which is we feel that you Americans don't look objectively at Iran. That what happened in history and up until today has affected you so that you do have a kind of myopia. We think you need to be working with this Iranian administration and try to help them become more moderate, develop the moderates, and not just attack them at every turn. But we never got good answers about why does Iran need nuclear energy.

Q: Of course, you have as a historical note, you have essentially a rather divided country in Iran. You have one which seems to have a certain amount of openness to democracy and all that. Yet on top of it is a very closed, strict religious organization which is not a very benevolent group of people.

BAY: I think the French and the Germans probably think a little bit like some people think about Cuba. By the United States taking such a firm position, we actually make it harder for the people who want to change internally in Iran. And of course, both the French and the Germans have continued to have a pretty vibrant business exchange with the Iranians over the years. We knew lots of German businessmen who lived in Iran. We knew French businessmen who lived in Iran, people who went back and forth. And of course, the Germans do have some official contacts with the Iranians as well. But it is just they really feel that we are not objective. That is going to be something that history is going to judge in the future.

Q: Well, Janice, this is probably a good place to stop. We will pick this up the next time in 1997. Whither?

BAY: We can do that. That is when I came back to Washington and worked in the office of the Director General of the Foreign Service. I don't know if you want to talk about that. We can talk about foreign service issues.

Q: Oh yes, absolutely. Is there any other issue that we can put on that maybe we didn't talk about in Germany?

BAY: I will think about it. I am doing this cold, Stuart. I haven't checked any notes, you know there probably are.

Q: Well we are getting a lot of good stuff. I am not worried. But anyway, you will have a chance to play with this later on.

Today is 1 December, 2003. Janice you were going to think. I am sure you thought long and hard just that matter of a long Thanksgiving weekend which you were otherwise occupied. But is there anything else we should talk about in Germany you think?

BAY: I think we have covered the main themes. We have talked about Europe and we have talked about Russia and the big change that took place in Germany over that period of time which I saw it from 1973 to 1994. I think the one message that is very important to leave, for all of us to leave is to see that it is going to take a full generation to integrate Germany where you had one people who came from one background, family members and a lot of money in the German budget to pay for it. This is going to be a hard road still ahead, and it is going to take at least one full generation to fully integrate the country to be one country and feel like one country again.

Q: Well did you see, I don't think we discussed it. But a growing neutralization of Germany, in other words other than its relationship to the European Union, it didn't really want to be part of the greater world as far as, I realize there are German troops in Afghanistan which is quite a jump, but did you sort of have the feeling that Germany was not going to look upon the world beyond Europe, greater Europe as being of particular interest?

BAY: I think that there is a certain sense of that. It will be interesting to see if that changes over time. As we talked about before, Germany remains vitally interested in the EU (European Union) and in all its neighbors including Russia and all the former Russian states. They are still very much consumed by their own memories of this last century, WWI (World War I) and WWII (World War II) and the threats that came from the east. So, I think we will see them continue to pay a lot of attention to neighbors. They, of course are quite active in the former Yugoslavia and did play a pretty active role in the resolution of that conflict. I think it is going to be more difficult to get them to engage in activities further afield. This could change in another five or ten years, I couldn't say. They are very internationalist on certain issues. When you look at environmental issues, the Germans are extraordinarily internationalist. When you look at the kinds of issues they care about. You also have a lot of Germans who are not part of the German government who participate very enthusiastically in nongovernmental organizations

doing humanitarian work all around the world. So, I don't know if I would really say they are not internationalist, but their agenda certainly isn't the same as ours, and they certainly have less interest in political-military kinds of activities than they do in these other kinds of activities. But when you move into the area, the whole green area that has to do with environment and food safety and humanitarian activities, they play a very important role, very important international role.

Q: All right well then, 1997 you came back to Washington.

BAY: Right.

Q: And you were working in the director general's office.

BAY: Right. The new director general at that time just coming in to office was Skip Gnehm who is currently our ambassador to Jordan, and had been our ambassador to Kuwait. He brought with him a new staff, and he hired me to be the principal deputy assistant secretary in his office, which is the office that manages the Foreign Service and the personnel system of the Foreign Service, and of the civil service. That position traditionally is the position that cares for and cares about the Foreign Service. The principal deputy assistant secretary spends most of the time looking at the Foreign Service, foreign service assignments and people and rules and so forth.

Q: Well you were doing that from when to when?

BAY: I was there, during the tenure of Skip Gnehm. I was there from 1997 to the year 2000. I spent three years in that job.

Q: Well how did you see the Foreign Service situation under, well Madeline Albright was the Secretary at that point?

BAY: Well we had, we knew coming in that the Foreign Service was in a certain amount of difficulty because we had cut back so much on our hiring in the previous, really the previous 10 years where there had been a downward decline in hiring and bringing young people into the Foreign Service. But we knew that the foreign service was becoming very strained. We knew that we had extraordinary mid-level deficits. Deficits at the middle ranking officers throughout our system. So, Skip Gnehm took it upon himself to try and find a way to get permission to hire larger numbers of junior officers coming into the Foreign Service. We also knew we had certain pockets of people in the Foreign Service who were not happy, who didn't really have a sense of purpose and career. These were the people we now call the office management specialists. We got the name changed while we were there. And also, some of the people working in the communications area. We were also going through at this time very quick developments in the telecommunications area which meant that we needed to think in a very different way of the cadre of people we had working on telecommunications issues, and how to pay them and how to hire them, and how to retain them. Skip Gnehm is a very energetic guy, and we took on all of these issues. Then we were also hit really almost immediately with the

reality that there was going to be integration of the U.S. Information Service and the State Department. So that was another issue that we had to tackle head on. Madeline Albright was very sympathetic to all of these initiatives that we were starting to look at, how to improve the professionalization of the staff members of the Foreign Service. How to start a program where we could get increased authorization numbers to hire more people. We, of course, were dealing with a powerful and more antagonistic Congress. Congress was very reluctant to increase the State Department budget. We fought very hard and were able to convince the undersecretary for management at the State Department to make budgetary decisions that would permit us to start ramping up hiring. People give Colin Powell a great deal of credit for getting money to hire a lot more people into the Foreign Service, but we really started and began that effort. We had gotten to a pretty sad state in the Foreign Service with our hiring, and it was damaging our ability to do business overseas. So those themes pervaded the entire period of time that we were there. We undertook a lot of initiatives. We tried to engage with people in the Foreign Service, all kinds of people in the Foreign Service, and talk to them about issues that matter to them and issues that were important to them and their quality of life, and what we could do to improve quality of life for them. I think that we made quite a bit of difference. It wasn't easy. We had certain setbacks, because during our period of time, of course, we had the Nairobi bombing where we lost 12 of our Foreign Service colleagues in Nairobi. We had to deal with the aftermath of them and the injured people and their families and bringing them back and helping them...

Q: This is Tape 6, Side 1 with Janice Bay.

BAY: It was a very intense period, and we made quite a bit of progress working in all these areas. One of the things you learn in working on personnel issues is you have to find a way of dealing with a 100 issues at one time. You have to be able to prioritize, to push the ones through that were most important. There were lots of other issues where we really needed people to pay attention and to improve and certainly there wasn't much that some of Skip Gnehm's predecessors could do to improve the hiring and the situation. But we're now, several years after that, we're now in very good shape as far as hiring, bringing people in, really expanding the cadre of Foreign Service officers that we have before us. And we're paying a lot more attention to lifestyle issues, quality of life issues. One of the issues we took head-on was eldercare issues, and trying to find ways that we could help people who had eldercare problems that were impeding them from wanting to serve overseas. We also took on—not because we really in a wanted to do so but because it fell in our laps—the issue of nonmarried partners in the Foreign Service and what benefits and rights they had and what should be available for them. We took on a lot of really hard issues that no one had dealt with a long time before. We broke a certain amount of crockery. We certainly improved the ability to hire and retain people in the IT (Information Technology) part of the State Department which was a critical need for us.

Q: How did you deal with that particular problem?

BAY: For that particular problem we actually had to look at changing the pay scales, the promotion rates, the rate at which we hired people. Another issue that we had to take on

for that group and for all the hiring issues was improving the security clearance process which was not really the function of the Director General but was something that was absolutely critical to being able to ramp up hiring. If it takes you two years to get security clearance to bring an officer into the Foreign Service, our odds during the 1990s, our odds at getting people when we had the really go-go economy were not very great. And that was particularly an issue in the IT field. And when we arrived, they would hire people to go into the telecommunications area and train them, and by about the time they started to work, they'd be hired away to go somewhere else because they were well trained and would get double the amount of money. So, we broke the traditional civil service and Foreign Service rules regarding wage scales, the amount of time it took to hire people, where you could bring people in, how quickly you could promote people, and eventually that really did pay off. It was a huge effort. The people who worked in communications had to take on their part, the Diplomatic Security people had to do their part. And we all had to work together. That was... When we set the stage for Colin Powell and his efforts, and when he arrived, he had much better contacts than his predecessors had with The Hill, and that helped a great deal in getting the additional budget resources that were needed to expand and continue that effort. But we were really off to a very good start. And we think we have made quite a bit of difference in improving a lot of the average for the Foreign Service officers overseas. We worked hard to get better R&R (Rest & Recuperation leave) benefits for them. R&R is Rest & Recuperation for those people who are in hardship assignments. So, we did a lot to help pay attention to the quality of life for the average person in the Foreign Service.

Q: You were saying there were some pockets of discontent. Other than the IT ones, what about some of the other ones?

BAY: The Office Management Specialists were very discontented because they didn't feel that they were in a very professional career track, and they didn't feel that they got promotions very readily. Another group that was very malcontent were the Foreign Service nurses. These were people that were very malcontent and felt they should be getting greater promotions. And we took on each one of these groups and talked to them and dealt with them. The biggest challenge during this time for me personally was the integration of USIS (United States Information Service) because once we realized this was absolutely going to happen, and we had a quite professional group of people, the members of the U. S. Information Service who were sure that it would never happen had blinders on. And we saw that it would happen, and every USIS regulation had to be integrated with State, and we had very different personnel rules regarding our career paths and the ways you would move forward in the Service. So, we had to establish contact groups with these people to try and work with them so we could come up, so that we would develop a uniform policy that everyone could deal with. And, of course, in doing that we also had to negotiate with our union. The American Foreign Service Association, and they represented both the interests of the State Department employees and the U. S. Information Service employees. So, this was a very difficult and challenging period for us, but at the end of the day we think that we came up with a very good solution, and certain changes were made to Foreign Service regulations and U. S. Information Service regulations. We looked for the best practices that we could find and

tried to put together a system that worked. It did work and it has been working. In doing all of that, the other issue that we were forced to encounter was preparation of efficiency reports because the efficiency reports were very different in the U. S. Information Service than in the State Department. So, we created another group to look at revising the Foreign Service efficiency report and coming up with a uniform report. And that wasn't an easy effort, either. Every one of these issues was a really contentious and difficult issue, but we just worked our way through them one by one and came up with a very good result.

Q: One of the issues, I imagine, that came up... Going back historically, I'd written about the conception of the Foreign Service integration in 1924 when they put the consular and diplomatic groups together, and the diplomatic group seized control and essentially never let go and made the consular side pretty much second-class citizens. I would think this would be a concern of the USIS people.

