

Association for Diplomatic Studies and Training
Foreign Affairs Oral History Project

GILBERT J. DONAHUE

Interviewed by: Charles Stuart Kennedy
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INTERVIEW

Q: Today is April 18, 2000. This is an interview with Gilbert J. Donahue. This is being done on behalf of the Association for Diplomatic Studies and Training and I'm Charles Stuart Kennedy. Do people call you Gil?

DONAHUE: Yes.

Q: Let's start at the beginning. Could you tell me when and where you were born and something about your family?

DONAHUE: I was born here in Arlington, Virginia, on April 25, 1947. My mother and her family were native Virginians, back to about 1619. My father was from Taunton, Massachusetts, and he was in World War II as a GI. He took advantage of the GI Bill for university education following WWII and came to Washington to work for the National Security Agency, which was at that time located here at Arlington Hall.

Q: This interview is taking place at Arlington Hall. Where did he meet your mother?

DONAHUE: Through mutual friends with whom he was staying. In those days, there were not a lot of apartment buildings for people freshly arrived in the Washington area to stay in in Virginia. So, he was renting a room in the house of friends of my mother's and they introduced my parents.

Q: What was your father's background?

DONAHUE: He was born in 1919 in Taunton, Massachusetts and was one of about 15 children, a typical Irish-American family of the time. Because he was one of the younger children, most of his brothers and sisters had married and left home by the time he was ready to leave.

Q: He was in the military. You say he took the GI Bill when he got out?

DONAHUE: Yes.

Q: Where did he go?

DONAHUE: Before he was drafted, he was in the Civilian Conservation Corps (CCC) and did work in the New England area, especially in New Hampshire with some of the national and state parks up there. When he was drafted, he did not go into the Army, but into the Air Force, and so he saw service in North Africa, Italy, and what is now India and Pakistan. So, when he returned to the United States in

1945 after the war, he went to Boston University and completed four years of university.

Q: Then he came here. How about your mother? What was her background?

DONAHUE: She was in the first graduating class at Washington and Lee High School here in Arlington. It was 1928. She went on to William and Mary College and then what is now James Madison University (at that time, it was Harrisonburg State Teacher's College). She was an elementary school teacher in Arlington County schools for many years and later in the late '50s, we moved to Howard County, Maryland, where my mother continued to teach until she retired.

Q: Were you here in elementary school in Arlington?

DONAHUE: That's right. I was.

Q: What were schools like then?

DONAHUE: In those days, Virginia's schools were still segregated. It was almost like two school systems run within the county. I went to two schools, both of which were new when I went. One was Thomas Nelson Page School. I believe they changed the name because Page was considered pro-segregation. I believe it may be a special technical center for Arlington County now. Then I went to Ashlawn School as well, which is near the Fairfax line.

Q: While you were in elementary school, was there anything that interested you in school – reading or sports?

DONAHUE: I was always interested in reading, especially about foreign countries. As a result, I was also always interested in the Foreign Service. Where we lived in Arlington in those days, some of our neighbors were in the Foreign Service. In another location, some of our neighbors were connected with foreign embassies. Even then, Arlington had a degree of cosmopolitan nature that many other communities lacked. When I was in the fifth grade, which was the 1957 period, there was a great deal of concern and even consternation when Russia launched Sputnik. There was a great deal of concern that Arlington County schools better get their act together and train people in international relations to meet some perceived international threat. So, in the elementary school that I went to, which was Ashlawn, they began to include foreign language instruction on an extracurricular basis. I had a choice between French and Russian. I chose Russian. So, I actually had two years of Russian in fifth and sixth grade.

Q: That's remarkable. Did you get anything about what your father was doing or was this just not talked about?

DONAHUE: If I ever asked my father what he was doing, the answer was that he

just couldn't say. That was generally what he told people. I think he would not deny that he worked for the National Security Agency, but when somebody asked him what that involved, he would not make any statement beyond that. So, he always avoided the subject of what he did, although we had a number of family friends with whom he worked. I never heard any of them talk about it.

Q: Did you have any friends in elementary school who were Foreign Service kids?

DONAHUE: Not really. But there were some families in the neighborhood who were with foreign embassies. This is where we lived when I was in late elementary school. I have no recollection of them attending the school I went to, but we played in the neighborhood together. Among them were Indonesians, Europeans (but I'm not sure which country), and people from South America (but again I'm not sure which country).

Q: Did this turn you towards maps and learning where places were?

DONAHUE: Oh, very much so. I've always been interested in geography.

Q: Where did you go to high school?

DONAHUE: Following my sixth grade, we moved to Ellicott City, Maryland, where I went to school from seventh through twelfth grade. So, I went to Ellicott City Junior High School and Howard County Senior High School.

Q: Was there a difference between Arlington County and Howard County?

DONAHUE: There was a great deal of difference then. Arlington was much more affluent and had a much larger proportion of professional people. Howard County in those days was very rural. In fact, the high school I went to still taught vocational agriculture as one of its fields. It was just before the city of Columbia was built, so there were already a number of suburbanites living in Howard County, but it was not yet the urban setting it is now.

Q: I assume your father moved over to Fort Meade, which is where the National Security Agency now is housed.

DONAHUE: That's right. It was a very bad commute from Arlington, so it made more sense to move.

Q: In junior high and high school, what sort of courses were you taking?

DONAHUE: I could not, unfortunately, continue my Russian language classes while living in Howard County. There was just no way to do that. But beginning in seventh grade, I was able to study Spanish. I continued Spanish in high school, with the equivalent of four years of Spanish. I also took Latin for four years.

Q: Solid. When you were doing all this, did desegregation efforts impact on you all?

DONAHUE: They did. Maryland was a little bit ahead of Virginia on that score despite the fact that Howard County was quite rural. There was not the degree of resistance towards integration as there had been in Virginia. Nevertheless, they began to integrate schools by adding only two years of classes every year. So, Howard County schools were not entirely integrated until my senior year of high school, 1964-65.

Q: How did that work?

DONAHUE: There were no problems. Many parents had anticipated all kinds of problems, not so much in the classroom but in the social area, attending dances or the possibility of fights at games, and there really wasn't anything like that. It was a very smooth process. Looking back on it, there were far more differences between children of the same race but different socioeconomic backgrounds than there were between blacks and whites.

Q: You were getting a good solid dose of language. What else were you studying?

DONAHUE: In those days, the high school curriculum required an English course every year. That included one year devoted to American literature and one year to British literature. We also had U.S. history for one year and world history for one year. There was a required course in civics, called Problems of Democracy, and it had an international component that was supposed to be anti-communist, developing a polemic to debate the issue of communism.

Q: When you were getting ready to get out of high school, where were you pointed towards?

DONAHUE: I was looking at a number of places, more inclined towards a small college than a large one. I certainly did not want to go to the University of Maryland. I was looking at places as far away as Middlebury for its language program, Haverford, and Hamilton. As a result of a chance visit to American University in Washington, DC, I ended up applying and going there to the School of International Service. I had compared the curriculum of the American University School with the Georgetown School of Foreign Service, and found out I liked a number of things about the American program, so that's where I chose to go.

Q: You were at American from when to when?

DONAHUE: 1965-1968. Three years.

Q: Can you characterize the student body, where they were coming from?

DONAHUE: I think American had about 5,000 undergrads [undergraduates] and 3,000 graduate students. The School of International Service was a school within the university that had its own application process and standards. It had about 400 students, including 300 undergrads and about 100 graduates. The University as a whole had a number of foreign students, but the proportion of foreign students was greater in the International Service School. I think they may have had as many as 25% of the students from abroad. The University had a great number of students from outside the Washington metropolitan area, many from New England and New York and some other parts of the country, including the Midwest and the South. So, it was a chance to meet people from all over the country as well as from other countries.

Q: While you were there, was there any particular area that you were concentrating on or following through on?

DONAHUE: Let me just state that I spent only three years at American because I entered with the equivalent of what we would call “advanced placement” in a number of classes. In those days, we did not take advanced placement courses in high school. I’m not aware of any high school that offered them then. However, American and several other universities offered a battery of exams before classes began. I remember spending a week at the University to take the exams and got advanced placement credit for 36 hours out of a possible 39. The only freshman or university requirement that was not waived was math. But all of my other requirements were waived. Therefore, I entered as a sophomore. However, I still had to take all of the School of International Service required classes. That meant that in my first two years I was taking the same classes as all the other students in international service. That is one reason why I was not able really to do at the university level what I might have liked to do. My language was French. It was very well taught by Professor Marie Charbonneaux, who had collaborated with Foreign Service Institute linguists on the French curriculum, so the method of teaching was very similar.

Q: That is a very strong linguistic program. My wife got her master’s in linguistics at American.

DONAHUE: What I would have liked to have done, but didn’t recognize it early enough, was to study Chinese. Among all the languages offered at American, it was not offered. I could have taken it at Georgetown, but it would have required all kinds of machinations with the schedule to make available the time to get down there.

Q: Were they able to tap in fairly well to the international community? I’ve had experience with this Oral History Program of being housed both at George Washington and at Georgetown. Where Georgetown seems to get initially brighter students, George Washington seems to have a more fluent faculty so that they’re able, particularly if you’re a little bit older, to meet some of at least the

sub power shakers and movers in town, whereas Georgetown seems to be fairly fixed.

DONAHUE: I think that there was a very interesting mix of faculty at American when I was there. The dean of the School of International Service was Charles O. Lerche, who may not be particularly well known now, but had written several books on the theory of international relations during that period when everybody was thinking in terms of balance of power. One of his coauthors, who was a young professor then, is still living. His name is Professor Abdul Aziz Said. He is of Syrian origin and speaks Arabic. But he was not an Arab scholar in the sense of specializing in Middle Eastern affairs. He saw himself as a theoretician in international relations at large. Currently, he heads the Division of Peace and Conflict Resolution at American University.

We had a lot of connections with foreign embassies then for a number of reasons. Our foreign students gave us an entree to their countries' embassies because there were well-connected foreign students, including some who were dependents of embassy officials. Also, many foreign students had come from politically connected families in their home countries. The embassies paid a lot of attention to them and we could often tag along to attend an embassy event. We also had some part-time faculty from embassies and government departments. These people were available to teach at American because their spouses occupied powerful positions in Washington. I remember especially Elspeth Rostow, whose husband, Walt Whitman Rostow, was chief of the Council of Economic Advisors under LBJ. Again, we had a lot of entree into the official Washington community because of people like that who were probably a target of opportunity for American. Loy Henderson became diplomat-in-residence when he retired from the State Department. One of our faculty members had been an outstanding professor at Yale, Dr. John McLaughlin. He came to Washington because the papers for his primary research topic were at the Library of Congress, so he wanted to be in Washington to make use of that. He was interested in Frederick Law Olmsted, the great landscape architect and the man who designed the west front of the Capitol building.

Q: He also did the Cotton Kingdom as a correspondent to "The Times" in the 1950s.

DONAHUE: Right. I believe in those days Harvard and probably other universities had mandatory retirement ages, probably at 60 or 65. One of the professors was an emeritus at Harvard, William Yandell Elliot, whose topic was philosophic and religious aspects of international relations. He conducted a graduate seminar that I was able to take. There were a number of people who provided insights and had experience way beyond the Washington, DC area.

Q: It sounds like it was a fairly rich feeding ground for a young man. Did these things excite you?

DONAHUE: Very much so. For me, it was important to be in a city, even though

it was a long bus ride or a very long walk to get downtown. Indeed, I could go to a number of places and do original research by interviewing people.

Q: What did you find yourself moving towards?