BAY: This was a concern of USIS (United States Information Service) people, and it's still a concern of the people in the State Department. One of the other things we did—and I can't speak really very much about our predecessors—is that we tried to improve transparency in the selection of mission directors and ambassadors, and we for Deputy Chiefs of Mission we ensured that the committee that selected the Deputy Chiefs of Mission included a representative from the consular cone, and a representative from the administrative cone. And so there were representatives from all the players with important equities on this committee (the "D" Committee) so people would know that if Mary Ryan was the Assistant Secretary for Consular Affairs that she was a member of the committee and she could be there and she could advocate for her people getting some of those jobs. And that persists now, also, until today, and I think that's really been very successful. In fact now, at this point, we do have representatives of the science area, we have some representatives of my area, the economic area, also participating in the Deputy Chief of Mission committee which selects... does not select Deputy Chiefs of Mission, ambassadors select Deputy Chiefs of Mission but presents a short-list slate of three or four names to an ambassador, and then the ambassador can look at those names, consult with the regional bureau, and make a selection. So, we really worked to make sure that this process was more open, that people in the Foreign Service had an opportunity to bid on these jobs. You will recall there were times when there wasn't even a process where people could actually apply for Deputy Chief of Mission jobs or ambassadorial appointments. And also, under Skip Gnehm's leadership—I give him credit for that—he had worked with Madeleine Albright in New York, so she knew him quite well. But he went to her and persuaded her that we also needed to have, and he would just stroke Strobe Talbot who was Deputy Secretary, an open process for selection of ambassadorial candidates. And so, we actually did that. We would actually put together books. The people who worked for me would actually do this. We put together books with the list of candidates for openings of certain jobs and all of their qualifications. And these books, which were very large books, would be given to the group of people who were on this committee that would be selecting ambassadors, and that committee then and probably still today—I haven't been participating in it—consists of the Deputy Secretary, the under secretary for political affairs-- all the under secretaries participate in this committee, and it isn't a committee that allows proxies, so you have to have people at

that level there. And so, for the first time ever, we started providing these books with qualifications of candidates. We made it a much more objective process and a less subjective process. So, I think that has been important, too. And we worked pretty hard to ensure that both the selection of the ambassadors and in the selection of deputy chiefs of mission, there was somebody there from the consular cone, there was somebody there from the diplomatic security cone, maybe somebody there from the administrative cone all of whom would have an opportunity to decide who would be selected. And when we approached integration of USIS, we then also made sure that there were USIS officers who not only had an opportunity to be part of this selection process but also to be selected for deputy chief of mission and ambassadorial assignments. One of the things that's interesting is that senior USIS and even mid-level USIS managers have a great deal of experience in looking at management and budget and program, and very few Foreign Service officers have that experience. And so, these people, many of them were quite competitive when you looked at selecting someone to be a deputy chief of mission. And they also were better qualified in languages across the board because traditionally they spent much more of their time overseas, 75 percent of their time overseas, more time than Foreign Service officers spend overseas, and their agency had spent a lot more money in making sure that they were very well qualified in languages. So most of these people had a four or five-level rating in a foreign language, a five-level rating being able to converse at the level of a college educated person in the foreign language, and many of them had two or three different hard languages. So, they have been competitive as a group. I think a difficulty for a lot of them has been in breaking into policy work in Washington. I think that's been a challenge for a lot of these officers because that's quite different from what they had done before. And some of them have done it very well, but others have had some difficulty with that. So, this was a very lively period as we worked our way through these issues and did what we could to improve the quality of life for people all around the world overseas and to make them feel that the system really cared for them.

Q: Quality of life. What did this entail basically?

BAY: Well again, in some cases it meant getting some people authorization for an extra rest & recuperation leave. In other cases, an ability to try and get them some help with eldercare issues. We were able to establish, and we worked very closely with the people in the community liaison office as well, community of liaison office in our embassies overseas. But we were able to help the community liaison offices at our embassies establish a space where our officers and their dependents could get public Internet access, where they could get answers to questions. The Internet has been, we talked about this earlier, it fundamentally changed the way that we conduct diplomacy. It also has fundamentally changed the way people living overseas can deal with their personal lives and their personal issues. You and I can remember in the early days when something happened, if something happened and you didn't receive your pouch in time, your pouch mail, you might not be able to pay your bills, and you would become overdue. You'd miss your mortgage payment. But those kinds of issues really don't happen anymore because we all can find ways to create Internet access to our accounts, pay our bills, transfer money, and during this period I would say certainly between 1990 and 2000, that was when a lot of things were really changing. Another issue that was fascinating for us

to see was the young officers coming into the Foreign Service, of course, have far better computer technology skills than the senior officers who are the older people in the Foreign Service, and whenever you would look at making any change regarding junior officers or tenure and policy, they would be on the Internet circuit with each other all around the world, and they would come back in. Somebody would come in and say well, I talked with 30 of my friends in the last 24 hours, and this is what we all think about this issue. And so, there was an instantaneous communication which basically forced the personnel system to be more transparent and more honest than it ever was before as well. As we worked our way through these other issues with secretaries and diplomatic security and telecommunications, we also looked at bringing in junior officers who had higher technical and academic qualifications at a higher grade level and, of course, whenever you change something, it's always controversial because you always will have people who were just hired six weeks ago, and now you're going to change the rules. And so, we had to work our way through these hiring issues as well to make sure we had people who were brought in at the right levels. But I think today you can see that we were quite successful in changing the hiring process. We never quite cracked the diplomatic security clearance process. It's much better than it was, but it's still slow and takes a long time. Part of that I think is a government-wide problem because with the creation of the Homeland Security and lot of other hiring in the wake of events of September 11, there was a great deal to do. Another issue that we dealt with, and it wasn't just our issue but we were extraordinarily heavily involved in it because of being the director general's office and being in charge of the Foreign Service and civil service personnel issues was the issue of Y2K (the rollover of the century from 1999 to 2000) and what would happen in the year 2000 when it became the year 2000. There was a great deal of concern in the State Department and everywhere that disastrous things could happen as older computers had not been programmed to process years beyond 1999. And so, we were very heavily engaged in the committees that were preparing the work of transferring and turning over the entire personnel system and making sure that payroll would work, making sure that the preparation of travel orders would work, making sure that people would be able to continue to conduct their business. At the end of the day, that went very, very well. And, of course, there are those theories today that abound that say that September 11, in fact, could have happened on that date, but we were so vigilant that the people who were already planning that terrible terrorist attack were put off and scared away because they knew that we were paying so much attention in the United States government and around the world to the Y2K changeover, and we were so alert at borders that it seemed like not a good time to try to do a terrorist attack. So, it was a very intense and busy time.

Q: How did you deal with the problems of eldercare? Are there Foreign Service people who have parents or somebody who has to be taken care of and they can't take with them? How did you deal with it?

BAY: We, of course, in the Foreign Service, there is by law a limit on the number of years a person can stay in the United States. In fact, there are many, many Foreign Service officers today who have family members living with them overseas, who have parents who are their dependents or who are not their dependents but who live with them, and we have traditionally been rather permissive in allowing family members to reside

overseas whether they be parents or whether they be nieces or nephews, whoever they are. What we did try to do was, as I said we created an Internet address where people could get information. They could come into Washington and get information. We also worked on getting information about long-term care and long-term health policies that people could buy for their parents. And we tried to have a humanitarian face. We would make exceptions when we felt we needed to make exceptions to give people what they needed. It's the problem, of course, with the Foreign Service that these aren't Washington, D. C. (District of Columbia) issues. These are issues all around the United States. And so, we would do what we could do in as benign a way as possible. If someone needed to go on a leave without pay, if they needed to stay with their parents for a year or so, we would try to do what we could do. But mainly we tried to find ways to get access to those nationwide organizations and providers who were working in the eldercare area. So, the people overseas would be able to get onto the Internet and work directly with these people to get information about what was the best course of action to take for their elderly parents.

Q: I remember when I was in personnel back in late 1960s, and the way we did that was—it wasn't a very satisfactory way—but we loaded our Canadian and Mexican border posts usually with female Foreign Service officers who had elderly parents. We overloaded the system.

BAY: I think there still is a certain amount of that going on. I think a lot of the people who have medical issues will be in places that are close to the United States. And I think we see a lot of people who have children with medical issues or parents with medical issues close to the United States. But the world has changed dramatically in so many ways in the last 30 years, and now we have people with medical conditions serving all over the world that we wouldn't have ever considered allowing to go overseas 30 years ago because now they can be monitored long distance, and another issue that we took on, working with our medical people, was to get better technology and better Internet connectivity on all medical issues at post so someone with not a normal but a fairly normal heart condition, someone who has a heart condition could be monitored pretty easily overseas, and you can monitor most diseases overseas. There are a few that you cannot, but a lot of people come into the Foreign Service now with medical conditions that we would have considered debilitating medical conditions 30 years ago, but it really isn't a problem in most developed countries, they can get care. With the way we have airplane service now, you can get a person to a place in 10 or 12 hours. The furthest place you are, you can get to someplace where you can get good medical care in 10 or 12 hours. There are a few exceptions, but we have a lot of people who do come into the Foreign Service. And, of course, disabled people do have legal rights now that they didn't have 30 years ago, so we bring people into the Foreign Service with disabilities. We bring in blind people. We bring in deaf people. We bring in people with other types of disabilities, and that was unheard of even in the early 1970s, you didn't see people coming into the Foreign Service with disabilities.

Q: How can you deal with a blind person? So much of our work is reading.

BAY: These people now have talking computers. They get a lot of assistance. You have a lot of... Legally the State Department is bound to provide assistance for these people. And there aren't large numbers of people, but you have a group of very determined people who were very determined to be in the Foreign Service, and we do have a number of them in the Foreign Service.

Q: How did you feel this worked out?

BAY: It varies. With some people it works out pretty well; with others it's more difficult. It's difficult, probably surprising to you, it's more difficult in the administrative and consular areas than it would be in the political or economic areas because now the technology to have talking computers is readily available. But if you're trying to be a General Services Officer who's in charge of inventory, it's very difficult to do that. Or if you're trying to be a visa officer sitting at a window interviewing people going to the United States and don't know what they looked like or if their picture matches a passport, then that's very difficult. But it's an issue that we have to work around, and we have been doing so. These people can get readers if they need to have readers to help them. But it's not an easy issue. But I think it's not an easy issue for any major employer. It's a little more complicated for us because we are expected to be worldwide available. But we do have blind Foreign Service officers serving on various continents right now, and most of them are doing their jobs. Whether they will be water walkers and get to the top of the Foreign Service is hard to say. I think it's more difficult for them to perform, but they do perform and do their jobs, and one could certainly say they do their duties.

Q: What about the non-married couples?

BAY: The non-married couples were a particular challenge for us, and there's an organization in Washington called... as the State Department... called GLIFAA (Gays and Lesbians in Foreign Affairs Agencies). And this organization came to us and they said look. We're all over the world. We're posted all over the world, and we have partners, and we think that we should have some rights for our partners. And what we did find as we started looking around was that there were no policies. A policy at any given post was whatever policy that the ambassador at that post or the deputy chief of mission at that post wanted to have at that post. And there wasn't any consistency, and in lots of countries in the world there were partners who were residing with their partners who were not in the Foreign Service, and everything went very smoothly. In other places it was absolutely forbidden and wasn't allowed. And so, we worked for a long time on that at least putting together a sort of... to help ambassadors set some guidelines about how one might want to look at these issues. And, of course, again, we are the Foreign Service, so in many countries it depends on the laws of the country. And if the laws were permissive, that made it easier. But the kinds of things that this group of people were advocating for were the same kinds of things that advocates for gay marriage advocate for. They would like to have the ability to have insurance for their partners. These people wanted to have the ability to have identity cards for—embassy identity cards—that you would provide to a family member for their partners. They wanted to have the ability to be included in embassy events. And again, in many embassies this was already going on,

and in other embassies it was not. So, what we did, and it was a very hard thing to do, and it was, as we see reading in the newspapers this week about what happened in Massachusetts, was very politically sensitive about how you deal with this. We did work on putting together guidelines that we felt would be guidelines that ambassadors and deputy chiefs of mission could use in looking at these situations. So that was another very challenging issue that we dealt with, but again I think that we were really reaching out to everybody in the Foreign Service, and when you think about where we were with huge deficits of mid-level officers, the real question was could these people do their jobs? And if they're doing their jobs and doing their jobs very, very well, then we should perhaps not be so concerned about their personal lives, we should be mainly concerned about their professional lives. Now during this period of time there was one political appointee ambassador who came along, quite a well-known person who did have a domestic partner and took that partner with him to his post, and currently we have at least one career Foreign Service officer who's an ambassador who has a domestic partner at post. So, these are things that 10 years ago none of us would have imagined. So, we've made a lot of progress, and I think these issues, once you get over them, won't be such important issues. And, of course, there's not much we can do until certain laws change and certain states about being able to provide benefits to these people. It's very difficult to provide benefits to these people. But if there isn't any particular cost to the U. S. government, then our guidelines are let's be as objective as we can be particularly because if these are really hard-working and gifted officers, they have a lot to contribute to diplomacy.

Q: In 2000 where did you go?

BAY: In 2000 the director general left, and the new director general was appointed, and I went back to my home bureau, the Economic Bureau, where I became Deputy Assistant Secretary for International Finance. That position has three different functions. There are about 30 Foreign Service officers who work for that person. I didn't mention before that when I was in the Director General's Office, I was literally supervising, at least in name, about 400 people because the whole personnel system is so very large, and when we counted the people, all the people we had working in career development and assignments, all the people that we had working on our efficiency report systems, and all the other people, plus I was the Acting Director General whenever the Director General was traveling. So that was a huge scope of responsibility. But going back to the Economic Bureau, I was given a Deputy Assistant Secretary job with 30 career Foreign Service and civil service employees, all of whom were economists. And one part of the job was to deal with debt issues. The State Department is responsible for rescheduling of debts of countries who were essentially bankrupt. In the Paris Club, an international organization that was created for the purpose of rescheduling these debts I think in the early 1950s, and ever since its creation, State Department officers and diplomats and people lead the delegations to reschedule these debts. And the delegations consisted of State and Treasury Department employees. Of course, the idea initially was that the Paris Club was going to be a temporary organization because you would deal with the terrible debt problems of these few countries, and then the problems would be over and you wouldn't have to deal with them anymore. But, of course, it's been an organization that's perpetuated itself up until now because countries would get out of debt, and then they

would start borrowing again, and then get in debt again so they couldn't pay their debts again. So, there are certain countries that have come before the Paris Club 20 or 30 times in the last 40 years. The one that would come to mind would be the Philippines. And Philippines every time it gets to that rescheduling or debt reductions it's back two years later. There are other derelict countries, but the Philippines is a very good example of one that is very recurrent. And using that system is the way to get breathing space from its creditors. So that's one part of the job. The other part is to act as the liaison for the State Department on all development policy issues, AID (Agency for International Development) issues, issues with other development agencies, the World Bank. The people who worked on debt also worked as a liaison with the IMF (International Monetary Fund) because when you're looking at debt reductions, you're looking at countries that are on International Monetary Fund programs. So, one of the offices would work on debt, would work on the International Monetary Fund and looking at countries that were really in trouble. Another part would look at the question of development policies and World Bank loans and grants. The two really fit together because these tend to be the same countries, countries that are large borrowers at the World Bank will tend to be the same countries that are on International Monetary Fund programs and will eventually need to have their debts rescheduled. And the third part the office deals with investment policy, negotiates bilateral investment treaties around the world, and deals with investment issues and corruption issues. Corruption issues were also in the purview of that office. So, this was a very busy office, with a group of really smart and dedicated, very sharp economists working in the offices. Very gifted economists working in these offices. And, of course, officers who get a lot of attention and an office where a Deputy Assistant Secretary controls three offices where my employees would need to argue on the basic fundamentals of economics with the regional bureaus at the State Department because the regional bureaus usually wanted whatever would be the easy way out. And, of course, countries with important ambassadors always want the easiest way out for their countries, so we would often have to educate our colleagues in the Foreign Service including assistant secretaries in other bureaus, deputy assistant secretaries, office directors, and ambassadors about why you sometimes have to swallow a little bitter medicine in order to be on a viable track towards credit worthiness. And it's not very different than managing one's own personal finances. I mean, managing the finances of a country were very similar to managing one's own personal finances. You spend too much, more than your intake, you're eventually going to get into trouble, and then you have to figure out a way to either go on a program to reschedule your debts or go into a program to go into bankruptcy and try to write off your debts.

Q: I have to ask the question: What about the United States? As I look at our budget, we have terribly outspent any hope of paying off...

BAY: I know. Right now, the deficits are increasing dramatically, and what we'll need to see is what happens in the next year whether we see a continuation of the upswing that we see maybe starting to happen or not. And there is a fear out there that at a certain point foreigners who buy most of our bonds and do most of the financing, or a great amount of the financing or a great amount of our financing, not most, but a great deal, very large investors of the United States, whether they will continue to have confidence in our

economy. I tend to think they will because despite everything, we're still the most stable economy in the world. But under this current administration, the deficits have to be decreased dramatically, and it's surprising that in the last administration under a Treasury secretary who really was new markets in Wall Street and had the confidence of the President. We really attacked those deficits, and we were in a pretty good position when George Bush came into power, but he has chosen to do a lot of things to provide tax relief who some say has actually been a stimulus to the economy. So, I think the book is still out. But we have from time to time been in difficulties ourselves, the United States, but we've never been in the same kind of difficulties that these countries get into that have to go before the Paris Club. Most of the countries are the least developed countries. So, all this was moving along pretty smoothly. All of these activities we were pretty busy and we would deal with questions like in Nigeria. Nigeria's a good example. An oil producing country with a very high income but huge debts, and just because they don't run their government in a very responsible way. And they always have difficulty paying those debts, and yet they are a huge oil producer and get a huge amount of income. So, we're dealing with problems like Nigeria. When September 11 came, and that really changed everything for us because we started working really intensely on reconstruction of Afghanistan, and we really hadn't planned for that. No one had really planned ahead of time at having to go back into Afghanistan, so we didn't have a great deal of information. Nobody had money resources in their budgets. Not in the International Monetary Fund, not the World Bank, not any of us to provide assistance to Afghanistan. So that was a real effort. And we worked on putting together an international effort to get our allies to join us in coming forward and finding a way to help with getting resources for Afghanistan. And we were quite successful. We invited the Japanese to join us. They wanted to join us. We invited the Saudis to join us, and they wanted to join us. And the European Union. And we all worked together very intensively with weekly early morning telephone conversations where we would go over the planning for conferences that we would host to try and get resources for Afghanistan. And that was extraordinarily intense and quite successful in the early days in getting resources. It's very difficult not just for the United States but for any government, for the European Union, for any of the European member states, or for the government of Japan to get resources on no notice because we all have budget processes, and we all have parliaments and congresses that would restrain us from doing that. So, we basically had to borrow from other accounts in order to put together a package that we could use to get help into Afghanistan. And we felt that we had to do it very, very quickly, and we actually did. You hear a lot of criticism now about Afghanistan, but one has to remember that this country was just about at the bottom. The literacy rate of people under 20 is about 10 percent. The literacy rate of women is about 1 percent. Everything had pretty much been destroyed in and around Kabul. And so, I think when one goes back and thinks about where we started and where they are now, we've probably achieved as much as we can. One of the big problems in Afghanistan is that there isn't central government control over the outlying provinces, and that's something that never has been and basically President Karzai is trying to deal with. So that was very interesting and exciting during that period of time. And then alongside of that, we started seeing a lot of problems with countries in Latin American with their economies. We saw Argentina have a huge financial crisis that went on for over a year. And this was a very difficult period for the Bush Administration because President Bush really wanted to

show that he was very friendly with Latin America, with Mexico, with the countries of Latin America and that he really wanted to—I think sincerely wanted to—improve relationships, and yet we had a country that had met this classic definition of a country that was way overspending and didn't have the resources to pay its bills, and we could all see that there was going to be a very large crisis, and the country itself knew it was in crisis and went through five presidents on one year. And so, we worked very intensively on the economy of Argentina, and we were always concerned about whether or not there would be problems in the countries around Argentina. And there was a great deal of nervousness about Brazil, about the presidential election in Brazil, whether Brazil would have a crisis. Paraguay and Uruguay didn't have a crisis. So, while we were dealing with Afghanistan, we were also dealing with these various crises around Latin America. Other countries that were in crisis at that time including Pakistan whose, of course, position flipped overnight because when President Musharraf decided that he wanted to be our friend and ally in trying to fight the Taliban, our whole foreign policy position about dealing with Pakistan changed, and so he was... We had to find a way to help him to become a beneficiary of rather large flows of U. S. assistance.

Q: What was the EB's (Economic Bureau's) analysis of why Argentina was such a mess?

BAY: A few things: They had been a darling of the emerging market people in Wall Street. And so, they had borrowed a lot of money. They had been a country which was considered a good risk for borrowing. They had privatized a lot of parts of their economy. They had privatized the electrical sector. So there were a lot of privatizations that had gone on, and there had a lot of foreign investors who had invested in the country. But fundamentally for years they had been providing free university education for everybody. And everybody who had ever worked for the Argentine government even for three years received a little bit of a monthly pension. And there was just a little bit of profligate spending, and no one had ever really had the political power to change things and reign in the spending. But it was really the Wall Street borrowing that pushed them over the top. And that's why there was a lot of concern. Because there was very much a U. S. and an international... It was Wall Street and bankers in Europe who were way overexposed in Argentina. And it's hard to say. It took them years to get themselves into that bad position. But we could see it coming. All of us could see it coming like a freight train, and there wasn't anyone who was willing to exercise in their government, that was willing to exercise formal authority to take really tough decisions. Of course, some of the tough decisions that they tried to take did, then, result in one president or the next president being replaced. And you had interim clashes within the populists, the Peronists, who wanted to provide things for the people, and others who wanted to be more fiscally responsible. From a person sitting in Washington looking at them, it looked to us like they had been digging themselves into this hole for probably 20 or 30 years, but it had gotten much deeper in recent years because they had over-leveraged and over-borrowed. They're not a very big economy: Some exports, some agricultural exports, but not... It's a small country and a small economy, but it was symbolically important to us coming at the beginning of the Bush Administration because the President really did want to show that he was close to Latin America and improved relations with Latin America. The White House was very interested in Argentina, and we worked very intensively with the

White House, the Treasury Department, and the World Bank, and the IMF (International Monetary Fund), and all our other partners to try to find a way to see if we could get them over this crisis, and eventually we did, although as in most crises, eventually they had to take responsibility for themselves for helping get themselves through this. We did have real fears about Brazil, and Uruguay. There certainly was a spillover in Uruguay which caused the Uruguayans almost to go belly up over a weekend. Then you had spillover effects in Paraguay. So, there were effects around Argentina. Brazil turned out all right. A lot of the Brazil concerns had to do less with the markets than with the fact that there was this presidential election going on, and there was fear that this new guy who was coming in, who was a Populist, would change policies and Brazil had been...

Q: It is known as Lulu, isn't it?

BAY: *Lula*. The Brazilian Central Bank governor was a very, very stable guy, and the Brazilian economy had been doing quite well in recent years. I mean, they had all of these economies that had troubles in 1998, but since 1998 Brazil had really turned around and was really doing well. And Mexico had been doing pretty well. So, this was all going on—to put this into perspective—at the same time that we were dealing with all of these issues that were really difficult issues with Afghanistan. Of course, at that time none of us really were thinking about Iraq. Iraq was an issue that was still ahead of us. This was an issue that was hanging out there, but it wasn't an issue that anybody was working on until about 2002. In the summer of 2002 people started working on Iraq. We kept hearing rumors that there was going to be an effort to see what we could do to stabilize Iraq. But we were engaged, starting in the summer of 2002, in looking at Iraqi issues, sort of preliminary issues.

Q: You were saying before we go to Iraq you want to deal with something else.

BAY: Yes. There was another very important development issue which was the George Bush initiative that came as a surprise to the whole world. There was a global conference in Monterrey, Mexico on sustainable development in the spring of 2002, and at that conference the President announced that he wanted to launch a new account, a new assistance account. And he called it the Millennium Challenge Account. And he promised to put in basically a billion dollars a year ramping up to five billion dollars and to increase U. S. assistance by that amount each and every year for those countries who were pursuing policies that would put them on the path to growth. And he was talking about those countries that were the poorest countries in the world, and he wanted then to pursue policies that would get their economies to get going rather than just being recipients of assistance. Most of these countries had been the recipients of assistance either from their former owners or from us or from somebody else for the last 50 years. And so, this was quite amazing because none of us knew ahead of time that he was going to do this, that he was going to make this announcement. He actually first made the announcement in Washington at, I think, an OAS (Organization of American States) meeting, and it was quite something that we would be coming forward, this President would be coming forward and making this announcement. So, he announced that we were going to have this program to start to figure out which countries we should select

because it only would be for those countries that had the right policies, and those policies included fighting corruption, good governments, education, health. The kind of things that would really make a difference to getting a country to grow, yet you're talking about the poorest countries in the world, most of which are in Africa. So then when we got back from this conference on sustainable development, everybody in the world was very surprised that the U. S. conservative as the President would make an announcement to take on such an initiative. We then assembled an interagency team to figure out OK, what are we going to measure? How are we going to select the countries to be eligible for this? How are we going to measure this? And so, we started working on yet another initiative, and this was still while we were doing Afghanistan and Argentina, to figure out how you would decide. What should be the criteria for deciding whether a country could qualify to get very large amounts of assistance. We're talking very small countries which where if you were to go in with four or five hundred million dollars, you would be the biggest donor to these countries. That work is still going on. Congress, I believe, will probably fund this program this year. We had intensive consultations with Congress talking about a way to give assistance, to revolutionize the way you give assistance, and the President decided at the end of the day to call it a corporation, to call it the Millennium Challenge Corporation and not to have it reside at the Treasury Department or the State Department or AID, but to put Colin Powell in charge of this organization. So, Colin Powell is going to be the Chief Executive Officer of this organization, and the organization will be independent from other government agencies and will decide which countries receive this income and how they will get it. You can imagine that every developing country in the world sat up tall and wanted to come talk to us about this program as soon as it was announced. And it has been a shock to the AID (Agency for International Development) bureaucracy because the concept of doing this was to do it lean and not to use a large, cumbersome bureaucracy in order to deliver this money. So, they are still working on it, and the jury is still out, we won't know. It was a grand experiment, but it was a very bold experiment and will potentially benefit a great number of countries. The President himself decided that any country selected for participation had to be better than 50 percent of all the countries in terms of corruption. So, you have to be less corrupt, you have to be in the upper 50th percentile of corruption in order to pass. The President decided that although you might not pass education or health, if you didn't pass corruption, if you didn't prove that you were fighting corruption, you weren't going to be eligible at all. So, this was going to diminish the number of countries that could be eligible, and probably there won't be initially more than maybe 10 countries that may qualify for this kind of assistance. But the theory was that you hold out the carrot and you show other countries that if you, Mr. President of Uganda, would be willing to have a two-party state and have democratic elections, you could benefit by getting a large, huge, large amounts of money. Or if you, Mr. President of Georgia, really will fight for corruption, you might qualify to get some of this money. So, this has been quite exciting, and we'll see what happens. But this was another George Bush initiative which really took a lot of effort and was debated at the under secretary level in weekly meetings for months on end. I mean, for months on end. Very high-level people would sit at the White House and work on figuring out the parameters and figuring out the criteria, and how you would go about selecting the countries.