DONAHUE: Interestingly enough, when I started studying international relations, the countries that seemed most interesting were developed countries, especially Western Europe, partly because it was easier to get information on those countries. When I was in the ninth grade in a social studies class, I started branching out a little bit. I did a report on Israel, which had been independent for about 15 years at that point and was still relatively new, but was obviously not in Europe and was therefore on the periphery.

When I got to university, most of the foreign students there were from non-European countries. I became very interested in them because they were really my first exposure to those countries. One of my good friends was from India and I had a number of friends from African countries, some from East Asia. My immediate circle of friends among the students included a number of American guys who became interested in Islam and in studying Arabic as a result of some of the foreign students from the Middle East. That didn't particularly resonate with me, but I became very interested in Asia, especially South and East Asia.

Q: 1965-1968, the Vietnam thing was beginning to heat up. How did that impact on both American University and on you?

DONAHUE: It directly impacted on me because I entered university as a sophomore and therefore I was informed that after three years of study I had the requisite credit hours to graduate and I had to take my degree. I had to take my degree not because of the university's requirement but because of the draft board's. The university had a five-year program that would have allowed me to graduate with a master's degree, and I could have done that in four years. But because I had enough hours to graduate, the draft board would not guarantee to defer me as a graduate student. So, I did graduate one year earlier than I really would have liked to.

Q: Then what happened?

DONAHUE: Then I became truly very interested in going overseas. But I preferred not to go overseas with the U.S. military. However, for my entire senior year, I had a huge map of Vietnam on the wall of my room that I studied very carefully so that if indeed I had to go there, I would at least recognize someplace. As of now, I've never been to Vietnam.

Q: Were there protests on the campus?

DONAHUE: There were. That was the heyday of the Students for a Democratic

Society (SDS) and the Students for Democratic Action (SDA), and there were a number of adherents on campus. I knew many of them in my junior year, but as a senior I lived off campus for a number of reasons, especially to devote myself to my studies. So, I really didn't see that group of people very frequently. However, I became a member in my senior year of a fraternity oriented towards the Foreign Service, Delta Phi Epsilon, which began at Georgetown. At that time, American University had a chapter and I became very active in the fraternity. There were some brothers who were taking part in the protests and demonstrations. The most unsettling thing that took place during my senior year was not demonstrations against the war in Vietnam as much as the assassination of Dr. Martin Luther King and the consequent demonstrations and burnings that took place in parts of Washington. That hastened the spring break holiday of the university. I remember ferrying a number of students from the campus to National Airport because they could not go through the District. We had to go through Virginia and down the river to the airport. I had a car, so I was able to make those trips. It left the rest of that year chancy. We continued our classes. Those of us who were prepared to graduate did and we had a graduation ceremony. I can't remember graduation activities being disrupted, but I know it made many of us feel we were glad to get out of Washington and glad to move on. It gave us a feeling that things were not quite right in the United States at that time.

It was during that time, probably in April, May, June of 1968, that I looked seriously at the Peace Corps. I happened to be on the campus of George Washington University, where they had a big Peace Corps event providing information on the programs and the countries where they had volunteers in those days. I became very interested in their program in Nepal. At that time, when you applied for Peace Corps, you could give a first, second, and third choice. My first choice was Nepal and that's where I went. Following graduation, I drove across the country with a friend, did some sightseeing in Southern and Northern California, and then I went on to where Peace Corps training was to take place in a refitted migrant labor camp near the University of California at Davis, which is in the Sacramento vicinity.

Q: You were in the Peace Corps from when to when?

DONAHUE: July 1968 to October 1970. I was in a program for agricultural extension. It was very interesting. We were all guys. Of the 100 college graduate guys who arrived at the training center, maybe five at the most had any kind of farm background. The rest of us were generalists.

Q: The farming community of Arlington... You certainly weren't a farm boy.

DONAHUE: In Howard County, Maryland, we had a large garden plot, but not a farm by any stretch of the imagination.

Q: How was it explained to you that you were going to go out there and impart your knowledge of farming?

DONAHUE: There were a number of reasons why Peace Corps chose people for a particular country. We found out that they would never send anybody to Nepal unless they had put Nepal as their first choice. Even so, they wanted people who had strong language skills because Nepali was considered a hard language. Subsequently in the Foreign Service, I'm not sure that Nepali is considered the hardest language, but it posed some difficulties. Then they wanted people who had had some experience being abroad already. In the summer between my junior and senior years at university, I had had the opportunity to travel in Western Europe with some friends. That brief exposure, which was maybe two months in duration, was at least enough to convince the Peace Corps that I could survive overseas. Then they felt that they wanted motivation, but they felt that they could teach us academically or in other ways whatever skills and background we actually needed for the kind of work that we would be doing. Our job was to serve as a kind of resource person for a Nepalese agricultural extension agent with whom we would be paired. So, it was rural development. It was knowledge of basic agricultural science so that if a question arose, we would know enough about how to get the answer, whom to contact. Each of us was meant to be an American assistant in a local program, and the Nepali government had clearly defined its need. One of its basic needs was in this area, so the Peace Corps was anxious to meet the need. There simply were not a lot of people with the ideal agricultural background to place into that context.

Q: Particularly when you're thinking about agricultural background, language, and overseas exposure, you're practically eliminating each other.

DONAHUE: That's right.

Q: You were trained at Davis, which is one of the preeminent agricultural schools in the country. How did they bring you up to snuff?

DONAHUE: Our training program involved half a day in language study and half a day in agriculture training. That included agricultural theory and biology. So, some time was spent in the laboratory and some time in the field. We were issued bicycles and we would ride from the migrant labor camp to the university for classes and then back to the camp. At the migrant labor camp, a portion of the land surrounding it had been turned into simulated rice paddies and we actually went through all stages of rice growing, starting with seeds, transplanting them, cultivating them, and harvesting them. At least, we did as much as we could do in the two and a half months we had, which would have been a very short growing season. We were also taken on field trips to agricultural areas in California where they were growing the crops that we would be dealing with in Nepal. We would see the crops at different stages of development and talk with the farmers about what was considered a respectable yield and so forth in the United States for that kind of crop. Again, we would never ever encounter in Nepal the kind of agricultural situation that pertains in California, but it was a chance for us to know

what the standard would be against which other countries would be measured.

Q: How did you find Nepalese?

DONAHUE: I did not find it a particularly difficult language, although I never achieved the degree of fluency in it that I have in some others. It has a more complicated alphabet than western languages have, but the benefit is that there aren't any silent letters. Everything is pronounced. So, in fact, once you got the hang of it, you could read everything fairly easily in comparison with English. A lot of the structure was similar to Latin or Greek. The individual words would not be the same. There was some borrowing of English language words, especially in Hindi, a little bit less in Nepali. But certainly at the village level without the need for a lot of complicated syntax, I could make myself understood.

Q: When did you go out?

DONAHUE: We went to Nepal in September 1968. We flew by way of Hong Kong and Calcutta. We had a brief orientation program when we arrived in Kathmandu and then were sent with a volunteer who had already been in the country to visit that volunteer's village. The idea was that we would go to a similar part of Nepal, maybe not near where that volunteer was, but a similar area. So, we were sent for a kind of cultural experience. It was to have language immersion. Part of it was to see how a successful volunteer was already doing a volunteer-type job in the country and what that involved. Before arriving in Nepal, several of us were selected for additional language work – that is, a language other than Nepali. Everybody else in the group would continue with Nepali instruction during in-country training. Some of us were to be given additional instruction in one of the dialects of Hindi that was spoken in the southern part of Nepal. One of them was called Bhojpuri and one was called Maithali. I was in a group that was chosen to learn Hindi. So, following the in-village experience with the other volunteer, we went to the training site located near Birganj in southern Nepal. We continued to have some agricultural training, but also training in the language that we had been selected for. During that period, towards the end, we had another cultural experience of living in a village with a farm family that spoke the language we were training in. Then we were sent to the area where we would be assigned our village. There were four of us who were trained in Hindi and we traveled together by train.

It was a very complicated journey to get to the western part of southern Nepal, a city called Nepalganj. Then we met there with the head of the Agricultural Extension Service, who introduced us to the Nepali extension agent with whom we would be paired. We were sent out to our villages. The problem that we faced was that USAID had had a program to introduce irrigation for agriculture in that part of the country. Contrary to how it might be ideal to go about it, they built all of the earthworks and even cement irrigation elements so that there were these long canals and channels into the countryside, before they discovered that there was no water. They had drilled holes over 100 feet deep and they found oil

without water. The entire infrastructure existed, but we had no water. So, we were actually trained in irrigation and we got out there and it was dry as a desert. In fact, in my first few weeks in the village, I experienced my first sandstorm. It was really quite something.

The Peace Corps had made an effort for us to try to stay as healthy as possible. They issued us a number of things, one of which was a metal screen to put on windows of any house that we would have. I had one window high on the wall of the room that I was in. It had bars on it, which was typical for a security measure. I had put my piece of screen up there on the inside and thought I had fastened it well to the bars, but that sandstorm totally blew in the screen. There was so much force. The inside of my room might as well have been a sand dune. That is when I began to realize the challenges we were up against. We arrived in the village in probably late October or early November of 1968, which would have been after the end of the monsoon season and the very beginning of the cool season in that part of the subcontinent. We got through the winter fine, but there is a hot, dry season before the monsoon. During that period -- in March, April, and May -- things were getting bad in the village. In my village, there were two or three wells that started going dry. People would have to walk several villages over even to get water to drink. There was nothing to buy in my village, so if I wanted to buy rice or anything to eat, I would have to make the trip into Nepalganj. We found that even the town market had fewer and fewer items for sale.

Several of the guys got together and asked each other whether it made sense for us to remain in that place. I think the monsoon was late that year and people in our villages started dying. Especially the children. So, Peace Corps asked us to go into Nepalganj and stay there while they made a decision whether to keep us in that part of Nepal or not. In the end, they called us back to Kathmandu and two of us were sent to other parts of Nepal. Two remained in Kathmandu until the monsoon season got well underway and they decided to return to their villages in Nepalganj. I ended up spending the rest of my period in Nepal in another part of the country. After maybe two or three weeks of decision in Kathmandu, I was sent to an area just southwest of the Kathmandu Valley on the road to India, on the Tribuvan Rajpath, which is the major road from the Indian border to Kathmandu, in an area called the Palung Valley. The floor of the valley is about 4,800 feet, and the mountain rim around it is about 8,000. This is considered a hill in Nepal. The word "mountain" refers to mountains that have snow year round (the permanent snow line on the Himalayas is about 21,000 ft.). It was a wonderful agricultural region. I was able to use all of the training that I had had and add crops other than rice.

Q: What sort of crops were they growing?

DONAHUE: Rice was the staple, but they also grew what we call corn and what British English calls "maize." They grew lentils, which is their chief protein. It's a legume, it naturally adds nitrogen back to the soil, and it's a good thing to grow in

the soil. They also grew potatoes, which the villagers did not eat but they sold to India as a cash crop. Some villagers had fruit trees as well as vegetable plots. Most farmers lived at a subsistence level, only growing enough to feed their families.

Q: As a Peace Corps volunteer moving into a village, how were you accepted and how effective do you think you were?

DONAHUE: I think we posed a cultural problem for the villagers for a number of reasons. Nepal is a Hindu kingdom. Not all of the people are Hindu, but the majority is.