Q: How did you feel when you initially heard this plan, and how did you think it would work?

BAY: Those of us who spent years looking at the failures of traditional development assistance where you see a country like Egypt where you spent billions of dollars over 30 years and did not see a whole lot of benefit from it, I think we were very intrigued by it, but one of the hardest things to do is to measure progress; for instance, education. The idea of this is that this is probably going to be short-term money and it could even be used in infrastructure. The idea is to engage the country. Ask them what do they need? Do they need a road? Do they need a port? Or do they need a hospital or a school? What do they need most? Education takes 10 years. You can't do education in two or three years. So, it would be very interesting to see, but I think we're all intrigued to see whether there would be a way to change the way you think about assistance and really get buy-in from a country and get the people of a country to work on getting themselves into a market economy. Now, we all know that Conakry, Guinea is going to have a hard time getting into the global economy, but maybe there's something there that Conakry can do to get them engaged in the market economy. President Bill Clinton put forward this program for Africa called the Africa Growth and Opportunities Act when he was actually able to get free textile tariffs approved for countries that were part of this program. And we have found that some textiles industries have moved into some other African countries. So, there are perhaps prospects that aren't apparent to us right away, but all of us know why these are the poorest countries in the world. It's because they really don't have a great number of resources, and we'll have to see what they can do. Now there are those who argue...people like Jeffrey Sachs would argue that you should take all the money and spend all the money on fighting HIV/AIDS (Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome). The decision was taken that "no, that's not the right way to go" because if you spent all your money on HIV/AIDS, what would you then do to bring that country into any kind of market economy? So, health was certainly an issue that had to be taken care of, especially child health, but because having a productive workforce is a necessity if you're going to get into a market economy. So there has been more interest in this initiative in the international development community than we've seen in any initiative probably for 20 or 25 years, but we'll have to see how it works. And so far, we are still waiting for—unless it's happened in the last few days—we are still waiting for the congressional funding for it. But Congress was pretty much on board. There are questions and there have been questions about if this works, what will happen to AID (Agency for International Development)? We'll just have to see. In a lot of countries in the world you'll have to use AID anyway because AID has the knowledge and expertise and it is already on the ground and knows how to implement programs. Many, many poor countries just can't implement programs themselves. They don't have the knowledge and expertise to do that. So that's another initiative that's very important that was going on in the midst of all of this. You know, a country like Afghanistan won't have any hope of qualifying for something like this. A country like Mongolia probably has a better chance.

Q: When you get towards Iraq, all these demands of this new initiative of Bush and then we have Iraq, Afghanistan. Was there concern that our money was running out, our

ability to help in any of these things? We'd also gone through/are going through a stock market bust.

BAY: Certainly, the people at the Office of Management and Budget have traditionally taken a view about things like this. As far as the presidential initiative, that was a presidential initiative, and he said "I want that money, and it will be additional money." So, when you are looking at trying to find assistance for countries, the people in the Office of Management and Budget (OMB) will say AID (Agency for International Development) has "X" billions of dollars a year. The State Department has "X" billions of dollars a year. What you guys have got to do is take it away from somebody else and give it to Afghanistan. If you want Afghanistan to have this money, you go to the Africa Bureau or the Latin America Bureau, and you get them to give up money, and let's give some of that money to Afghanistan. If you think that Afghanistan is a higher priority, and of course we have difficulty with the accounts as we can't really touch the Israeli and Egyptian assistance accounts.

Q: Those are basically politically sacrosanct.

BAY: Right. There isn't a lot of politically fungible money, but there is some money that's available, and there is some bilateral assistance which is determined by the Secretary of State. And AID was told to go find the money. And other agencies were told let's find the money. So, with Afghanistan, initially, that's what we did. We had no money, and we went and found money and put it together. And OMB believes that you really have to make that effort before you go to Congress because Congress wants to know well, we're giving you a lot of money. What are you doing with all this money? So that traditionally is the view, and OMB is a very active participant in the interagency process, and they are traditionally going to ask you well, what about all the other money? Can't we find other money to find a way to fund this? And that's why when we came forward with this initiative—when the President came forward with this initiative—the Millennium Challenge account, we spent intensive efforts going up to the Hill, explaining it to staffers and to members so they would understand this needed to be additional money, that this couldn't be money, this amount of money, you're talking about a billion dollars a year, couldn't come from existing accounts. But AID under Andrew Natsios had been willing to look at funding Afghanistan for sure, finding ways to put Afghanistan in the budget and get funding for Afghanistan. Afghanistan needs a lot more, but I think we're doing about what we can do under the circumstances. I haven't seen the numbers now. I think maybe Afghanistan's going to get more money. I think it's going to get more spin-off money from Iraq that's going to come from the 87 billion going into Iraqi reconstruction. The Afghanistan amounts, as you can imagine, are tiny and miniscule compared to Iraq. But it's very hard to convince Congress that you need a lot more money, and there has been a lot of media attention in recent weeks about constituencies in certain states saying we need money for our schools. Why should we be giving that money to Iraq? So, you always have to deal with this. In the case of the Millennium Challenge account, we had a lot of support from the nongovernmental organizations because they recognized that they could also be large recipients of this money, organizations such as Catholic Relief Services which are in every country in the world,

are organizations that would have the ability to implement some of these projects in some of these countries. But when you're looking at Afghanistan, it's much more difficult. But those were very valid questions, and all of these issues, I think it's very hard for people outside of Washington to understand, all of these issues were debated at very high levels in the interagency process on a regular basis, and there was a lot of dialogue and a lot of discussion before the administration decided what it wanted, what should be the composition of a program for a certain country, how to move forward. The President was very much influenced on Afghanistan by President Karzai of Afghanistan who said, "I have to have a road. If I don't have a road, I'm not going to be able to unite this country." And so that's where we now put a huge amount of money. And we convinced the Japanese to do that, and the Saudis to do that, and others to do that, is to build a cobble Kandahar road and a ring road so you could connect the country of Afghanistan.

So, should we stop here and do Iraq next week?

Q: I think that would be a good idea.

Q: Today is the 9th of December 2003. Janice, where would you like to start?

BAY: We had talked about starting in the year 2002 in summertime when the Economic Bureau of the State Department and the State Department started getting involved in working on issues preparing for conflict in Iraq. About that time in early August of 2002, I was asked to start attending meetings at the White House chaired jointly by the Office of Management and Budget (OMB) and the Middle East director to start looking at planning for post-conflict, what would happen in post-conflict Iraq. And other members of this group were AID (Agency for International Development), and eventually the Treasury Department and representatives of the military and intelligence agencies. This was one of many groups. There were other groups that were also being formed at that time, this group that was looking at post-conflict Iraq and both refugee issues and reconstruction issues, it was only dealing with those refugee and instant recovery and reconstruction issues. Another group at the Pentagon was looking at the petroleum sector. This group did not look at the petroleum sector at all. And then there was another group at the White House chaired by White House appointees that was heavily equipped by the military group that was looking at other issues—political/military issues—and others from the State Department participated in that group. So, there were lots of different groups. And there were other groups at the Pentagon. You also had going on...in fact, starting many months before this you had the group chaired by Tom Warrick of the State Department that was working with overseas Iraqis, not just American Iraqis, but Iraqis from all around the world who would be interested in change in Iraq and creating a new and different Iraq. That was run out of the Middle East Bureau and was a very intensive effort on the part of Tom Warrick and a few people in the Middle East Bureau to gather all the Iraqis they could find anywhere in the world who had experience, expertise and knowledge, and ideas about what they would want Iraq to look like. I mention that because that group did a huge amount of work. They ended up working on about 60 different issues covering everything from trade to finance to democracy to every kind of issue, culture. And that eventually spun off on its own and didn't really materialize into

anything that became particularly relevant to what's happening now. But it was a huge amount of work done by people who were really very knowledgeable about Iraq, some Iraqis who had been gone from Iraq for 20 or 30 years, and others who had left more recently, and many of whom had contacts with family members and people who were living in Iraq, so they were very, very knowledgeable people.

Q: Who is Tom Warrick?

BAY: Tom Warrick is a State Department employee who is a lawyer by training and had worked in the previous administrations on Bosnia issues and war crimes issues, and he's an expert on war crimes issues, but he was asked to take this project on for the State Department. Starting in about, I think probably as early as March of 2002, this group started meeting and inviting Iraqis to Washington to sit down and meet on various issues. And because we were part of the Economic Bureau, we were very much engaged in issues that had to do with trade and finance, and currency and investment,. And the kinds of issues that would be relevant to a new economy. And also, we were following what they felt would be needed as far as reconstruction needs for Iraq. This group put together a huge amount of information.

Q: As you got into this group work dealing with the White House and others, was there a common feeling—conventional wisdom—about what was going to happen? You're looking at what was going to happen after the war, and at that time what was the feeling that it was going to be?

BAY: Certainly, there was the sense that conflict was pretty inevitable from the time I started becoming engaged in this, there was a sense conflict was probably going to be inevitable. I think there was, as I say, the refugee people were a part of this group, too, and I think there was a sense that depending on the damage and based on what had happened in the 1991 war where the Iraqis tried to sabotage the oil fields, and did put oil slicks out into the Gulf. There was a sense that you could have a huge amount of destruction, that they might do destruction to their own country, and that you could have as many as a million people walking. So, we were spending quite a bit of time working with the refugee people, and they in fact were working as early as last September and October they were working with nongovernmental organizations that work on refugee issues to see what might be possible and what could be possible in case of some catastrophe. So, there were certain assumptions. One of the assumptions was that you couldn't really rule out the possibility that Saddam Hussein would try to destroy his own country and destroy the oil fields, and maybe set fires, and so you could have a huge amount of regional damage and a loss of life because of that, not because of a conflict on the U. S. side. The other part of this was that the military was pretty sure that they could do this fairly quickly. I mean, they really felt that this could be a quick conflict, that it wouldn't take long. And I think there was a very strong view that everybody in Iraq would be very happy to have Saddam gone and, therefore, if not embrace would be very comfortable with a change, a very quick change of regime. So, the assumptions were that everything was going to happen much more quickly, and there was a lot of emphasis on the humanitarian side because there was fear that if there were a humanitarian

catastrophe, we could become blamed for that, and we wanted to make sure that we were prepared for that. So, there was a lot of preparation for that. AID (Agency for International Development) in its preparation was preparing to do what they, if fact, turned to have done, but the plan had changed on them, and that was to move in behind the military forces and start working in the villages and the towns to do quick reconstruction projects, and they were looking at quick reconstruction projects because the other underlying assumption was Iraq had a lot of oil and there would be a lot of money, and there wouldn't be any need for a lot of assistance to be given. So, these were the operating assumptions. The conflict could be quick, but it could be very messy and that the oil would be flowing very quickly, and everybody would be happy, and would be very pleased to have the Americans execute a change of regime. So, the theory was that this was all going to happen much more quickly. We did have, as we moved along, humanitarian people particularly being pressed by the nongovernmental organizations who started to raise security issues. They started to say it's really difficult for us to go into any environment and deliver humanitarian assistance in the way that the world has come to recognize, and accept, and want it to be delivered which is through private nongovernmental organizations or, in some cases, public nongovernmental organizations. But these organizations are going to have a very hard time going in if we can't guarantee their safety and security because it's impossible for them to work if they think that their people on the ground are going to be killed.

Q: Somalia would be an example.

BAY: Somalia was an example. Afghanistan was another example. So, they were pretty aggressive in seeking that. Although one doesn't read very much about it in the newspapers, there was a dialogue going on last fall with these nongovernmental organizations because they were also pressing us very, very hard to lift sanctions. We had a sanctions regime in place with Iraq, that had been in place for a long time, which made it literally impossible to legally move goods and services into Iraq even for nongovernmental purposes, and the procedure to get a National Security exception to our sanctions legislation was very cumbersome and difficult. So, we were being pressed very, very hard by the nongovernmental organizations before the conflict to lift sanctions. And this put us in a difficult position because, of course, none of us knew what was going to happen after the conflict. So, there was a lot of discussion and a very lively discussion going on but with a number of competing groups within the administration, different groups working on different issues. I think that there was a group that none of us attended that was actually run out of the Pentagon which was actually talking about trade and commerce. But nobody who worked in trade and commerce was part of that group that was sort of off on its own doing things.

Q: A couple of things. You mention this Pentagon thing. Was the Pentagon running its own show? Obviously, there's a military, but also from the after-action report it sounds like the Pentagon had its own group of people led by Chalabi and others from Iraq who were the favorites of that particular group. In other words, the Pentagon really was trying to keep all the marbles in its control.

BAY: I think that's right. Everything at the Pentagon was being run out of the Office of the Secretary of Defense. So the military bureaucracy and the DOD (Department of Defense) bureaucracy were also outside, and subsequently—and you'd have to go back and look at the names of the people—but they certainly had Chalabi and some of his people. Some of the people who were in this Iraqi working group that was run by the State Department were also in the Department of Defense group but not all of them. Many of them were different people. There was a lot that was just being handled on a very personal basis over at the Pentagon, inside of the Pentagon. About this time last year, shortly before Christmas, the President appointed Jay Garner, who was a retired general who was actually selected because he had worked up in the Kurdish area in 1991 and had been a very effective person. At that point starting in November or December of last year, we started bringing in the people who were going to be allies working with us on the ground: the close allies, the British and the Australians. And we started having very large meetings on what you could do in the reconstruction area, and how this could all evolve. How you could quickly move from conflict into how you could get reconstruction done. Jay Garner from the beginning felt that his mandate was to be there for 90 days, and he felt that in 90 days his work would be done and he would be able to leave, and he would then turn everything over to the Iraqis. Clearly that was the idea. Both at the Pentagon and the White House the idea was that this was going to be very quick, and it wouldn't be protracted, and it wouldn't be long. The traditional military establishment was very concerned about even the model as it was being developed from the beginning because they said we're not used to providing security to nongovernmental organizations. That's not part of our traditional line of work, and we're not used to—other than our civil affairs units—we're not used to rendering reconstruction assistance. And so, this is something you guys, you civilians, really have to figure out. And continually these questions were being raised about well, we can do that, but how are we going to get telecommunications in place, and how are we going to get electricity in place if we can't have the security of our people or Iraqis to work. Jay Garner also felt very, very strongly that he wanted to use Iraqis as much as possible for everything. He really didn't see that there would be a need for a huge number of foreign contractors coming in because he felt that in order to be politically viable, we would really have to have the Iraqis on the ground getting paid wages. He felt very strongly that you've got to pay these people and so you would move very quickly to get them into jobs to start stabilizing things. And, of course, what happened subsequently is that because the conflict was delayed longer than they thought it would be, I think, Garner's arrival was delayed. And, of course, he didn't stay too long, and everything shifted to the scenario that everybody was planning for. Before he came and during the time, he was there it didn't quite happen the way that they thought it would happen because of the security issues. About that time in December of last year, we at State started organizing our own interagency meetings that were open to all agencies who wanted to come, to start looking at the issues that we cared about, and the trade group was working with us on the issues having to do with finance and currency. Nobody liked the Iraqi currency because every dinar had a picture of Saddam on it. Politically there was quite a sense that we needed to change. So, we did a lot of work looking at how we could go about getting a new currency. We were looking at trade regimes. We were looking at investment regimes. People were looking at the constitution. And we started having in January and February we were having a very open

dialogue interagency wide about how we were going to go about change. And this is where the work of the people and the future of the Iraq group which was really very important but has not been noticed very much. One of the things that became apparent to all of us was the Iraqis had quite a good constitution that was written in the 1920s and was based on the Egyptian Constitution which was based on the Napoleonic Constitution and was quite a good constitution including on the economic issues. They had a pretty free regime. Most of the really bad things in Iraqi law were the things that Saddam had just added on or had decreed. So, when you stripped away all of those, you almost had a constitution that you could work with and probably would be politically palatable. But this gives you the context of how far off all of us really were in thinking about security. And then we had continually this nagging issue of security, and, of course, the people who had been screaming about security the loudest were the humanitarian nongovernmental organizations, and then when we found we didn't have—because the conflict was so fast—that we didn't have a million people walking, and we didn't have huge death and destruction from the conflict, those people faded away, but immediately we saw that we had a very different problem.

Q: To put this into context, we're talking January, 2003, and we're facing a very difficult security problem in that loyalists to the Saddam regime were waging a guerilla war and causing all sorts of trouble. Were there people in these working groups in which you sat who were saying "wait a minute! The Sunni are going to cause trouble and the Bathos are not going to go quietly into the night or there's going to be horrendous looting unless you are going to get troops in there to protect the electric grid and supplies."

BAY: There certainly were Arabists in the U. S. government, there weren't as many as there used to be but they were very nervous. People who had served in Iraq before and knew Iraqis thought this wasn't going to be so easy, that you were dealing with a country that hadn't had a democratic process for so many years, and they knew that it was going to be in some ways more difficult even than Afghanistan to try to get these people to come together. Part of the first group of people who went in, and those people, again, thought they'd beat Garner and his group. They thought they'd be in and out in 90 days. They ended up staying in Kuwait for six weeks, a month to six weeks, before it was even safe enough for them to go in. And in that first group there were political officers and Arabists and Arabic linguists who immediately started talking to the people on the ground about how they could start to put together a political process. They did come back very quickly. They reported back and said this is really complicated. I mean, you've got the Baathists, you've got the Sunnis, you've got the Shiites, and none of them have had power for a long time, and we've got the outsiders that we brought in, and we're trying to meld all this together. They were the first ones who said "we can't do this in 90 days. This is going to take a longer time to do." So, we were aware from the very first days that the political process was going to be complicated and slow. Another aspect of this and something that has been written about a lot in the press is that Jay Garner felt, and it was really policy at last December that you wouldn't try to "de-Baathisize", they would say, the entire society, that you couldn't do that. Our experience in East Germany and in Russia and other countries have shown that you really can't go in and take away everybody. You can go for the top people, but you have to leave the others in. And this

became very important because such a large percentage of the Iraqi workforce was in the military, and so you had a very large percentage of people in the military. And Garner's view was "we need these guys. We want to pay them wages, and we want to keep them working except at the higher officer level people." And so, he started down that road, but when he departed and Jerry Bremer replaced him, one of Bremer's first acts was to say "no, everybody basically has to go. All the Baathists have to go."

Q: Were you dealing with this when Bremer went in?

BAY: Yes. Because that was about May, and by that time we realized we were now an occupying power. And, of course, then we were really into a difficult situation because we had to try to find some way to work with the UN (United Nations) in New York. We had been working with our close allies, with the British and Australians, trying to work together to figure out what was best and what would be the best way to turn Iraq into a market economy as quickly as we could. So, the people who work in the International Organizations Bureau at the State Department were really...they really had a hard time at that point because they had to go to New York and to try to get international support for UN resolutions which essentially would give the United States the right to do whatever we chose to do as the occupying power in Iraq. So, we were very aware, and the President really gave Jerry Bremer the authority that he needed. Bremer did not and does not report to the State Department. He reports to the President through Donald Rumsfeld, and that's the chain of command for him.

Q: In the first place, on the subject of looting, had this been a matter of concern?

BAY: There was a fear about that, and there were those in these various interagency processes, there were those who had warned about that, but I really don't believe that anybody in there... I don't remember any worse case scenario where you saw the kind of instability that we see now going on for months and months and months. I think the White House people really did believe the Iraqis would be happy. And I know that some of the people who are in Baghdad now...and we have sent a number of people. We've sent a number of economists to Baghdad, so there's a number of Foreign Service people who have been coming and going, and even three or four months ago, they really believed that if Saddam weren't around anymore that all of this would probably stop pretty quickly. But I certainly don't know if Saddam is still around, but if he is still around, they say the psychology of the Iraqi people is that if there's any possibility that this man is going to come back, they don't in any way want to be seen cooperating with the Americans. And, of course, you have a disenfranchised military who were getting paid and then they weren't getting paid anymore who, perhaps don't see so much reason to cooperate with the people who aren't paying them. And that's changing again now, too, because now they're going to be creating a larger security force. But that probably contributed to the problem but very senior U. S. diplomats believed you would get greater cooperation from the Iraqi people if they had some sense that they would themselves be killed if Saddam were to come back and take over again. So, if you put yourself in the Iraqi mindset, their behavior might be logical. The other part of this, of course, is in a certain sense—and you'd have to talk with AID (Agency for International Development)

people about this—but they were succeeding with a very poor public relations image in the international media. Then in village after village they were doing exactly what they planned to do. They were getting the schools built. They were getting the electricity up and running. They were getting some telephone systems in, and things were actually better. The City of Baghdad and in the area just between Mosul and Tikrit and around Fallujah...

Q: ...so-called Sunni tribe.

BAY: Right. That's where the real difficulties are.

Q: I remember seeing an article on the Iraqi tragedy. It ain't over till the fat lady...

BAY: It's not over....

Q: ...sings.

BAY: ... (until) it's over. And Jerry Bremer, I mean in a certain sense, bless his heart, because he had been put in charge, and now he has to make these decisions. And what we would do on looking at a trade regime and looking at investment issues that we were working on is we would put together options, and we would give him the best options that we could give him on what type of investment regime you could have. The Iraqis themselves, all the Iraqis who were close to the Pentagon and the other overseas Iraqis and the Iraqis in Iraq were frightened to death, that if you forced them to have a wide open trade and investment regime, all the Arab money guys would take everything and their country would be plundered. And so there was a lot of sense about how can you start to ease this society, this economy, which had been more controlled than the Russian economy. Everything was based on that food rationing system. That's another thing we had to work on is how did you get rid of food rations and get them onto some kind of currency basis and do it quickly. And that has worked relatively well. Everybody said oh, you can't do it. You can't take away their food rations because that's what represents security to them. We managed to do that. I think it's going relatively smoothly. A lot of these killings are taking place when people are trying to deliver currency and money to various banks. But even if you didn't have the conflict, the task is an extraordinary task. And Bremer has to listen to all the points of view then try to make the right decision. And, of course, there are a lot of points of view in the White House that believe in a very conservatively totally market based economy and going cold turkey right now, not having a transition period. I think that the security developments have dictated the pace, have slowed things down a bit which is probably not bad, but we and all the people we were working with who were our international partners, we all were looking at what worked and what didn't work in Russia; what worked and what didn't work in East Germany; what worked and what didn't work in the former Yugoslavia. And we had in those early months in 2003, we had a very good collaborative process where we were trying to work together and figure out what would be the best way to advise the Iraqis moving forward.

Q: Do you have any feel during this time of the role of Secretary of State Colin Powell?

BAY: As I said, I think the primary decision maker and what really colored all the views of everyone at the White House, and they were very much in charge of this process, were really the views of Donald Rumsfeld and a small group of people around him. And I think both Colin Powell and Richard Armitage were trying very, very hard to balance this with what the State Department knew how to do best which is knowledge about the people, knowledge about how the people would behave, past knowledge about the country. No one had very good current knowledge about the country. We really didn't... Our knowledge was tertiary. There weren't really Americans around Iraq, so our knowledge came from other diplomats in other countries and other types of technical information. But none of us had really very accurate information about anything, about the economy, about exactly how things functioned. We gradually started getting more information as we got closer to conflict, but we went into conflict without a lot of detailed information about exactly how does the Ministry of Trade issue these coupons, and how are they distributed for the Oil for Food Program? Now there is one caveat there, of course, who ran the Oil for Food Program? The UN (United Nations). And so, the UN had hundreds of employees in Iraq administering the Oil for Food Program, working in ports, distributing the food, storing the food, checking the food. So, there were lots of UN employees, both Iraqis and international UN employees who knew a lot about how things worked. It wasn't in their interests to talk, so they actually didn't share a whole lot of information.

Q: When you say it wasn't in their interests to talk, were we reaching out to them or were we mad at the UN or were they mad at us?

BAY: Well, we're the State Department, so we talk to anybody. Others were probably mad at them, and some of them were and still are mad at us, but we established a dialogue with the people in the UN, people who were in charge of the Oil for Food Program. Initially it was very difficult, and they didn't really want to open the books, and they didn't really want to share, but gradually we developed a better relationship with them. But again, you're talking about a program that was a very expensive program and employed hundreds of people—maybe thousands of people—in the UN system. So, you have your own UN employment factor there, and they could see all of this going away. I don't know since I'm not there now exactly what has happened, but I know that some of our diplomats who were there made a very strong recommendation that we hire... (Ms. Bay's voice trailed away at the end of the tape.)