In the Hindu world view, all foreigners who are not Hindus are automatically considered untouchables. Therefore, a true Hindu would probably go out of his way not to come into physical contact with the foreigner. There would be a sense of not communicating directly with the foreigner and maybe even disregarding the advice of a foreigner. However, in traditional Hinduism, a person's social status and caste are often related to the color of the skin, with the lighter being higher. As Caucasian Americans, we had lighter skin than anybody else in the village. So, we were seen favorably from that regard, from the traditional mindset of the Hindu. Furthermore, as Americans, virtually everyone who had listened to a radio or had any knowledge of the world outside of Nepal had heard of the United States. There was an incredible amount of curiosity about how Americans lived. In those days at the village level, there were very few who would have seen a movie of life in America. Only Nepalese who lived in Kathmandu or those who had traveled to India might have had that experience. But there would still be all kinds of stories or expectations of what life in America would be like. People had heard, for example, that Americans lived underground. We had to say, "Well, there are subways in some big cities, but people don't actually usually live underground." There were all kinds of stories like that that we had to counter or debate. For the most part, we were taken as automatic experts for modern life, for modernity, science, or technology. People would come up and ask how you would do a given thing. In most cases, we didn't know. Among our groups, there were very few who were trained in science and engineering and capable of saying, "This is how you would construct an electric generator." But on the other hand, we were resource people for the village. We could always send to the American Embassy in Kathmandu, and somebody in U.S. AID would usually send a brochure aimed at the village. So, some of the volunteers were actually fairly effective in being able to do village construction based on no particular knowledge of their own but the fact that we had a manual.

Q: In your village, how did you move socially?

DONAHUE: I'm speaking of the village in the hills of Nepal where I spent the rest of my tour. In many ways, it was not a typical village. It was closer to the highway connecting Kathmandu and India. Therefore, a larger proportion of

villagers would have been to a big city or had some exposure beyond their village. Usually, they sought me out for advice. It could be advice for anything like, “Should I send my son to college in Kathmandu? Is it all right for my daughter to attend school? Is it worth my while to go to India to look for a job?” For a number of reasons, many Peace Corps volunteers found it useful to wear Nepalese clothes, Nepalese costume. I did often when I went around the village. I think that that provided an entre because it demonstrated my sensitivity towards their culture. They also knew that in public I would abide by the many strict rules about how you must eat, how you must say “Hello” and “Goodbye.” I was careful to scrupulously abide by those social elements. But people also knew that when I was in my private space when my day had been over, I was sort of doing my own thing, whatever it may be.

Q: I talked to other Foreign Service officers who served in Nepal. It seemed to have been a strong bonding there, more than in many other places.

DONAHUE: Yes. I think so. First of all, I think the Nepalese people were fairly open. One of the reasons why I had wanted to go to Nepal over India, for example, was I was interested in being in a country that did not have a colonial heritage, had not been under imperial rule. I found many differences between Nepal and India in that respect. India had the benefit of a lot of infrastructure that Nepal did not have. But there had also been a rather jaded relationship between India and the British overlords that tainted the kind of contact that foreigners would have with Indians for some time. There was much less of that in Nepal. To the extent that there was a lot of overt materialism, or perhaps even some anti-foreignism, that was in Kathmandu, not in the village. Once you established rapport with people in the village, you felt you could have an enduring friendship. Although there were limits to the extent to which you could understand each other, there would always be a willingness to try.

Q: What was your impression of the government of Nepal, the structure of village life and all the way up?

DONAHUE: Nepal was a Hindu kingdom and remains so. Yet, the country has had a very unusual history. I believe the history of the monarchy went back to the 1300s or 1400s in Kathmandu Valley, whose inhabitants were Newari, not Nepali. The Nepali royal family comes from the area west of the Kathmandu Valley, centered on a town called Gurkha. That is why the troops that used to fight in the British army are called Gurkhas. They conquered the Kathmandu Valley over 200 years ago and unseated the Newari rulers and expanded their rule all over Nepal. In wars with Britain, they pushed south of the foothills of the Himalayas into what is now called the Terai, the broad part of the Gangetic plain south of the foothills that goes from west to east and towards India. As a result of a battle with Britain over 200 years ago when the British could not prevail against the Nepalese, the British gave them that land as a kind of buffer state between India and Nepal. During most of the 1800s and up until about 1950, the country was actually

governed by a hereditary prime minister. The royal family continued but had no political power during that period. The king was considered a reincarnation of Vishnu, the Hindu god, and was very rarely seen in public. When the king did appear in public, it was a very feudal setting. People had to avert their gaze, clear the path and get out of his sight.

Q: It sounds like the Emperor of Japan during the Shogunate.

DONAHUE: Very much so.

During this period when the royal family had no power, Nepal was ruled by prime ministers with the surname Rana. As I recall, the rule went from oldest brother to younger brother to younger brother rather than from oldest brother to his son. There were many branches of the family and they had different statuses depending on whether their mothers were also members of the Rana family. So, there were class A, B, and C Ranas. In the days that I was in Nepal, 1968-1970, many of the large buildings in Kathmandu had, in fact, been built as palaces for one or another of the branches of the Rana family. There were really only two palaces that would have been for the king that were truly royal palaces. There were probably 10-15 so-called Rana houses. For a number of reasons, the Rana family came to an end of its rule in about 1950 and the king took over power again. There was a lot of pressure on this. It was following India's independence. There was a lot of pressure on the king to permit parliamentary democracy in Nepal. There was a Nepali Congress Party that was patterned on and supported by the Indian Congress Party, but it had been in and out of favor with the king. There had been several elections and several parliaments, which had been closed by the king. So, parliamentary democracy existed after a fashion, but there were many issues that remained the prerogative of the king, and the parliament never was able to govern all issues of the country in the way that we think of the parliament as doing. There had been long periods without any parliament. When I arrived in Nepal, Mahendra was the king. He was very old for a Nepali king. They tended to die rather young. His son Birendra got married while I was in Nepal, in 1970. King Mahendra died shortly after that. I believe the one who got married is still king. But most people didn't have an opportunity to actually see the king. He would only be in public on certain feast days. [Note: King Birendra was murdered by his son in tragic circumstances in summer 2001.]

Q: Would there be royal officials or central Kathmandu officials who would be in the village or not?

DONAHUE: The country was divided into zones. The word for a zone is "anchel" and the head of the zone was an "anchelatis." There were 10-12 zones. The king generally appointed the heads of those zones. So, they were members of a royal family or something akin to that. Then under them was a district called a "jilla." The head of the jilla was also appointed but would not necessarily have been highly ranked or a member of the royal family. There were also military districts.

So, depending on the part of Nepal, there would be a number of reasons why high-level officials from Kathmandu would travel to that area. Certainly, they would go to visit the province governors and they would go on occasion to visit the military facility. I do not remember a high level visit of a Kathmandu official to any of the villages that I happened to be in at the time, but there would be parliamentarians as opposed to people from the executive part of the Nepali government. They would be around. They probably were accessible to families who were well connected anyway.

Q: Did you have any dealings with the leader of the village?

DONAHUE: Yes. The Nepalese system at the time was referred to as “panchayat democracy,” based on customary village headmen. It was obviously a very male dominated, paternalistic type of society where there would be a natural leader, often a customary leader. In many cases, something like the chief of a tribe would be given the title panchayat of a village or area. Sometimes the term village does not fit in a mountain setting because there would be many distinct areas of settlement, none of which would be large enough to actually need a village council. Most of the people living in that particular settlement would be related to each other so that if they had any problems, it would be sorted out within a family context. But when there was a need for some way to span the interests of several families, then you would call that a panchayat or a village council. There would be someone who would emerge or who would have been appointed as the person to sort out those issues. The Nepali-speaking mountain village where I lived, the Palung Valley, had its own panchayat. It was more formal than in many areas. It met about once a month and had an agenda and went over and over issues. It’s hard for me to say whether there were issues that went unmet and the extent to which the panchayat tended to favor one group’s interests over another. In fact, I thought at the time and I think now, too, that it was fairly well representative of the village. It was Nepali-speaking, however, and there were people in the village whose native language was not Nepali, but Nepali was the national language. It made sense for the meeting to be conducted in a single language. In addition to a caste-based social organization, Nepal has tribes. India does as well but they’re not a big part of India’s society. They are relatively more important in Nepal. The tribes often lived away from the villages and on occasion included hunters and gatherers, but also included people that were very much on the fringe of society in terms of the reach of government. Sometimes people from those tribal groups would come into the village to engage in barter trade or something like that. As far as I recall, they had no relationship whatsoever with the formal government structure. However, sometimes their young men competed for, and filled, positions as Gurkha soldiers. Surnames associated with such tribes are Tamang and Gurung, and you see these names frequently in books about the exploits of the Gurkha Army.

Q: What about dating? Here were a bunch of young American males in this society. I’ve heard that the Nepalese don’t take too kindly to foreigners messing

with their womenfolk.

DONAHUE: I was never really attracted to any of the women in the Nepalese villages that I lived in or visited. However, there were some American Peace Corps volunteer women posted outside of Kathmandu. Through them on occasion, I met some Nepalese women who were interesting. I wouldn't say I dated them but we had social contact. In the Nepalganj area, there was an American woman Peace Corps volunteer assigned as a kind of home economics teacher at the high school. So, she lived in the city of Nepalganj. She had a fellow teacher who was Nepalese with whom she shared a house. Occasionally, they would visit the village to give an outing to their students, or if there were volunteers who were in Nepalganj, we would get together for a meal. So, we knew the Nepalese woman in that respect and we met some of her relatives as well. Our friendship gave us an insight into a particular kind of Nepalese family, a fairly well educated one. So, we were able to bounce things off this woman that we dared not ask people in the village. In the hill village where I lived later, there was a high school. One of the teachers there was a woman from a different part of Nepal who had been educated in India, so she was much more modern than the village women. I was able to talk with her more in the way that I would be able to talk with an American woman. We certainly never dated or anything, but we would see each other in a public place like a teashop. At least it provided a chance to have some social contact.

I forgot to mention that my Peace Corps group trained with some Volunteer secretaries, who were posted in Kathmandu. We would get together with them when we visited the capital. I am still friends with them after all these years.

Q: By the time you left there in 1970, what was your impression of what you and the Peace Corps had contributed?

DONAHUE: Certain expectations were not borne out. Because we knew that rice was the most important crop in Nepal and we had been trained especially in rice cultivation, one of our overall goals was to spread the cultivation of a type of rice that had been developed in Taiwan that has a short stalk and a lot of grain. I think some volunteers had a degree of success with that, but where I lived, a very high value Indian-type rice called basmati was grown. The villagers simply did not like the taste of the Taiwan rice. For a number of reasons, they resisted using it. They preferred growing their traditional variety because it had a higher market value. Their logic was hard to fault. So, I sort of gave up on that score and tried to find ways to get improved yields from their local rice variety. However, I did have success with other crops. I was able to introduce better varieties of maize and potatoes than they had been planting. They didn't mind that at all because most of the maize was used for animal feed. So, by adopting a different type, the people's diet was not changed. They sold the potatoes as a cash crop, so they were happy to sell more. Again, they were not eating them, so it was not a cultural problem. On balance, I think I made some headway. I was able to demonstrate some of the

elements of modern life, including the importance of a modern latrine. I hope I spread in the village the importance of education. I would talk a lot with parents about the importance of putting their children into the high school, making sure that they at least got through that. But I think that the kind of change that we can bring about is usually on the margins and takes many, many years to see the results.

Q: You left there in 1970. Whither?