Q: This is tape 7, Side 1 with Janice Bay. Would repeat that last part?

BAY: There were many of our diplomats who were on the ground who made very strong recommendations that we take over the employment of the people who had been running the Oil for Food Program on the ground in Iraq because they were technocrats, good people. Our view on all of these issues was that Iraq was very different than most developing countries, and many of the people were highly skilled. They lived in an oil sector where the oil engineers were some of the best engineers in the business. We knew that the oil traders were some of the best traders in the business. So, it was a question of

whether these people would be willing to come and work for you as you are the outsider coming into their country. And certainly, initially most of them were. From the beginning there was a sense that you had to, that there were certain people at the top that had to be replaced because anybody who knew people who were really high officials, knew they were able to work because they were probably giving oil to Saddam although what we sort of knew and know I think more about now is there was a rather small number of people around him. I know the military talks about the “deck of cards” and there was a group of people probably not more than a couple hundred people that really very concentrated power, probably less than a hundred people had very concentrated power. As we learned about the banking system, we learned that these banks weren’t really banks at all. They were just kind of shells, and money could be delivered and transactions could take place or not. Very few people had their money in the banking system because they were fearful of it. It was one of these societies where anybody who had assets probably had them hidden under their mattress at home. There wasn’t really any trust in the economy that really worked, but the food distribution system had worked. It had worked very efficiently, and up in the north that was handled very differently by a different group of people. I think Debbie Mucho handled the food distribution up in the north, and that was another issue about how to bring the north and the south, how to bring the Kurdish part of the law into the other part of the law. I think that part has worked relatively well.

Q: Was there the feeling as you were talking that you were dividing up and saying well look. The situation in Kurdistan, or whatever you want to call it, will take care of itself in a way. We’ve got to worry about the Sunni and Shiite parts.

BAY: We were worried about the Kurds because we were worried about Turkey, and we were worried about making sure that there would be one Iraq. And the Kurds actually came to us and said we want to be part of Iraq. We don’t want to be a little separate state. We want to be part of Iraq. The Kurds are frightened to death of Turkey. They explained to us—they would come to us individually and explain to us—we are Kurdish officials, but we have family members who have lived in Iraq for 20 years. We belong to the same country, and we really feel that we have to try to become one country. I think the Kurds have been a rather positive force and tried to put together this political process which is extraordinarily complicated to get the parties to come together and try to reach conclusions about how they want to move forward.

Q: Did you find an attitude emanating particularly from the White House and the Pentagon as we got close to the beginning of the war when it was very apparent that France and Germany and Russia weren’t going to go along and that the UN was not really going to go along. They’d say well, screw you, we’re doing it without you an attempt in a way to freeze them out or was there a reaching out to them as are...

BAY: We at the State Department were definitely reaching out. I think that people at the Defense Department felt, and some of the people at the White House felt, more like what you’ve said is that we’re just going to go ahead without you. As you recall, Donald Rumsfeld did a lot of travelling and went to a lot of countries to talk about the new year

and the old year _____ allies that were in the new year, the countries of the former Eastern Bloc. And he made a big point about that which didn't particularly help us in New York. But we worked indefatigably in New York and John Negroponte, our Ambassador to the UN worked very, very hard, just kept working to try to bring consensus together. And we did get consensus, resolutions, but it was very hard. And again, when we compare that to Afghanistan where we had actually an international community that was quite willing to come together and work together and be hopeful, we found that there were those who just really didn't want to work for us. Now, a lot of this also had to do with their part in the Oil for Food Program because there were huge beneficiaries. France and Russia in particular were beneficiaries. The other element of this was that Iraq had this huge debt overhang, and France and Russia were two of the largest holders of Iraqi debt. They were afraid of that, too. We, in fact, we did something that we called "revested" the assets of Iraq that were in the United States. Vesting meant that we found a legal way to take them and use them. Spend them. And this was another issue that became rather controversial in the interagency process because those of us in the State Department, and I think some in the Treasury Department felt very strongly that you're going to have to explain to Congress what you did with this money. If you're going to take these vested assets and use them...

Q: What are we talking about, vested assets?

BAY: It's taking the money that was existing in U. S. accounts. It's a legal word called "vesting", but it really means taking the money and spending it, and spending it for Iraq. And so, to Donald Rumsfeld it meant the Defense Department was taking it and saying well, we'll use this money for the reconstruction of Iraq. The kinds of things that became controversial were, what expenses are the reconstruction of Iraq? If you're paying for airlift for Polish troops to fly to Baghdad, is that paying for the reconstruction of Iraq? In retrospect, I guess it probably was if that improved the security situation. If you're paying for uniforms for Fijian troops, was that reconstruction of Iraq? The Pentagon just wanted to be able to just spend this money without going through any kind of oversight or process.

Q: It does seem a bit cavalier.

BAY: Right. These were the kinds of issues that were very consuming. It was very difficult for the State Department during this entire period. I think the State Department had to pick its battles and pick the issues that they felt really had to get to cabinet level attention. Because over the preceding several months, Donald Rumsfeld was really the person who was driving the policy and driving the issues and really keeping very much debate from taking place inside of the Bush Administration.

Q: Did you have a feel for Vice President Richard Cheney within the White House?

BAY: No. Cheney, as you know, wasn't a very public figure, so he didn't play an open role, but one must assume that he and Rumsfeld worked together in their thinking about preemption and the need to move forward. All of them really believe in democracy. They

really believe that democracy is the way to make a change in the Middle East that will make the Middle East a more stable place. They have actually very lofty goals. And the question was whether or not these goals were achievable, and certainly I learned that their short-term goal in Iraq wasn't achievable in the very short-term. It was going to take a longer time. I would tend to agree with you that it's never over 'til it's over, and none of us should have probably thought that it was going to be over so quickly in Iraq when you have a country that for so long had been ruled in such a terrible way that change was going to take a little while before there was a comfort level with them, and a leadership, a leader, was going to have to emerge. These were a people who were used to a strong leader. They really needed to see a strong leader, and I think that the conflict that's going on now between the Sunni and the Shiite and the Kurds is deciding who can be a leader.

Q: One of our major concerns in looking at other countries, particularly Iran, is that we're scared to death that we might end up with a strong Shiite cleric turning it into an Islamic state of mirror-imaging perhaps Iran.

BAY: I think there's a great fear about that.

Q: A major partner was Great Britain. I don't understand. How do they fit in?

BAY: Great Britain was with us on all the economic planning. At one point at this time last year we were having almost weekly meetings, and they would be sending over officials from the Bank of England and Treasury. And the Australians were also were right with us. The Australians sent people. The Australians also had a very important issue for them which was the issue of grain because Australia was one of the major suppliers of grain in the Oil for Food Program. So, this was a huge export item for Australia, and the Australians were very worried that they would lose this kind of monopoly that they had exporting grain to Iraq. So, both the Australians and the British and also the Japanese were with us. And again, as we saw in Afghanistan, the Japanese were starting to play a much larger and a much more active role than they had in the past. They have diplomats. Not only did they have diplomats, they have great economists who are fluent in English, but they in Iraq they would have to be fluent in English and Arabic and have lots of experience in the Arab world. So, the Japanese were right with us as well. So, all of these countries—New Zealand was with us—so all of these countries were with us as we were digging our way through the options. And all of us were thinking that we had very little time, that we had to do this very quickly, and when we got the first UN resolution, they said they would renew the World Food Program but only until the first of November. And we were thinking how can we possibly change this regime by the first of November? This was before the security situation was as bad as it was. And we saw instantly as soon as the President declared that the conflict was over, we saw that it wasn't over at all as we started losing a soldier a day. And we saw that it wasn't going to be safe for our civilians to be doing what we wanted them to do, moving around the country and really trying to coordinate the reconstruction projects. And not even safe for the Iraqis who were part of the governing council to move around and do very much. And so, the security situation has made it more difficult. It has made getting international support more difficult. Our experience, and we again can go back to talking

about dealing with Europeans and dealing with France and dealing with Germany. Our experience is they will be there, particularly on the humanitarian side if they find that politically they find that everything is going OK. It's a very rare case where you would see France, Germany, the Scandinavians and the Netherlands refuse to help in a humanitarian crisis. But they have to feel comfortable for what's going on, and right now, of course, they have to feel comfortable with not having their people lose their lives, and that's had a huge impact on the United Nations as well.

Q: Did you feel before the war started in the days leading up to the war, particularly what was the feeling? What was motivating France? Did they really want to see Saddam continue?

BAY: I don't think France wanted to see Saddam continue. I think that that was a huge issue with them. They wanted to be sure they eventually got their money back. Russia wanted to be sure it eventually got its money back. Those were important issues. I think that probably was one of the reasons that the French were pushing hard to have a quicker Iraqi takeover. For France this was really empathetic to how they would deal with a crisis watching a large number of American troops and American military presence occupying a country was not what the French would have liked to see as a solution to a problem. But the French felt that they had knowledge and expertise in the Middle East and that they were being ignored by us, I think.

Q: Did you feel in a way being ignored, it's one of these things as you move towards a war where you're either with us or against us. Consulting somebody who is telling you not to do it doesn't work under those circumstances.

BAY: That's right. In fact, at the end of the day we just did go past them, and I think that was what created actually more problems with Germany because Germany acquired a strong anti-military constituency, and I think that when you watch Schroeder, his behavior was very much dictated by his domestic polls. In France it was a little different. I think the French were a little bit upset. The French elite were a little upset probably at the way this all turned out. But I don't know if you'd had anybody else there other than Chirac, I don't know if you've have seen any different outcome. We were relatively cavalier in the way we were proceeding. You have to remember we did get consensus United Nations resolutions, though, on moving forward and how we were going to deal with all of these issues and how we were going to deal with assets and how we were going to deal with Oil for Food.

Q: On the economic side, looking at this debt overhang particularly to Russia and to France, was there any feeling of saying oh, hell—they're not doing much. Let's just in the long run just cut it and say oh, well, take your losses because the Iraqis can't afford to pay this, or was that not a feasible stand?

BAY: The position that we took from the beginning was that we all understood that Iraq was a country with assets, and it would have assets, and it would be able to pay its debts eventually, but there was no way in the world that it was going to be able to pay its debts

in the short run. And it was going to take us a while to get the oil fields up and running. We had not predicted that we would have the level of insecurity in the oil fields that we, in fact, had. But we knew that no work had been done on repairs to those fields for many years, and it was going to take a good while before we actually got to the 1990 levels even. So, we started reaching out, and we went to the Paris Club in Paris and said we feel there's going to need to be a breathing space, period of time where they don't have to pay. And we talked to the Japanese about it, and the Japanese had lots of domestic political pressure to make sure they got their money back, too, and they had significant money owed to them by Iraq. And so, we talked to everyone about it, and we essentially got that consensus. The interesting thing that was happening now is that James Baker has just been appointed to be the President's envoy on debt, and so they're going to send him around to talk to people, and I would guess that means that we're starting to get pressure from some of these countries that really want their money back. Also, a number of the Eastern European countries have debt which is not very large amounts of debt for any single country, but for each one of those little countries, it was very important to them because it's a large amount of money for their small economies. And those countries, of course, also very much wanted a part of the reconstruction business, and one of the things that we were working on throughout the spring and the summer was meeting with those countries and talking to them about how they could participate in the bidding process to try to get some of the contracts in Iraq because many of them had been in Iraq. They had built a lot of the facilities in Iraq during the 1980s and the 1990s. So, they had knowledge of economic facilities that existed in Iraq.

Q: One of the charges laid against the United States is that it went into this to dominate the oil and the business of Iraq. Did you find that there was pressure or movement to make sure American contractors got the stuff? We're talking about Halliburton, but others?

BAY: There was inside of the U. S. government a lot of conflict about that. The first Pentagon contracts were sole sourced, and the first AID (Agency for International Development) contracts were sole sourced, but the subcontractors were able to go out and select whomever they wanted from anybody in the world, although I don't think anybody thought that by this time there would be much chance that France or Germany was going to get any of these contracts. The UK (United Kingdom) clearly was going to get some of these contracts. And as normally happens in a democracy like ours, as we went through this, we found U. S. companies getting the majority of the contracts. There was a backlash, and now a lot of that has been reconsidered and many of the new contracts are being competitively bid. And we undertook an effort, the Commerce Department undertook an effort to actually help countries that were part of our allies, people who were with us and who were our partners, figure out how to bid. If you're the country of Romania or the country of Bulgaria and you're trying to participate in a DOD (Department of Defense) bidding process, it's really difficult. It's really difficult. And DOD itself also put on some seminars, so there's been a lot of fence building done over the last several months to try to put together more transparency and ways that these countries can actually try and get their foot in the door and actually bid on contracts. It's been more difficult, again, in the last few months because initially almost all of these

countries rushed off to Baghdad to open embassies so they could be on the ground and have a sense of getting their foot in the door quickly. A lot of them have had to close their embassies for security reasons in the last couple of months.

Q: What about the sanctions and the restrictions? I find it sort of astounding. I was talking to Joyce Leader who was involved with refugees particularly...

BAY: Right. She was in charge of refugees...

Q: ...and she was saying that you've got a war on, and you're trying to take care of things, and all of a sudden someone comes in and says no, you can't take that laptop computer in...

BAY: Right. Right. You...

Q: ...but you can do your business. It sounded like a never never land.

BAY: The sanctions law in the United States is a very, very restrictive law, and the sanctions people...and eventually the sanctions were lifted almost over their dead bodies because they said we did not know who was going to be in charge. We did not know whether there was going to be a stable government. We did not know whether they would try to do nefarious things. And they felt very strongly that they had to acquit the law based on the intent of Congress in passing those laws. And so, this was a problem that always comes up in sanction legislation – the fact that political events move out ahead of the legal process. And so, we were able to eventually do it, but it was very, very difficult, and the people in the Treasury Department who have to make the final decision that the Office of Foreign Assets Control (OFAC) they have a great deal of imperial power, but their power is there because Congress... I mean we have to realize that all of these organizations exist in the U. S. government because it was the intent of Congress to do that and to make very tight laws, and to make sure that the laws were implemented. So, these people were very concerned about disobeying the laws, and it was very difficult. We all knew that once conflict started, the military was going to take in whatever it needed to conduct its conflict. And the NGOs (nongovernmental organizations), we thought, would be 48 or 72 hours behind them, and how could we be telling the NGO's that you can't have a telephone, you can't have a radio, and you've got the military out in front of you with this equipment. And we eventually did that, but that was pretty contentious, and we thought about it for months. We thought about it for three months.

Q: It reminds me that supposedly when the attack on Pearl Harbor came, there were sergeants who said, "I can't break out the ammunition because I don't have an authorization." And planes were zooming down, and so they had to knock the sergeant aside and break down the door. This, of course, happens.

BAY: It was very difficult, and we didn't have at the State Department, we didn't have authority even at the White House. There wasn't really the authority to order... Designated officials who have the authority designated in legislation to be the decision-

makers. And eventually we managed to get it done, and we did it eventually before conflict took place, but it was difficult. And, of course, these guys were right. They said, "I'm charged under the law in making these decisions, and the law says that I can't lift these sanctions unless I have evidence that there's going to be a better government and a better administration and better practices in that country that we've seen in the past." But this is part of our checks and balances system. I mean, everything having to do with sanctions legislation is extraordinarily political.

Q: Was there a move to bring the sanctions people from Congress into this to say come on, fellas, let's give these guys leeway before things happen?

BAY: I think that's eventually what happened. Certainly, we were being pressed hard. The State Department actually issues the final license. Before the sanctions are lifted, you still have to give them licenses. We actually issue those licenses, but we can only issue those licenses once the Treasury people have given approval to issue the licenses. And we had the deputies of OMB screaming at us and screaming at Richard Armitage every single day saying, "you've got to get that stuff done and get it lifted and get it over with." And we eventually were able to do it, and we eventually did it before conflict. But we were positioning people. NGO's (nongovernmental organizations) were being positioned in Turkey and in Kuwait, and they wanted to have the ability to be able to move. When they got the call to move, they wanted everything to be in place. Eventually that became a lesser issue, but it was a wild issue for three or four months while we were arguing, but interestingly in our system there are certain areas where even the President doesn't want to intervene because he understands the legislative process and the importance of actually going to Congress and saying, "we're ignoring you." But you're right, perhaps there could have been a larger effort to reach out to Congress. We did start talking to Congress early in January and February, briefing them on the reconstruction part of this and how we saw reconstruction and how things might be going, but it was pretty limited briefing. They were for the appropriators, and it was really only the appropriators. Again, we weren't talking about large amounts of money at that time. We were talking about pretty small amounts because there was the view that this was going to happen quickly and the oil was going to pay for everything. And we all knew that the bills were going to be way higher than the oil revenue was going to be for several years, so we proactively went out and started talking to people about debt. We said, "there's no way in the world that all you other countries can go to Iraq and say pay up now because we'd just be writing them another death warrant and providing even more elements of instability."

Q: During this process leading up to the war, were you sensing, feeling or was it being thrown in your face a discontent so the diplomatic process was being used to keep _____ them the DOD but emanated from the President of disregarding the European countries. Was this a problem for you?

BAY: I think it made it very difficult for us, and it was very difficult for the State Department as a whole that the DOD (Department of Defense) was driving this process and even though you had all of these different groups working on different issues, as I said earlier, the one State Department group on the future of Iraq would be Iraqis became

irrelevant, and even though they did an extraordinary amount of work, and even though they warned people about instability and the instability that could take place. So, I think it was very hard for the State Department, hard for the Middle East, hard for State Department because, again, people who had served in Iraq knew and Iraqis knew how proud and stubborn these people are. Of all the people in the Middle East, they may hate their leader, they may have hated their leader for 50 years, but they're still Iraqis and they still are very proud to be Iraqis and proud of their country, and I think they all knew that this was going to be very, very difficult, and could potentially be much more difficult than the Pentagon and the White House thought it might be.

Q: First of all, when we're talking about the Pentagon, we're essentially talking about the civilian leadership in the Pentagon.

BAY: Yes, you are, because the military, again, were very concerned because they said, "we're not reconstruction guys. That's not what we do, and our mission isn't to protect civilians coming behind us. Our mission is to execute a war, complete the war, complete the conflict and get out. That's what we're paid to do." They saw that they were being pushed into a reconstruction role that they weren't sure they really wanted. What's interesting is that just in the last week Rumsfeld and Wolfowitz have publicly started to talk about maybe we need to change what the military does, the mission of the military. Maybe we have to create different kinds of units. Maybe we need to take the people who are excellent work in civil affairs but are very tiny and turn that into a much larger branch of the military so that in future conflicts we'll be better prepared to go in and execute reconstruction. So, they still have this idea in their mind that they can go and do reconstruction better than AID (Agency for International Development), better than civilians. And that's an area where we have a fundamental difference. Traditionally the refugee groups have a great deal of difficulty working in conflict situations where you have to rely on U. S. military for their protection because they do not want to be identified. Most of those groups are international in nature and don't want to be identified with any particular government. They could do better if they were under the protection of a NATO (North Atlantic Treaty Organization) force or some kind of international force. But if they have to be working directly with the U. S. military, they have a lot of difficulty and they have problems with their own constituency, some of them because they're religious organizations, and some of them because a lot of their money comes from governments that want that money only used for peaceful purposes. So, this is a conflict that we're going to see playing out in the next few years. It certainly isn't over because of this conflict. We had a huge conflict with the humanitarian groups in Afghanistan because the American civil affairs units were moving all around Afghanistan. We're going out in dangerous circumstances and rebuilding schools and fixing roads and fixing bridges, and they carried weapons, and they weren't wearing uniforms. Several of the humanitarian groups protested virulently about the U. S. forces going out in civilian clothes with weapons in Afghanistan because none of the humanitarian groups carried weapons, and they felt that was putting them at much greater risk. I think that a lot of these issues are being submerged right now because the security issues are so overwhelming that you're not hearing much talk about a lot of these issues. But all of these issues are still out there. But this would be a very fundamental change

about how the United States delivers assistance if we started to say now we're going to have a whole branch of the military that's going to be dedicated to doing development assistance and reconstruction. And we're going to train them and teach them languages, we're going to teach them how to deal with local populations more effectively. Certainly Rumsfeld and Wolfowitz realize that the 18-year-old Marine from Iowa doesn't have a clue what to do when he's thrown in the middle of a fire in a town square in a little village in northern Iraq and doesn't understand how to relate to the local community. The civil affairs people who are trained in doing just that are really pretty admirable, they really are. They are just a few thousand of them all together in Iraq, and they're spread out all over the country. So, this will be a battle, a philosophical battle, that will need to go on in the future, and I would certainly argue for the civilian side. I would argue that the way that we have traditionally delivered assistance which now again is primarily delivered by AID employees on the ground but by nongovernmental organizations is a probably a better way to do it. There are always problems. We found those problems in Afghanistan, and we will continue to see those problems. When Iraq calms down we'll see it more, and those problems have to do with those NGO's, groups like Medecins Sans Frontieres, the Swiss Doctors Without Borders, who are used to going into conflict situations. Or in some cases the International Red Cross. They're used to operating in conflict situations and operating and doing what they need to do. What they're not used to and was a huge issue in Afghanistan was reporting to President Karzai of Afghanistan, to take guidance from him. Because Karzai, after he'd been in office two weeks said I know those guys, I know they've been up there, I know they've been up there in the north of Afghanistan. I know that they've been there for the last five years. I know what they're doing. But that doesn't quite fit with how I see my claim for the whole country, and I'd like for them to be coordinating what they're doing with what we're doing in the rest of the country. And some of these groups became so angry that they wanted to leave because they're not used to responding to any authority except their own authority. And these were some of the best and most respected groups in the world, but the ones who are the biggest risk takers. There are groups that were operating in Afghanistan who never left Afghanistan and just kept operating there. And they didn't have any governmental authority to deal with, so they did whatever they pleased. They didn't like it when a new government came in to Kabul and started dictating to them. So, these kinds of problems will become more and more important in Iraq as you move to a civilian Iraqi authority, but they're the kinds of problems you have to deal with.

Q: We're still talking about 2002 and 2003. How were we working with the nongovernmental organizations that we could deal with? They're both the ones like the French organizations, but also our own. Have we got a good way of dealing with them—the government to the nongovernmental?

BAY: I think we do. On this very difficult issue of sanctions lifting, we started meeting with them. AID (Agency for International Development) has a meeting, I believe, once a week, once every two weeks, with a whole group of the leading American nongovernmental organizations, it may even include international ones, where we talked about various issues. And we started sending our sanctions guys over to those meetings just to talk to them, explain to them, listen to them, hear their complaints, and whether

there were any cases where we had to see if we could more urgently get permission for them. And so we've had a very vibrant communication with them because of one of the issues that we talked about earlier, the Millennium Challenge Corporation where the President Bush wanted to put an extra five billion dollars a year into foreign assistance. We had developed very close relationships with the leaders of the nongovernmental organizations in Washington, groups like Interaction, Bread for the World, Catholic Relief Services, CARE (Cooperative for Assistance and Relief Everywhere), and we had them at the State Department talking with them and briefing them. So, we got to know some of these people over the course of the last year. They were not shy at all when they had issues that they wanted to bring to our attention regarding Iraq. As I say, one of the things that there hasn't been much press coverage about is the fact that these people had a lot of contact with the U. S. government and had a lot of contact with very high levels of the U. S. government and all the government agencies and in the White House and certainly there on Capitol Hill every single day. I mean, they all have their constituents on the Hill. So, they're very active members of the foreign policy establishment in Washington and have quite a lot of influence. A group like Catholic Relief Services is in I'm sure well over a 100 countries in the world and have huge budget. So, they're really rather very large players in the development assistance area.

Q: Were you able to observe their relationship to the Pentagon, on the civilian and the military side? Usually this is not a group that the military likes to deal with.

BAY: I would reverse that. This group doesn't like to deal with the military. The military civilian side is quite willing to work with them. The military, again the uniformed military side, is very fearful of working with them because they're fearful of getting sucked in to that development assistance role or the role of providing physical security for these groups. But, and to give you an idea of what's going on, the Pentagon started having meetings, inviting them to come to meetings at the Pentagon to talk about these issues. And attendance was initially kind of sporadic, but they actually did try and have a dialogue with these groups. Some of the earliest attempts of the military to go talk to these groups were pretty disastrous. I mean they'd fly some general in from Tampa who would come up here and walk in to these groups and say this is what the military plan was, this is what we're going to do, and really didn't want to listen to these groups, and that didn't work very well. But they're learning by doing in this conflict, and it certainly hasn't been easy for the military. But again, the uniformed military, this is not what they want to do. They don't want this mission. They don't want to be fixing schools, delivering babies, performing surgery for appendicitis. This isn't what they considered to be a military role. I tend to agree that they're right about that.

Q: Did you see any impact of the revolution in communications on how you all worked up to the time you left the State Department? Was this a different world?