DONAHUE: A year before that, so it was probably October or November of 1969, I took the Foreign Service exam in the American Embassy in Kathmandu. I passed the written exam, but I did not have an opportunity to take the oral because that is only given in Washington and I was not returning to the U.S. until a year later. So, the State Department kept me in the system and asked me to make arrangements to have my oral exam when I returned to Washington. I left Nepal in October 1970 and returned to the U.S. after about two months of travel through Southeast Asia and after spending Christmas with my family. In January 1971, I had my oral exam and passed that. Then I had to take the medical exam and security interview. I entered the State Department in April 1971.

Q: Do you recall the questions or attitude during the oral exam?

DONAHUE: My oral exam was rather short. It may have been only 2-2 ½ hours in length. I believe there were three questioners. I know one had been a consular officer. I don't remember exactly what the others were, but I know that an important part of the questioning was whether I had had any experience abroad. I had. They were interested in what I had done as a Peace Corps volunteer in Nepal. Then they were interested in what I knew about the Foreign Service, how I would describe an embassy, and what kind of work an embassy would do. I had had some limited contact with the embassy in Kathmandu and so I could certainly give my idea of what the embassy does. Then they wanted to know if I entered the Foreign Service, what kind of work I would like to do. So, at that point, I indicated an interest in consular work. I know the man who had been a consular officer was very happy. So, I came in on that basis.

When I entered the State Department, however, they had not yet established cones. I believe that that system came into effect within a year or so of my entering. My first assignment was doing consular work, but I don't remember being described as being in the consular cone.

Q: You came in in the spring of 1971. I assume you went into an A100 course.

DONAHUE: That's right.

Q: Can you describe your fellow members of A100 and how that training went?

DONAHUE: I was in a rather small class as I recall. There were about 20 of us. That is, 20 State Department officers. We had joint training with about eight or 10 USIA officers. We were together for part of the time, but we were apart for part of the time as well. I was one of the youngest in my entry class. I entered at about age 23. Most of the people entered in the late 20s or early 30s and probably had had graduate training or maybe even had worked in a job for a number of years before they entered the State Department. Many of them had had military experience. One of them had been in the Army and then served in Customs before entering the State Department. One of them was a graduate of the Naval Academy and had fulfilled his minimum number of years in the Navy. Some were coming from other parts of the country and Washington was new to them.

Q: How about gender, minorities?

DONAHUE: Everyone in my State Department entry class was a man. I believe I was one of maybe three or four who were not married. Several officers already had families by then. In the USIA element of the class, there were three or four women and no minorities as we would use the term now.

Q: How well do you think the basic officer course prepared you?

DONAHUE: Given the timing and the circumstance and level of technology that we had at post, I think fairly well. Depending on the kind of work that people were going to do, perhaps a different degree of training is required. Consular work, especially visas, and administrative work, especially contracts, have the most exacting requirements in terms of rules and procedures and forms and so forth. Political and economic work is more entrepreneurial and more culture-specific. What they now call “tracraft” was integrated into the A100 course rather than broken out separately then. Everybody got the same type of training pretty much. We actually had a kind of field trip to the USIA building to see what their agency looked like, and we spent some time in the State Department, which was useful. One of the things that we did not do which I believe subsequent classes have done is, we did not have an opportunity to work in an office in the State Department for a period of time long enough to see actually what the work was like and what the product was that came back from the field.

Q: At the time, were you given a chance to say what you'd like to do or did you just salute and go?

DONAHUE: John Hurley was the head of my A100 class. He subsequently left the Service and became a Catholic priest. I believe he's still practicing as a priest. He took a very human approach with us. He spent some time trying to get to know us. Of the universe of posts that were available for us to be assigned to, he probably selected three or four that might be good matches for us and then asked each of us to consider the merits of one or another and asked us for our choice. I think that he did a good job in that. I'm sure that the way assignments come about

will always be a mystery to some extent. Inevitably, there were those of us who were assigned to posts that had not even been on a list that had been given to us. I'm sure that there are all kinds of reasons why.

In my case, when I began the process, my number one choice was to go to East Asia, and particularly Hong Kong. I wanted Chinese language training and I knew I could not get that in my first assignment out. But I wanted to get into that orbit and be in a position so that I could get such training. John offered me to go back to Nepal following one year's training academically in Nepali at FSI. I had already tested at FSI in both Nepali and Hindi and, in fact, got off language probation in Nepali. But I was probably a 2+/2+ rather than a 3/3. So, a year of training would have been enjoyable in many ways, but for a number of reasons, I did not want to go back to the country where I had served as a Peace Corps volunteer. I wanted to go to another place. So, if East Asia was not available, my preference was to go to some other part of the subcontinent. I think the only post open at that time was Pakistan. So, that was where I was expecting to go.

In the end, I went to Mazatlan, Mexico, which was a totally different part of the world for me. I did have Spanish, but from years earlier, so I was able to get a short brush up at FSI and go out and enjoy Mexico. Up until now, that assignment was the closest I have lived to a beach, three blocks!

Q: You were in Mazatlan from when to when?

DONAHUE: September 1971 to August 1973.

Q: Where is Mazatlan and what was it like at the time?

DONAHUE: We no longer have a post there. It is a port on the Pacific coast of Mexico due east of the tip of Baja, California. It's south of Guaymas, which is on the Bay of California, and north of Puerto Vallarta, which is a resort that is better known, at least in this part of the country. At the time I was assigned, we had a post in Mazatlan because it was important to certain members of Congress. I think there had been an effort to close it in the 1950s and either it had closed and reopened or the effort had been fought. The post was certainly there and was even expanded while I was assigned there.

Q: Why would Congress be interested in this?

DONAHUE: I think there were congressmen who liked to go fishing. Mazatlan was well known on the West Coast as a center for sport fishing. During the time I was there, no congressmen visited, but we did have a visit by the Secretary of the Interior. We had a Foreign Service inspection in 1972 and the inspection went sport fishing.

Q: Who was the consul general – or was it a consulate?

DONAHUE: It was a consulate and the Consul was William Tienken, who subsequently became, and retired as, deputy principal officer in Tijuana, Mexico. He spent much of his career in Mexico.

Q: What were you doing?

DONAHUE: I was a vice consul and we did all kinds of consular work except citizenship and immigrant visas. So, about half of the day, usually in the morning, we took care of non-immigrant visas. Virtually all of the applicants were interviewed. Then in the afternoon, much of my time was spent on American citizen services. During the period that I was there, we had about 30 or more American citizens in Mexico, mostly on drug charges. The reason the post expanded while I was there was the creation of the Drug Enforcement Agency [DEA]. It had been a rather small arm of the Border Patrol. With the importance of drug traffic, a separate agency was created and they needed to have an officer located in Mazatlan because the state capital, Culiacan, was a center for the drug traffic.

Q: Did you get involved in the drug business on the enforcement side or having to deal with the consequences of it?

DONAHUE: I really didn't. I think there were a couple of reasons. Even then, it was considered somewhat dangerous. People played for keeps. There were American agents who had a history of this in Mexico. But there had been some American agents who were literally on the firing line or had personal security problems because the drug lords were after them. So, the consul in charge of the post didn't want me to be directly involved. He would occasionally, on his travels around the district, pick up intelligence and he would find a way to transmit it to people in our embassy in Mexico City who were interested in that. I remember a couple of things. There was a strict prohibition from our ambassador, who was Robert McBride, against driving outside of the city on the highways after dark. It was not necessarily drug related. It was just general lawlessness and the possibility that people could come to harm. On one occasion, the consul was invited to a party at a ranch outside town. The owner or at least some of the people who were going to be there were reputed to be in the drug business. The Consul informed me that he was going to the party because he felt he had to. It was a kind of social obligation on his part. But he also wanted me to know where he was and to expect him back by a certain time. He would be coming back around midnight. I think he called me when he got back to town just to let me know he was all right. There was one occasion when I had to go out of the city at night on official business. Rather than drive myself, I got the consulate driver to take me. It was considered safer, but it was still a kind of unusual incident. I got a call very late in the evening from government people – I guess the police – in a town maybe 60 miles south of Mazatlan that there had been a really bad automobile accident involving an American couple and would I go down. By the time I got down there, the American man had died and his wife was very upset. I

was able to spring her from the clutches of the police, get her back to Mazatlan and get her on her way back to the United States the next day rather than have her charged in the complicity of her husband's death. In those days, the Mexican government was very strict regarding an automobile accident in which blood had been drawn. It didn't even have to be death, but if somebody had shed blood as a result of an accident, the person who was driving was often held in jail.

Q: Did you have Americans in jail?

DONAHUE: Yes, we did. There were three major prisons in the consular district that had Americans. The federal prison in Mazatlan probably had the most at any given time. There would be between 10 and 15. Then there was a state prison in the state capital of Culiacan that had five to eight. There was another state in our district south of Mazatlan, the state of Nayarit. The capital, Tepic, had two or three Americans in its prison.

Q: How were they treated?

DONAHUE: Any prison is bad. The prison infrastructure, the prison conditions themselves, were certainly not modern and often not very clean and wouldn't be air-conditioned or anything. I'm sure it would have been quite uncomfortable much of the year. That having been said, FBI agents occasionally commented that American prisoners might be better off in Mexican prisons than in American ones because they would have more freedom in some respects in a Mexican prison. In many ways, they were able to make money. They were able to teach English. They could write letters. Most of the American prisoners were a little bit better educated than the average Mexican in the prison. So, they could do things and they often did to make enough money so that they could buy many of the things that they wanted. There were American prisoners who were able to have an air conditioner or TV or whatever creature comfort. Nevertheless, Mexicans had the advantage of being fluent in the language and knowing the system so they could take advantage of it better. Probably, they would be better able to orchestrate an escape. As it turns out, there were a couple of spectacular escapes from the Mazatlan prison during the time I was there, but it was a prison that also went through about three or four different wardens. It was sort of so-so run.

I'd like to relate a strange incident that illustrates the potential pitfalls facing a consular officer. During my assignment in Mazatlan, there were always a large number of American citizen prisoners at the Mexican Federal Prison in the city. They generated a lot of work, including correspondence with family, members of Congress, and lawyers. In addition, the consulate provided a funds transfer service. This activity required me to visit the prison at least once a week. That way, I was able to monitor the state of the prisoners' well being, which I dutifully reported to the Embassy on a regular basis. During one of my visits to Mexico City, I met the head of 20th Century Fox Studios in Mexico. He asked what the American prisoners did for entertainment. I told him that they might have access

to a television, but that carried only Spanish-language broadcasts. There was no English-language media outlet available to them. On hearing that, the executive offered to provide me with a copy of a recently released U.S. film each month to show in the prison. He sent the film in a format that fit our consulate projector. I worked out with the prison warden to visit on a prearranged evening once a month to show the film to all prisoners. The Americans could enjoy the film in English and the Mexican prisoners could read the subtitles. This process took place over a period of about six months. Everyone was delighted with the opportunity to see a film, there had been no problems with the prisoners during the film evenings, and I was settling into a routine. I definitely had let my guard down.

Then, a month came when the 20th Century Fox film did not arrive from Mexico City on the appointed day. I called the company's office and they told me there had been a problem with the courier service or the plane, and they would send the film the next day.

I tried calling the prison several times that afternoon to inform the warden that I would not be going that night. However, I was never able to get through. By late afternoon, I realized there would be no way to get word to the warden unless I visited the prison myself, and it was not possible at that time, for some reason I don't recall. So, I thought I would either call him or visit first thing the next morning to arrange another date for the showing.

Well, you can imagine how surprised I was to hear the morning news: at 9:00 p.m. the previous evening, there had been a major prison break. Most of the prisoners who escaped were Mexicans, but some Americans had joined them as well. Apparently, they had overcome the guards, taken the warden hostage, and walked out the front door of the prison! Then, some of the prisoners hopped a U.S.-bound train. That was the last I heard of those prisoners, and presumably they all eluded recapture. I really felt fortunate that the 20th Century Fox film had not arrived, as planned. Many thoughts raced through my mind of what might have happened to me if I had been there during the prison break. Obviously, the prison authorities, and their higher ups in Mexico City, determined that there would be no more American movies. I so informed 20th Century Fox, and sent back the movie whose delayed receipt had saved my day.

Q: How about while you were there, particularly at that local level, was bribery a real problem? Americans are pretty awkward in dealing with this.

DONAHUE: I think you're right. In general, Americans don't like to engage in bribery and young people probably wouldn't even have thought that this was possible and therefore would not have tried it. Many of the young people, most of the American prisoners, were under 30. Many of the young people were in prison for the very first time ever. They had not ever been in trouble with the law in the United States. They had also usually not traveled outside of the U.S. before. So, it was a dual problem for them.

Q: How was living there?

DONAHUE: Living in Mazatlan was very good. Its climate is very much like southern Florida, so it's quite pleasant in the wintertime, very hot and humid in the summer. I definitely needed an air conditioner in the summertime. I rented a house about three blocks from the beach and was able to enjoy the beach a lot. The city was very small, with only 100,000 people. There was a community of American retired people that would grow a little bit in the winter and shrink a little bit in the summer, but there were a number of people all year round and I knew a lot of them. There were almost no Americans my age. One of the challenges was to meet Mexicans my age. Mexican society then, perhaps even now, is somewhat more conservative than American society. Girls of good family would not readily go out on a date with one man. Many girls into their 20s until they got married continued to live with their family, so their family knew everything that they were doing and even if they didn't live with their family, Mazatlan was such a small place that you couldn't go anywhere that you wouldn't be recognized. So, people tended to date in groups. I did have Mexican friends where I'd know the guys and they would introduce me to girls and we would decide as a group to go someplace to dance or something. There were opportunities for social interaction but it was a very different type of thing than at that time in the United States. My concern was that if I really got serious with a Mexican girl, serious even to the point of a one-on-one date, the family would expect that it was more than that and I would be pressured into an engagement and marriage. I really wasn't interested in that type of thing, maybe because the pool of women in Mazatlan was so small, maybe because I was interested in other parts of the world besides just Mexico.

It so happened that I had a number of friends from my entry class in the FS who had been assigned in Mexico City. We would visit back and forth. Because we had a non-professional courier run every two weeks, about every six weeks, I would end up making a trip to Mexico City. It would involve at least one overnight. So, I was able to keep up with my friends that way. On one occasion, we were out at a restaurant in Mexico City and there were some other non-pro-couriers from our posts in Mexico, one of whom ended up becoming my wife. So, I met my wife through just a chance encounter that way. She was an FSO in Guadalajara, Mexico, which was a post between Mazatlan and Mexico City. She had arrived at her post a few months after I arrived in Mazatlan, and we had mutual friends in Mexico City.

Q: Did you get married in Mexico?

DONAHUE: We didn't. It turned out my parents were living in Maryland at the time and my wife's parents were also living in Maryland. So, it made sense for us to come back to the United States and have our wedding here. We got married in the District, where both of our families were able to participate.

Q: Is there anything else we should talk about about Mazatlan? Visa work? What was that? Mainly refusals?

DONAHUE: Undoubtedly, there were a lot of people applying for visas who were seeking to remain in the United States, and we had a number of programs then that made the border quite porous anyway. We had a bracero program where Mexican workers could legally go to the U.S., mostly California, to pick fruits and vegetables. We had a border crossing card that was good for life, as far as I recall. Once it was issued, it could be used in perpetuity. The idea was that it could not become an immigrant visa, but it was a convenience for people to go across the border almost at will. Many of our visa applicants were students or people going on vacation. There was a Mexican middle class then. It was in numbers rather small in Mazatlan. After I got married to my wife, I moved to Guadalajara to complete her tour. There was a much larger Mexican middle class in Guadalajara and many of them certainly could afford to vacation in the U.S. and they were good applicants. I think we were not overly concerned with fraud for visas in those days. When I was in Guadalajara, I was working in American citizen services and citizenship. We were somewhat more concerned about fraud with citizenship. There had been several generations of Americans living in Mexico and the laws changed a great deal over a few years in terms of the right of a mother to transmit citizenship to her child and so forth. So, we had to scrutinize those laws very carefully. Sometimes, fraudulent documents were submitted to back up citizenship claims.

Q: How did this work out going to Guadalajara? Was it at that point where your wife had to resign?

DONAHUE: About the time that we got married, the rule ended that a FS officer had to resign a commission to get married. So, neither my wife nor I had to go through that procedure. We had no guarantees that we would be assigned as a tandem couple, but it worked out for us.

I met my wife, Linda Louie Donahue, while on a nonprofessional courier run to Mexico City in the summer of 1972. She was doing a parallel run from her post, Guadalajara. We had mutual friends from our A-100 courses at FSI (we entered the State Department in the same year, 1971), but prior to our meeting in Mexico City we had not known each other. Our initial meeting was followed by Linda's visiting me in Mazatlan and I visited her in Guadalajara. We did some traveling to tourist locations and then we decided we were more than friends. One problem loomed for us, however. At that time, a Foreign Service Officer who married a foreign national had to tender his (or her) resignation. It was up to the Department to accept it or not. Although there were many officers married to foreign nationals, the decision was made on a case-by-case basis. The situation for Foreign Service Officers marrying each other was a bit different: the female officer was expected to tender her resignation and usually it was accepted. This meant that a woman could have a Foreign Service career only if she swore off

marriage. Indeed, most of the senior Foreign Service Officer women we knew in the Embassy in Mexico City had remained unmarried during their careers.

Fortunately for us, however, one of those women was on our side. This was Margaret Hussman, Consul General in Mexico City. She had had a long, successful career culminating in her Mexico City assignment. Although she had not married, she no longer accepted nonmarriage as a necessity. At that very time, the Department was also reviewing the policy and considering change. Ms. Hussman briefed us on the likely changes that would come out of Washington and she helped us determine a date for our wedding (which we did in Washington, along with a lot of State Department paperwork) to ensure that neither Linda nor I would be adversely affected by the marriage. Ms. Hussman also helped me get a short tour assignment in Guadalajara following our marriage so that we could both complete Linda's tour and arrange follow on assignments together. Linda and I were among the very first tandem couples in the State Department.

We have seen the Department become more, and then recently somewhat less, helpful with tandem assignments, as the number of tandems has continued to grow. Coupled with the closing of many posts and the shrinking of many embassies, especially some of the traditionally larger posts, it is becoming more of a strain on the system to accommodate tandem couples. We were very fortunate that we could always be posted together. We have seen officers who had to accept postings in different countries, and even continents, suffer problems in their relationships as a result. Early on, Linda and I decided we would emphasize our marriage and, when children came, our family, over taking the best choice of assignments aimed at furthering our career. We believe we made the best decision, but it is up to each tandem couple to decide.

As life in the United States increasingly assumes the normalcy of a working couple, it will continue to be challenges for the foreign affairs agencies to ensure that couples who wish to work and live together at the same post have those opportunities. My wife and I were able to find a fit with the State Department's own needs in our Chinese assignments. Since housing was so tight, the mission preferred working couples because it minimized the need for apartments. However, few posts have such limitations. In our experience, it appears the State Department has worked harder than some other agencies to accommodate working couples. The greatest difficulties seemed to befall colleagues who worked for different agencies, which have their own personnel systems and policies on foreign assignments.

One possible solution is to enter into more treaties with foreign countries to facilitate Foreign Service spouses' finding work on the economy. While the treaties we already have undoubtedly do help, the ease or difficulty of obtaining employment often has more to do with factors beyond the U.S. Government's control, such as the state of the host country's economy and the likely discrimination against foreigners, even if they have the requisite language and

other qualifications.

When I was transferred to Guadalajara, I expected that we would remain in that city for a fairly long time, maybe another two-year tour. But at that time, Henry Kissinger was Secretary of State and he wanted especially for junior officers to be transferred to other parts of the world and have a totally different kind of experience. He wanted to churn up the FS. He especially wanted people to change continents or regions and learn about issues on the other side of the world.

Q: This was the GLOP program.

DONAHUE: That's right.

Q: I thought we might end at this point. In 1974, you went where?

DONAHUE: In February 1974, we returned to Washington to have French training at FSI in preparation for being assigned to Ivory Coast in West Africa.

Q: This is May 9, 2000. You finally found a place in the Ivory Coast where both of you could have a job, is that it?

DONAHUE: That's correct. In order to do that, I switched cones. The cone system was still very new. There had been a fair amount of arbitrariness in assigning people their cone and because my wife and I had begun doing consular work, it so happened that we had both been placed in the consular cone. However, I was given the opportunity of switching to the economic cone and indeed it was an area that interested me. So, I was assigned to the Ivory Coast in the four person Economic Section. My wife was assigned there as the head of the one American officer Consular Section but reporting to the political officer at post.

Q: Had you had any economic training?

DONAHUE: I had had some Economics courses in university. It certainly would not be equivalent to a major in Economics. However, a lot of economic work has to do with accurate reporting. It's just reporting on economic and commercial issues rather than political issues strictly speaking.

Q: You took French?

DONAHUE: That's correct. I had studied French in university and had a very good program there. My professor there had collaborated with teachers at FSI on the French material. So, in fact, I got essentially a brush up in French. What was different at FSI at that time was, those of us who were going to Africa, in addition to getting language training, had area studies. We also had some training in

African usage of French, which is a little bit different than continental usage.

Q: Explain this a bit.

DONAHUE: Just as English has pidgin English, there is a pidgin equivalent of French, which often incorporates some local language words or word choices or syntax, or just a mispronunciation of proper French that is easier for the local people to use. Those of us who were having French training and going to Africa were going to many, many different posts. The use of this patois is more frequent in some places than in others. Apparently, it's used a lot in Senegal, so some of the people with whom we were studying were going there and we saw some films that had been produced in those African countries using that patois, so we would accustom our ears to it. Actually, in Abidjan, I heard more of Parisian French rather than this African patois. But we did hear it in the marketplace. We heard it on occasion on TV or certainly when we traveled up country when we were talking with local officials who had not had the experience of more advanced education in the capital or abroad.

Q: In your area training, what impression were you getting about the Ivory Coast at that time? We're talking about 1974.

DONAHUE: That's correct. Africa was still young and new. It had passed its first decade of independence, so I think the days of great excitement in the '60s were already passed. African countries had separated into two camps. There were those that were considered successful, had applied the right policies, had stable governments, and were making progress in economic development. Then there were others that were already seen as failed states because they had coups. They had courted if not communism then at least socialism. And many countries had had failed economic policies that were ruining what would have been a good patrimony of resources at the outset of independence and running the countries into the ground. In fact, Ivory Coast was right next door to one of those countries, Ghana. At independence in 1957, Ghana was considered by Britain, together with Kenya, the two former colonies that had the greatest economic possibilities on the continent. Ghana rapidly went downhill. By contrast, Ivory Coast was seen as the great success. It had implemented many of the policies and practices that were considered at that time to be the wisest courses and the most pragmatic policies for developing countries.

Q: What was the feeling you were getting from your colleagues about Ghana? What was the problem of Ghana?