BAY: In Iraq?

Q: Yes.

BAY: It is a different world because we initially it took us awhile. The civilians who were part of the military group, _____ at the beginning weren't given as much resources as the military had. I'm sure that surprises you terribly to know that. So, it took them a little while to get up and running, but within a couple of weeks of them being there, we were on e-mail connection with them. And so, we were talking with them on a daily basis on e-mail. It was very difficult to talk on telephone. We also had, starting in May, maybe even earlier, weekly secure video conferences with them. The PR (provincial reconstruction? public relations?) people out in Baghdad. So, we would actually have a meeting chaired by the White House where we would talk to the people on the ground about whatever issues were important, what was coming up, what was needed. We would talk on the assistance side. A typical issue would be that the Russians and the Japanese want to bring a field hospital. Do you need a field hospital? And somebody would come forward and say no, we don't really need field hospitals. Iraq has good hospitals. We just need to fix them up and fix the windows. They'll be fine. Just get some electricity in there, those kinds of practical issues. So that already was a huge change from any other prior conflict situation that I know about. We up until today still don't have the ability, I don't think, to do a video conference with Kabul. We can do telephone conferences. So, they do video conferences, I think they do them daily. Certainly, the military does daily video conferences with Kabul, and I imagine the White House—one or another group in the White House—is talking to Kabul in a video conference daily. So, you have that. You have instant e-mail and, of course, you have, like we did in Europe in the early days, the time change that permits them to go to bed and send off e-mail before they go to bed at night and say I really need guidance on this by tomorrow morning when I wake up. And then we have the ability to actually get that back to them. So, we could actually provide them guidance in real-time, that's very different. What I understand from people that I have talked to in the military is kind of amazing. There's a lot of e-mail contact even out in Fallujah and places like that with fairly low-ranking military people on the ground and their families in the United States. There's a huge amount of chatter going on. And that's very interesting, too, because that's something else that hasn't been highlighted really in the press -- that there's a lot of knowledge. Family members in the United States who have family members even in the worst conflict situations know what's going on because the wives are getting e-mails every day from their husbands, and there doesn't seem to be... Again, it's the problem with the Internet. There's no real censorship of the information, so there's a lot of information... This became a kind of problem. It must not be a problem the White House is very concerned about, but in Baghdad in this area they call the Green Area, if there's a mini-interagency process. You have people from the White House, political appointees from the White House, people from the Treasury Department, people from the State Department, a couple of people from the Commerce Department. At one point they had people from lots of other government agencies. I mean, they had someone there from the FAA (Federal Aviation Agency). They found somebody out there from the Federal Reserve Bank. In the early days everybody went before they were so worried about security, and at one point Jay Garner said he figured he had 2,000 civilians, and he didn't know who they were out there running around. So, you had all these government agencies inside this compound, which is a huge compound, and from there they could call Washington, but they couldn't call each other, so they'd have to come together and have

meetings and wander around and find each other. So, you had the Treasury Department sending information to their person and the State Department sending information to their person, and the Defense Department, and civilians sending something else, and other agencies sending other information. So, they had actual interagency meetings out there where Bremer would decide what to do. And so, they've replicated the sort of inter-agency Washington process including the political part of it. I would stress that because there are people from the President's office and the Vice-President's office that are out there and are part of the interagency process out there. And they have been given authority under Jerry Bremer to make the decisions. So, you have competing information. Instead of going from Washington with an interagency position saying this is the interagency position, you may come up with an interagency position. We might send a State cable out to whomever from the State Department is there. I say this because most of these people are only spending 90 days there. There are people, Pat Kennedy who you might know, has been out there since the beginning, and there are people that they want to stay six months, but it's pretty hard under these conditions to have these people stay more than 90 days. So what Bremer may get is five different agency positions out there. So, this is quite different than other types of conflict and technology is what has enabled it to really happen.

(Transcriptionist's note: This starts Tape 7, Side 2)

BAY: One of the things that we saw in the first group of American Foreign Service officers and other civilians who went in is that the military really hadn't planned to provide them with the resources that they needed to do their jobs. And so, they didn't initially have e-mail or Internet. Even when they were in Kuwait they had one unclassified Internet terminal in their hotel lobby, and a 100 of them had to share it. So, they worked 24-hours a day sending messages back, but eventually that sorted itself out. And the first group that went in, which by that time it was at least four to six weeks after the conflict started that the first ones got there, there were no provisions made for them for accommodations or anything. I mean, these people were going around in the palace finding their own mattress, finding their own bed. They could get food because they could show up at the mess hall and eat, but they didn't until really until Pat Kennedy got there, he started then organizing things and getting things organized so that people could get the resources that they needed to do their jobs. So, it was pretty difficult. And, of course, security even at the beginning -- if they wanted to go out of this area where the civilians were, they had to get permission from the military to go out. Then they would have to get resources. They'd have to get a Humvee and several escorts in order to be able to get out. So, it became difficult to go out and talk to Iraqis and find out anything that was going on outside of this palace from the very early days. So, it wasn't easy for that first group of civilians. I think it's quite a bit better now. They have brought in trailers—the same kinds of trailers that house our people in Afghanistan—and they've got generators, they've got electricity, and they've got Internet, and phones. And the phones work from time to time. There's mobile phone service that works. But it was very difficult at the beginning, and probably from the perspective of the Iraqis, not very heartening, either, because you had a huge number of Americans come and move into this palace compound which had been Saddam's palace, and many of them never left it,

never went outside. Just stayed in there. Some of them were there for three months and never went outside.

Q: You left the Foreign Service when?

BAY: I actually left my job in the Economic Bureau at the end of July. So basically, we've kind of brought us up to that point. The same issues, of course, are still going on. We're still having international conferences to try and get money from our allies to help pay for reconstruction. Security has really gone backwards since that time.

Q: How about within—I come to a question I posed before—but by the time you left, did you find the Foreign Service, or at least your colleagues, conflicted on this whole business? I mean, beyond just the Iraq thing, but the foreign policy of the Bush administration?

BAY: I think there is a lot of conflict about what is the role of foreign policy, and what is the role of the State Department on foreign policy, and how do you conduct foreign policy. What you didn't see in this period... I mentioned there were a lot of groups working on different aspects of Iraqi reconstruction, and there wasn't much interaction between these groups. And eventually we, as people who are always trying to integrate, and people certainly in the economic function of the State Department, all of our work is interagency, and we're always trying to integrate. So eventually we penetrated all these groups, and we were able to be part of the weekly meetings with the coalition, and we were able to be part of the White House meetings on political, military, and security issues, because eventually even they realized that reconstruction was the most important element of what they were going to have to try to do, and we were able to penetrate the budget policy process and the Treasury process which was a separate process. But what you didn't see during this period time was what one would - expect strong leadership. One would have expected that the White House would have been playing a very strong coordinating role, and that's what we didn't see. And we did see these independent groups which really were all Pentagon-focused that were, up until today, the Pentagon is in charge of the oil sector. Nobody else has been given any authority over dealing with the oil sector. So, it makes you wonder about the future of foreign policy, and I talk about the whole concept of the military taking over development assistance and reconstruction activities because I think this is a challenge to the entire interagency, certainly economic foreign policy function as it has traditionally been constructed. And we'll have to see how all of this works. It's going to take more time, and we can see it's going to take more time, and we may all wake up a year and a half or two years from now and find that we have a pretty stable, peaceful place out there, and the costs will have been very high. The fear...there's always a fear in the United States, and we see it now among the Democratic candidates for President. They are all conflicted because they want to support the United States in an important foreign policy function. They know if we succeed, we will have actually achieved something very, very important. But they also are aware that at a certain point the American people got fed up with the cost, both the human cost and the dollar cost, and then they wanted to leave, and they wanted to get out. And the fear of, I think many people—very senior people—in the State Department or the foreign policy

establishment, fear that we've been here before. We've seen this happen before. And there is a fear that... And then often the State Department is left holding the bag, and that happens. There's fear that at a certain point when the American taxpayers say we've had enough, that the pressure will be so great that the President will have to get out and, of course, he's moving to try to accelerate this time schedule which is probably a very good thing. But I think that there is a sense that we were launching undertakings that we may not have thought through to their final stages. Although there was a great deal of planning, and there was a great deal of preparation, and a lot of the preparation, certainly the preparation that I was involved in, we were focusing on the right issues, but we all underestimated the security costs and the security difficulties that we were going to have. So, I think there are some fundamental challenges. The Department of Defense has never had as much power as it has now, and if that becomes something more permanent, and if they're actually able to institutionalize some of the functions that they have tried to take over, such as spending these vested assets, for instance, without much oversight, I think that would probably not be good for the future of our system and the way we traditionally have operated. And that applies to both domestic policy and foreign policy.

Q: What about the rationale for going to war? This is hotly debated. I find that most of my retired Foreign Service colleagues that I interview or run across are very dubious about the rationale behind this. There may have been a bigger cause which, I think, I subscribe to, and that is if you really can turn out a stable Iraq without a dictatorship, this will give great benefit to stability within the Middle East. But the idea of Weapons of Mass Destruction just didn't seem valid to many people, professionals in the Foreign Affairs field.

BAY: Of course, I'm not a political officer. I've worked on the economic side. When I was working in the Office of the Director General of the Foreign Service between 1997 and 2000, we were very, very concerned about whether Iraq would try to launch chemical and biological weapons in the Middle East region, and whether this would have an impact upon our U. S. employees in the U. S. Embassy in Tel Aviv and other embassies in the region. And you may remember during that period of time that we actually went out and had people inoculated against anthrax, and we fitted people with gas masks in our embassies, and it was a very...it became a very important personnel issue. Because it affected the morale of posts about who was going to get gas masks and who could be protected. And at that time, we did actually a lot of interagency work and a lot of very constructive work in the Director General's office with the Department of Defense and with intelligence agencies to, as well as we could, go over exactly what were the capabilities of the Iraqis to deliver these dangerous, terribly dangerous and debilitating weapons of mass destruction, principally biological and chemical weapons. At that time, we felt that there was certainly ample evidence that Iraq had these weapons. No one ever questioned the fact that Iraq had these weapons. The real question was what was their delivery ability. I don't think that any of us, and I don't think that anyone who has studied and worked on Iraq for a long time really felt that Saddam ever had the ability to hit the United States with anything. But he certainly had, we believed, the ability to do regional damage dependent upon a whole bunch of factors: The age of weapons and their potency and whether he had anything to deliver these things with. So, these were

questions that we didn't know the answers to. So, if you bring that forward to five years later to 2002, we're probably using the same analysis, and I, and most people who have had any contact with these issues, probably believe that there are some weapons of mass destruction sitting around in the desert out there somewhere. But that's only part of the question. The other part of the question is what could he have done with them? And that's where you get into the question about well, was the cost going to have been worth it. I think in retrospect and again, you get back to the public relations part, of this conflict which we haven't been so well at winning, what has come out in the recent months is the terrible, horrible, atrocities that this man and his family and his colleagues committed over a long period of time would have been... It made Idi Amin look like a good guy at the end of the day. And that in itself may have been sufficient to undertake a conflict, but we didn't sell it that way. And I think that the people in the White House and in the Defense Department probably really, really, I think they really believed that there was weapons of mass destruction. I don't think this was a rouse, but the real question that all of us had was well, OK, so there are weapons of mass destruction. Firstly, what is mass destruction and secondly, what damage can you do? Of course, one could always damage Kuwait. One could always hit Syria. One could always hit Jordan or Turkey. Even to do that you would have to have some kind of delivery mechanism. What we're seeing happen right now out there is that a donkey cart was one of the things that was used this last week to blow up something. They're using pretty rudimentary means of doing things. So, you can do a lot of destruction. You don't have to have a lot of weapons of mass destruction to destroy things. But I think that all of us who have been around a long time have a political concern because we have watched the United States over and over again when the politicians see that their people back home are complaining and asking a lot about the cost of the war, that something will eventually have to change. And this is a risk that the President has taken, and he sees that it is a manageable risk, but we just have to see how it turns out.

Q: OK. Well, I guess this is a good place to stop.

BAY: OK.

Q: What are you up to now?

BAY: Are you still taping?

Q: Yes.

BAY: Right now, I'm retired. I'm probably going to do a little bit of work for the Foreign Service. They need people to help them do... Actually, some of my older work from the Director General's office, some budget and ICASS (International Cooperative Administrative Support Services) training at the posts, and I'm becoming physically fit and sleeping in in the mornings, and I'm going to be doing some mentoring for high school kids who need to go to college and need to find ways...kids that need help getting there. So that's what I'm doing now. I may do more later, but that's what I'm doing now.

Q: That's great! Thank you very much.

End of interview