DONAHUE: There were several problems. I am not an expert on Ghana. Certainly, the initial government under Kwame Nkrumah had been socialist. That had made a lot of people uncomfortable. Ghana was the first Anglophone country to attain its independence. The French counterpart to it was Guinea under Sekou Toure. They both got their independence in 1957. Most of the other colonies got

their independence in 1960 or 1961. So, both Ghana and Guinea were a little bit ahead of the curve. Both of them got very involved with socialism at a very early stage. Ghana began with a pretty good basis of British administration and government, a good legal system, a good university, and a particularly good agricultural extension service to support the tropical agricultural commodities that it produced – primarily cocoa, some coffee -- and that were the mainstay of its income. Because tropical agriculture is even now not particularly well known, well understood, and still a matter of academic experimentation, an extension service or something akin to that is absolutely essential in order to keep tropical crops going. One of the first things the Nkrumah government did was to nationalize a lot of private sector plantation production or to use many of these government facilities as a kind of cash cow for other projects that were important to Nkrumah. So, unfortunately, in that initial period of independence a number of very magnificent looking public works projects were built with money that would have been more efficiently and more effectively used in things that were less flashy but nevertheless perhaps of greater benefit to the overall economy. Of course, Nkrumah after a few years in power, was overthrown, and there was a succession of coups and governments that misspent their country's resources. At the time that we were getting ready to go to Ivory Coast, Ghana was considered to have been already on the way to bankrupting its patrimony. Because I was going to an economic job and I knew that my portfolio would be agricultural commodities, I did a lot of work in the United States on those agricultural issues before leaving. I got up to speed on the international markets for cocoa, coffee, rubber, tropical timber, and cotton, other commodities which grow in the tropics and which were important to Ivory Coast's economy. Some of them had also at one time been important to the economy of Ghana. When I did my consultations, especially in places like New York, where many of these commodities are traded on the international market, traders would say that even then the quality of Ghana's cocoa was deteriorating and the quality of Ivory Coast's cocoa was improving relative.

Q: This was a matter of care of the plantations?

DONAHUE: That's right. Under British rule, there was a good combination of things. The large plantation owners themselves were educated people and paid attention to the science of the production. The British administration collected a lot of individual information from the plantation owners and worked with it in a research process so that they could understand best how to protect the crops, and what were the optimal growing conditions. They understood pests, problems related to storage, and so forth and disseminated that as well to the plantation owners. Under the Nkrumah and subsequent leadership in Ghana, a lot of that work came to a grinding halt. One of the impacts of the privatization, or Ghanaization, of the plantations was a lack of good statistics coming out of the plantations, and the government apparently didn't use the statistics to the extent possible. So, indeed, the traders, many of them large companies, found they had to do their own research to a greater extent than before. Many of the large

companies, and I'm thinking of cocoa in particular, were Hershey, Nestle, and Mars. They had their own experts in chocolate and cocoa who would travel to those major producing areas, go into the fields and actually look at the crop at various stages of growing. Based on those visits, they would do their own projections as to what the yield would be and what the quality of that year's crop would be. There are many things that can go wrong. There can be too much rain, too little rain, and storage can be a problem if the crop once harvested is not stored in the proper facility. They constantly talked about the deterioration of facilities on the Ghana side of the border and improvement at the facilities on the Ivory Coast border. It's interesting that historically Ghana had produced better quality cocoa and had much more extensive production of cocoa than in Ivory Coast. Before independence, Ivory Coast had not been particularly well developed as a focal point for the production of these tropical products. In fact, at the time of independence, the French had expected Guinea, whose capital is Conakry, to be the preeminent Francophone country in West Africa. Much of their infrastructure had been centered in Conakry. Their main colonial administrative center was Dakar, Senegal, but they had seen that the economic riches of the countries further south and east of that were going to pull the center southward, so they had expected that the main area of interest for French industry and commerce would move to Conakry. What happened was, Sekou Toure was also nationalizing businesses and industries right and left and much of the French investment in Guinea ended up either not being very significant or they were not able to retain it, so they moved on to Abidjan.

Q: Nationalizing...

DONAHUE: I should not use the term "nationalizing." I should again say "Guineanize." One of the aspects of socialism at that time was that it was very much tied to the concept of mercantilism, which was an important economic theory in the 1800s. In those days, a country thought that it needed to own and control all of its means of production in order to become wealthy. If its means of production were controlled by organizations outside the country, the fear was they would bleed it and take away the riches. Many African socialists who had studied in Britain during the heyday of socialism, the '20s, '30s, and '40s definitely held these beliefs. This was a part of the economic system in places as far flung as India and even Malaysia to some extent as in Africa. It's just that probably the starkness of success and failure in Africa is more apparent. Sekou Toure was nationalizing a lot of those industries and in the process steering away foreign investors.

There was a similar process in Ghana. So, many of the continental investors that were looking to improve the output of tropical commodities, improve their production, and have more of a vertically integrated production system looked to Côte d'Ivoire, which was welcoming that kind of investment. It was stable. They had all of the trappings of democracy and, although it was a one party democracy, it was nevertheless a benevolent one party democracy which was welcoming

foreign investment. They took on board French influence. The French approach to capitalism at that time involved a lot of central planning. So, that was one of the aspects that was common to the countries that were more overtly socialist. The difference was that in the countries that were very overtly socialist, all of the planning involved resources of that country itself. They didn't welcome foreign investment so much. In Ivory Coast, they did so that the government's investment for planning purposes was more in physical infrastructure – highways, railroads, airports, electric power, and waterways, which were in fact important in Ivory Coast. That is another area where in neighboring Ghana, a lot of bad decisions were made. Even the fairly good infrastructure that was there at independence was not maintained, as it should have been. You had the impression of Ghana using up its resources and having them deteriorate, where Côte d'Ivoire was building its infrastructure base and allowing private sector investments to come in and make use of it so that everything was improving.

Q: Was the Department of State on the economic side looking upon the socialist influence – and I'm not trying to use this in a pejorative way, but the end result – you had the London School of Economics, the Convinced Socialists in France, who were allowed for the first time to really have a little playground down in the colonial place. They were training the leaders. It was a disaster. Tanzania. You can just go down the line. Were we seeing this as a pernicious thing at that time? Were we trying to do something about it?

DONAHUE: One of the great differences between the East and the West during the period of the Cold War was the belief that Marxism was a scientific process, a scientific explanation of history. Both the Soviet Union and China, though in a slightly different way, shared this view. They believed in selfless humanity, altruism, and the extremely fair dissemination of resources. They didn't get production right. Nevertheless, this vision that they had of everyone having an equal share in all resources, an equal claim, was a very alluring dream for people who had been held down in the period of colonialism. So, during the Cold War period, probably it was unavoidable that Africa would be a kind of battleground and that there would be a lot of competition in terms of foreign assistance giving, a lot of effort to buy votes from countries in UN General Assembly meetings. On the political as well as the economic front, there was competition for influence. The main difference was, it was fairly easy to say with a degree of certainty what communist ideology was, to describe it, and to understand how it would impact in those countries. Communism was associated with a heavy dose of central planning, emphasis on public rather than private institutions, and so forth. It was less clear to describe the approach of western capitalism as a means of influencing what was going on in Africa.

Western capitalism was not one unique system. In the United States, then as now, we had a mixed economy. We had some public institutions that were large and important in the economy. We had many private ones. We had a legal system that allowed this to work. There weren't many, but there are some examples in the world of more pure David Ricardo-type capitalism. One of them was Hong Kong.

The European continental view of capitalism, on the other hand, had a much greater degree of central government involvement in the economy. A lot of institutions that have historically been maintained in the private sector in the United States, such as standards setting institutions, were always part of the government in continental Europe. Also, continental Europe attempts to be more dirigist, with the government sending very clear signals, indeed demands sometimes, to the market, and a far greater degree of government control over regulation. Although there may be a bit of competition, once the governments adopt a standard, the regulation is carried out with great effect. In certain continental countries, France chief among them, there has been a much greater belief in the importance and advantage of central planning than we or the other English-speaking countries have ever accepted. The Anglophone countries have tended always to have a degree of skepticism regarding the wisdom of government. I think we share that. In the United States, it's often extreme. We often have a high degree of resistance to what the federal government would want us to do. Canada has much less resistance. But nevertheless, we share the feeling that a lot of decisions should be made at the grassroots level and that we should reflect those upward to government rather than accepting as a matter of course what government has to say.

The reason I think this is significant is, for governments in Africa which were looking for leadership and guidance, it was relatively easy for them to admit the Russians, supercopy the Russian system, and adopt it in their own country, even though it had no relevance at all. The Russian brand of communism certainly was an industry-based communism. Chinese communism was of a different type and perhaps has greater adaptation to agriculture-based development countries. Nevertheless, it was easier for a government to take the whole package. It was like one stop shopping from Russia, whereas when they looked to the West, they were hearing a cacophony of voices that resulted in a lot of confusion. At times, some countries paid a great deal of attention to their former colonial master. For example, Ivory Coast, saw itself as a protégé of France, and Kenya paid at a certain point a great deal of attention to Britain. Such countries ended up developing systems that could be called capitalist. However, if you compare them side by side, they operated in a far different manner.

Q: Looking at it at that time a highly centralized economy also lent itself to corruption or tribal bias. These were the new boys, not overly skilled, coming on the block and what happened was, you go out and loot.

DONAHUE: There is certainly that. There is a propensity to that. I think there are other things as well. We have experienced this to some extent in the United States, but not the extent to which we have seen the newly independent countries joining the world community in the 20th century. Whenever a political entity organizes itself – and I think one example can be when a group of people in a county in the United States, a village, decides to become an incorporated city, it has to take on board a lot of trappings of a government that it never had to do before. In Africa, the difference is especially apparent in former French West

Africa, but is true for all of Africa to some extent. French West Africa was governed as a large area and certain cities were important. But the boundaries on the current map did not exist. So, the cities of Dakar, Conakry, Abidjan, and to some extent Lome, were great administrative regions and commercial centers for French contact with that colonial area. There were a few cities in the inland - Bamako, Ouagadougou, Niamey – which were centers in those regions. There was no effort on the part of the French to define nation states. During the period of French colonial rule, age-old migrations of ethnic groups had continued. In some areas, there were relatively more ethnic groups; in other areas there were relatively fewer. What happened with independence was a need to draw clear boundaries between countries. Sometimes, a majority group of people decided to draw a boundary around them and adopt a name that was important to them, but they were not the only ethnic group. There are very few African countries today whose borders define a single ethnic group and where related ethnic groups live nowhere else. So, the border, for example, between Côte d'Ivoire and Ghana cuts across the Ashanti ethnic group. But Ivory Coast is one of the few African countries with as many ethnic groups as it has. It seems to me that it has 50-60 ethnic tribes, in distinction with most of the other countries having only 2-4. So, because there were so many tribes and their languages, customs, cultures, and so forth were quite different, certainly among the educated elite, there was a great deal of interest in adopting French as the literal lingua franca and adopting many of the ways of the French in their social intercourse. From that standpoint, Ivory Coast had more going for it under independence. There was more of a desire on the part of people to identify as Ivorians rather than as members of the Baoule tribe or some other ethnic group. That having been said, those ethnic divisions are far from overcome and have become a political problem in Ivory Coast today.

Q: You arrived in Abidjan in 1974. Who was the ambassador? How did the embassy work? What was your impression of Abidjan and the Ivory Coast?

DONAHUE: This was my first time anywhere on the African continent and actually my first assignment at an embassy. In Mexico, I was assigned to two consulates but did not work at an embassy. The embassy in Abidjan was quite large and much larger than our bilateral relationship with Côte d'Ivoire would justify. It was a regional center for USAID for West Africa. In addition to having the bilateral element, it was a regional center for backstopping AID programs throughout West Africa, an office that is still there called REDSO [Regional Economic Development Services Office]. In addition, the State Department had a regional center in Abidjan for budget and fiscal operations. One of the reasons was, there was a lot of talent available for the FS national and third country national pool so that they could employ Anglophones to work on Anglophone countries and Francophones to work on Francophone countries and so forth. It was relatively easy to work. In fact, Abidjan at that time was considered the preeminent city in West Africa in terms of services, both general availability of services and their constancy. I can certainly vouch for the fact that in terms of water supply, electric power, the quality of the surface of the roads, and other

services that we used, they were quite good and very rarely failed. That is a lot to say for Africa at any time, even now, but especially back then. So Ivory Coast had very good services.

Ambassador Robert S. Smith, who had been an employee with USAID and was considered one of the very few AID people who became an ambassador, headed the embassy at that time. However, he had experience in West Africa. I believe he had never served in Ivory Coast before, although he may have visited there. I believe that he had not known French before that assignment, so that this was really the first assignment when he was using French. He was in his 40s at the time and had divorced his wife and recently remarried just before going to Ivory Coast. So, he had a new wife who had never lived outside of the United States before. Her name was Didi. The deputy chief of mission at the time was Walker Diamonti. He had a lot of experience in Africa, especially West Africa. John Ferriter, a very sharp person with academic training in law, headed the Economic Section that I worked in. I really don't know what academic economic training he had. But the legal training became very useful in his analysis and ability to provide guidance on the commercial side when occasionally we ran into problem with American companies feeling they were discriminated against. At that time, the commercial function carried out by the embassies was done by State Department. There were very few Department of Commerce personnel abroad. So, the person with the title of commercial officer was William Ramsey. He had a couple of third country national employees who worked with businesspeople, a typical commercial operation where we were on the one hand flogging American exports to Ivory Coast, on the other hand helping Ivorians do business with the United States in many ways, and also providing various kinds of services for American companies that had invested in Ivory Coast. There was a small American Chamber of Commerce that we worked with. The Commercial Unit held occasional trade fairs that often had a regional audience.

Another officer in the Economic Section was Melinda Kimble, who was doing the financial economic work. Ivory Coast was significant for a number of reasons. It was the headquarters of the African Development Bank and the U.S. Treasury at that time was very interested in putting resources into the African Development Bank. One of Melinda's jobs was looking at that operation and the financial transfer side. Also, at that time, and I believe it continues, the French backed a currency for Francophone West Africa known as the CFA franc [Communauté Financière Africaine]. The currency was convertible with the franc. 50 CFA francs would convert to one French franc. So, Melinda also followed the financial element between the government of Ivory Coast and France and the Ivorian balance of payments and other issues. My brief was the agricultural sector, which was probably 95% of Ivory Coast's economy. Ivory Coast did have some industry, a lot of which was related to agriculture.

Q: What was your slice of the action?

DONAHUE: I had agriculture and agroindustry and all of the things that would relate to that. In other words, if there was interest on the part of American companies in selling to Ivory Coast or if Ivorians wanted to export something to the U.S. in the agricultural realm, I would deal with that. There were a number of agricultural and extractive industries. When American companies sent their cocoa or coffee buyers to Ivory Coast, they would come to see me and I would occasionally go out into the field with them to look at something. Nestle and other companies did some low level processing of cocoa in Ivory Coast and American companies were interested in that, so I would work with them on that type of project. During my period in Ivory Coast, the OPEC oil price rise took place and created consternation on world markets. One of the effects was that oil companies started looking everywhere for oil. The international oil companies became interested in exploring for oil offshore of Ivory Coast because oil had been found on the coast of Nigeria. There was the expectation that there would be oil in the coastal regions of a number of the West African countries. One of the problems with Côte d'Ivoire was it has a very narrow continental shelf and a deep plunge very close to the coast. As a result, it was a very difficult area to do prospecting offshore. I think the technology was still in its early stages then. This was before the North Sea oil had really been developed and there was not a lot of knowledge about how to drill for oil in very deep ocean depths, but eventually this was done. It was just at the very early stages.

Also, Ivory Coast is a producer, although a very minor one, of diamonds and some other gemstones, so there was some interest then on the part of American companies in Ivorian diamond production. Ivory Coast was a major producer at that time of tropical hardwoods. We don't see as much use of solid hardwood in the United States as in Europe. The tropical hardwoods – like mahogany, teak and rosewood -- are highly prized in Europe and Asia. They are quality woods that are quite pricey and Europeans and Asians are willing to pay the price – I think Americans somewhat less. Nevertheless, there has been an industry in this country using such woods as a veneer to plywood. So, the American Hardwood Plywood Manufacturers Association was also quite interested in Côte d'Ivoire.

OPEC's successful effort to raise the international price of oil in the early 1970s resulted in a massive influx of U.S. dollars into the coffers of the OPEC countries. Since most of them were underpopulated and undeveloped, except for the petroleum sector, those countries alone simply could not utilize these additional billions of dollars. One option was to buy U.S. Treasury bills, and the equivalent government bonds from other OECD countries. However, there are limits to the size of that market and eventually the oil-rich OPEC countries had to consider other possibilities. Meanwhile, the major international banks eyed the petrodollars greedily and offered top interest rates to place them. Their problem was what to do with all this excess liquidity. Up till then, the primary source of development finance for developing countries, especially African countries, was the international development banks, chief among them the World Bank. By the mid-1970s, however, the major international private sector banks, such as Bank of

America, Citibank, Chase Manhattan, and their European and Japanese equivalents, were all angling to finance developing country economic development projects with their newly gained supplies of petrodollars.

I saw much of this activity taking place in Ivory Coast because it was considered one of the most “bankable” or “investible” countries in Africa at the time. Since Abidjan was already a financial center for West Africa, the presence of the African Development Bank headquarters lured other major banks to establish regional centers. All of the banks were very aggressive in seeking to place loans, and it is highly questionable whether they always performed adequate due diligence on the loan recipient, or even on the project itself. I had long conversations with the U.S. citizen heads of the Bank of America and Citibank in Abidjan regarding their efforts to place loans. They were literally pushing loans on the nascent development agencies in West African countries, most of which had no previous experience with private sector lending. The head of Citibank regularly informed me of the many millions of dollars of lending his New York headquarters expected him to place in a given quarter. This included many shaky projects in such countries as Zaire. I even accompanied the Citibank chief by private airplane to a site in northern Ivory Coast where Citibank was backing the industrial production of cotton and cotton processing. We were given a tour of the facility by the American setting it up. This was a first for Ivory Coast to enter into large-scale production of cotton, and the project interested various institutions, including the World Bank.

Unfortunately, both the public and private sector institutions failed to do their homework, or to coordinate sufficiently well on these massive, market-based development projects. Within a decade, various banks and international institutions had backed similar projects in so many developing countries – especially those in Africa – that the world market was oversupplied in cotton, as well as other commodities. The end result was that countries like Ivory Coast, which had successful commodity-based economies in the mid-1970s, subsequently became even more dependent on an ever more volatile world commodity market whose prices were at substantially lower levels. By the mid-1980s, many of these countries were no better off, and possibly much less well off, than before they had undertaken the major investments. There is little wonder that African countries still stagger under enormous international debt burdens, many of which involve private sector institutions, and the countries still lack the wherewithal to clear their debts.

Q: Looking at the cultural side, the United States is a major agricultural country with also a very big industry of supplying agricultural machinery and all that. France has its own very strong agricultural economy, highly subsidized. I would think that it would be very difficult for us at that time to break into Côte d’Ivoire’s agricultural equipment market because of the French.

DONAHUE: Obviously, the French – and I think this is another element of this

competition between communism and capitalism that I mentioned – the former colonial powers had strong commercial interests in their former colonies. So, they had interests not only in influencing the governments there as a kind of bulwark against growing Soviet influence on the continent, but they also wanted to do a good deal for their own industries. The U.S. was seen as an interloper quite frequently in those markets. Again, the whole concept historically of colonies was to ensure the wealth of the colonial power. They grew up during the period of mercantilism, this belief that you had to own land in order to be rich. The concept was, the world was a zero sum game. If one power gained territory, it was a loss to another power, so there was a desire to maintain a degree of parity there. When you had a colony, you exploited it and brought all of its wealth back to your country, and the colony, bereft of its own industry, became a captive market for your country's manufacturers. This is one reason why very few of these countries had any kind of industry to speak of before independence. In almost every case, they were importers of industrial products and exporters only of raw agricultural products. So, yes, you're right, the French had a great deal of interest when Ivory Coast became a market of importance. Investors came in to run plantations. Widespread plantation-type agroindustry had not been a feature of Ivory Coast prior to independence. It had been in Ghana, but not in Ivory Coast. So, companies actually became very interested in Ivory Coast. Producing commodities which could not be produced in Europe – examples were pineapples, bananas and strawberries, that are not fruits that are produced in Europe, but for which there is a great market in Europe. If there was any citrus production in Côte d'Ivoire, it was very minimal, but those other products were definitely there. French companies like Peugeot, Renault, and Rhone-Poulenc all had interest in providing agricultural and transport equipment to Ivory Coast. However, they did not produce everything and they were not always selling it at the best price. So, there was competition from other European manufacturers like Mercedes Benz and Volvo and certainly American companies that were interested in the market and had a particular niche. The big American company that was involved in transport and construction equipment was Caterpillar. I think Massey Ferguson was there for some type of agricultural machinery. Since Abidjan was a center for the region, executives would live in Ivory Coast and travel to neighboring countries to manage sales and service. The natural territory served out of Abidjan was every place west and north. At that time, Lagos served a similar function for areas east of Ivory Coast and as far south as Cameroon. A number of American companies had groups in the region. The one country in Africa at that time which American business was careful about was South Africa because of various concerns on the part of the U.S. government in doing business with an apartheid regime and restrictions on the kinds of business that could take place.

Q: Who was the president of the Ivory Coast?

DONAHUE: The president at that time was its first chief of state, President Felix Houphouët Boigny. He brought together a number of features. This was in many ways typical but also atypical of that first generation of African leaders.

Houphouet Boigny was one of only two Africans who ever served in a French cabinet. HB had been trained as a medical doctor, trained in France, and was actually a member of the cabinet and served as minister of health in the French government. The only other African leader who had a similar background was Leopold Senghor, who ended up becoming the first president of Senegal, who I believe was the French minister of culture and was the one who defined the concept of “negritude,” which influenced and probably gave birth to the concept of black pride in the U.S. They were far ahead of their time and they were intellectuals from the period of the ‘30s and ‘40s and had their formation in French government in the 1950s. So, indeed, both of those men were trained and ready to take on the reins of government. HB in addition was a titular head of his tribe, the Baoule, in central Ivory Coast, headquartered on the town of Yamoussoukro, which towards the end of his life he designated as the national capital. During the period that we were in Ivory Coast, which was the middle of HB’s period as president, represented already the demise or was past the peak of his presidency. You had mentioned earlier the problem of corruption. This was a period when the corruption of the Ivorian ministers was becoming apparent.

One of the themes I was talking about earlier is putting on the trappings of sovereignty. When these countries became catapulted on the world stage as sovereign states, most of the black Africans had never held positions of authority. If they had, it was the running of a high school, a village chieftainship perhaps, the running of some small association or enterprise. Very rarely had they had any control of the kinds of resources that a government would command. They certainly had not had to make the kinds of decisions that a modern government would have to make. This was true even if they were the leader of a traditional African tribe, where they would have been responsible for what we would call “local government,” but it would not have involved national defense and certainly not what we would call international diplomacy, relations between major countries that are jockeying for influence. So, they had to become something that they had never become and never perhaps even dreamed of becoming.

Supposedly, HB was actually very happy when he was a doctor. When he studied medicine, he saw his role primarily as bringing a higher quality of public health to his people in Ivory Coast. But the nature of French administration took people with a given skill level and shifted them wherever they were needed within the French system. Therefore, much of his medical career was not spent within the confines of modern day Ivory Coast. Rather, French West Africa included much of the region from Senegal to Benin. So, part of the process of independence resulted in bringing people who had worked very well together in a very large French administrative system back to their home countries. In many ways, they had to become known again in their own country. They had to reestablish relations with their own tribe, with neighboring tribes and other people in their home environment. More likely than not, they had not lived at “home” during their adult years, or had much contact with those people as they had pursued an adult career elsewhere. There were several things that made HB particularly good.

Having worked well with people from other parts of West Africa and indeed with France, he was able to work well with the various tribes in Ivory Coast. There was no single majority tribe there. So, he was able to build ties and bring into his government structure people from all of these various ethnic groups. What they shared was the French language, the concept of French administration and the idea of being able to administer something, although what they had administered perhaps in their adult careers was not the country that they were going to administer following independence.

HB was able to have a kind of overarching structure that worked at least in those early days. He established the PDCI [Parti Democratique de la Côte d'Ivoire], which was the first and major political party. Rather than encourage a system whereby there would be many political parties, as was very common in Anglophone countries, he encouraged all people to come into the PDCI and work within that structure. So, not everyone in the PDCI was of the same view. There was a party with a broad range of views, but if people wanted to participate in the government, they had to be inside that party. He did not brook another political party. The main newspaper in Côte d'Ivoire, the *Fraternité Matin*, was in fact the mouthpiece of the PDCI Party. To the extent that it had independent reporting, it would be of neighboring countries, not of Côte d'Ivoire or France.

Q: As an economic officer, did you find that behind much of the Côte d'Ivoire administration, there was a Frenchman on these plantations or was it pretty much in the hands of the people of Côte d'Ivoire?

DONAHUE: A few years before independence, France began to draw future national boundary lines across what had been French West Africa. Then, France established administrative centers in those cities that were to become the future capitals of independent governments. During that pre-independence period, French people headed all the offices that would become ministries. Each French minister had an African *chef du cabinet*, chief of cabinet. That system maintained itself pretty much for one or two years after independence. By the mid-'60s, in some of those countries, there would still have been an occasional French minister. In Côte d'Ivoire, this period of shift took place earlier so that by 1970, all of the ministers were African, Ivorian, and the *chef du cabinet* position then went to a Frenchman. I believe in almost every case during the period I was in Ivory Coast, the *chef du cabinet* was French. There might have been one or two ministries with an Ivorian *chef du cabinet*. One reason why the French Embassy in Abidjan could be so small was the large number of French citizens working in ministries who reported back to the French Ambassador. He, in turn, met weekly with President Houphouët Boigny.

Q: Did the embassy find that you were dealing more with the chef du cabinet than you might have?

DONAHUE: Protocol is very important in developing countries and I think

particularly in Africa. The question of status and the trappings of office are very important. I used to think it was just Africa, but I know this is true in Latin America, as well. I used to think it was just small countries, but it can be large countries also because this pattern is very important in Brazil and China. I think that it has to do with needing to give the world a face. It's an image issue. So, typically, a cabinet member wanted to meet with the ambassador. The head of the national legislature would want to meet with the ambassador. But if the ambassador was not there, then the DCM or charge. The chief of the Political Section, if he were seeking a meeting, would probably have to meet at the level of the chef du cabinet. Those of us with less rank, first or second secretaries, would have to be content with someone lower down in a ministry. That having been said, once you established a relationship with an African and had a social relationship outside of the office, sometimes it was indeed possible to overcome the strict protocol problem and deal directly. On occasion, I was able to do this.

There were several instances when we had an informal route for whatever reason. For example, one of the issues that I was responsible for was labor. I suppose because I had agriculture and industry related to agriculture, which was most of the industry in Ivory Coast and would have employed more people, therefore, I also had the labor portfolio. It so happened that Didi Smith before she married Bob Smith had worked in the Department of Labor and had a number of former colleagues there who were interested in doing something with labor in Ivory Coast. They put together a kind of goodwill mission with the theme of safety in industry. It was supported by both the Department of Labor and the AFL-CIO and had therefore two Ivorian sponsors, the Ivorian Ministry of Labor and the Ivorian Labor Union. Because of Didi Smith's particular interest in this, and the fact that she knew some of the Labor Department organizers, we worked closely together on this mission. The agenda was a weeklong session, involving training seminars and some social events. Didi and I would jointly go to the Ministry of Labor and the Union to try to get their assistance in putting together the program and talk about what the embassy would do and what they would do and so forth. In those instances, we overcame these bureaucratic barriers and would be dealing directly with the minister of labor, directly with the head of the labor union.

Q: How about private enterprise there? In so many parts of Africa, the Lebanese have sort of inserted themselves in as the business group. Was this true in Ivory Coast?

DONAHUE: Very much so. There was a kind of stratification in the economy. At the highest level – and I'm talking about private sector, not public sector – there were a few international banking institutions, airlines, and certain large businesses that had major investments in Ivory Coast and were run by Europeans or in one or two cases Americans. Examples were the Credit Lyonnais and in the case of the U.S., Bank of America and Citibank, both of which had a presence there and Americans headed them. Peugeot, Renault, Mercedes Benz, and Caterpillar were all headed by expatriates. There were two or three large French transport

companies with shipping interests. Air Afrique was headquartered in Abidjan, which was a private sector entity of African countries, but nevertheless with a fairly sophisticated hierarchy because it had to meet certain standards in order to run an international airline. I think Air France had a major office there at the time. In fact, even PanAm did because PanAm flew there. So, there were those international companies that represented a kind of world class. Some other companies that were related to them, but didn't represent as large an investment, were also often headed by expats [expatriates]. For example, the major hotel in Côte d'Ivoire at that time was the Hôtel Ivoire and I believe it was part of the Intercontinental chain. Certainly, it was an international standard hotel. The hotel manager was Swiss. So, you would see people of that type that represented the well-paid international executive community.

Then under that level would have been what I would call for want of a better term the "plantation" or "industrial" sector. The heads of those organizations were Europeans, but they did not represent such large corporations. In many cases, they lived upcountry rather than in the capital. Or they would have a regional responsibility and they would be resident in Abidjan but would not remain in Abidjan all the time. So, they were there but not there so prominently as the higher level executive. Below them there was yet another stratum. At the time we lived in Côte d'Ivoire, there were 50,000 French citizens, which was more than during the time prior to independence. Many of the French would have been employed either directly by the French government in a bilateral economic development assistance program, or by an Ivorian ministry as experts in a particular area, often technologists, e.g., scientists or engineers. Or they were in education, faculty members at the university, like that. Because they were living in Ivory Coast with their families, there were employment opportunities for their spouses.

So, there were strange anomalies that many kinds of jobs that one would think could go to a local person – that is, an Ivorian – would often go to a Frenchman or a Belgian. Shortly after our arrival when we started encountering this, there was sort of a shock. We knew we were in Africa, but would sometimes forget we were in Africa. When we went grocery shopping, the people stocking the shelves might be African. The people at the cash register might be African. But the person who cut the cheese for you at the cheese counter was a French woman. The person who would cut the sausage or whatever was a Frenchman. We would go to a Belgian butcher. There was a French bakery and I mean to tell you, the people actually making the pastries were French. So, you had this anomaly. It was in Africa, but much of it was out of Europe. Another thing that sort of shocked us was that there were only one or two TV stations in Abidjan and one of them broadcast international news, news from Paris. It took a while to realize that when they talked about everything happening locally, it was happening in Paris. There was no Ivorian element at all to that. The outlook on world news was definitely that of France as opposed to that of Ivory Coast. I think it was on TV because of the large French community.

Below this level of French expatriates, who happened to be working in the economy because it was convenient (they lived there), were the Lebanese. They represented the vast bulk of the retail sector. Certainly the small shops, the small specialty stores that would be equivalent to a five and dime, the pharmacies and things like that, any little thing like that that you need in your daily lives, a lot of times the shop owner would be Lebanese. During that period, there had been a diaspora from Lebanon because Lebanon had experienced civil war and was still in the early stages. So, the Lebanese community was increasing. Many of the Lebanese situated in Ivory Coast had gotten word back to their families that it was a good place, it was stable, they could make a good living, and so forth. So, during the entire period we were there, there was an outpouring of Lebanese to the country. Interestingly, just below the Lebanese in terms of numbers and the size of their business was the Vietnamese. That was because there had been an equivalent diaspora from Vietnam, especially South Vietnam. There were some wonderful restaurants run by Vietnamese. I've never visited Vietnam, but people who have said this was like taking something from Vietnam and just reassembling it in Ivory Coast. It was just as they remembered. We had a friend in the embassy, a man who had a Vietnamese wife, who said that for her being in Abidjan was closer to being at home than being in the U.S. ever would be because there was such a large Vietnamese community there with whom she had a lot in common.

Below that, I would say West Africans of any nationality except Ivorian so to speak, ran the rest of the economy, at the level of the street. So, when you went to the market, you could buy something from a Nigerian woman. Most of the sellers were women. Nigerian. Senegalese. Guinean. Ghanaian. Whatever. You could speak a smattering of languages. I would say buying at the market, we would use as much English as French. Typically, we would buy as much from an Anglophone as a Francophone. So, after I had been in Côte d'Ivoire for a few months, I started wondering where the Ivorians were. Part of that was, we employed so very few at the embassy. A typical embassy employs FS nationals. In that embassy, probably 80% of the employees were third country nationals. I believe in my experience, that's a record. There were a number of reasons. They needed people with particular skills, certainly an ability to read English. I think that was still a lack in Ivory Coast. Among the educated people, they could definitely handle French, but probably not English as well. But then I also discovered that the Ivorian economy was doing so well. A combination of factors. The government was still growing and employing a lot of people and the government paid so well that Ivorians preferred to work for their government or for some large industry or organization that would give them prestige. If they were in the academic community, they preferred to work at the University of Côte d'Ivoire in Abidjan or a high school, a lycee, in Abidjan rather than up-country. So, again, there was the anomaly that when we traveled up-country, in positions of authority, we would see more foreigners often than Ivorians. A typical lycee in a town up-country would have more than half of its teachers French, so-called "cooperants," the French equivalent of the Peace Corps. The Ivorians who had the

education to teach at the lycee level wanted to be in a big city, in Abidjan. They didn't want to be up-country. That was true of engineers, people who maintained the water system, the power system, and other industries up-country. If the *cooperants* were available, they would go up and take those positions and the Ivorians would stream to Abidjan. At the time I was living in Ivory Coast, I believe the population of Ivorians was five million and there were an additional two million non-Ivorians living and working somewhere in Ivory Coast.

Q: You were there from '74 to when?

DONAHUE: From 1974 to 1976.

Q: Were there any major things, coup attempts, natural disasters, major visits, or anything of this nature?

DONAHUE: In terms of Ivory Coast's economy and politics, it was a time of great civility. However, the issue of corruption was becoming apparent. I think that was to be expected. There was a great deal of effort on the part of various aid donor countries to influence Ivory Coast, and kickbacks and various kinds of hanky-panky involved in contracts were becoming commonplace. That was true for the airlines and almost any major project that Ivory Coast had. I remember on one occasion, we went to a reception at the home of the foreign minister where my wife and I noticed he had a very large Impressionist painting. I don't remember the artist, but it was one of the major ones. When we were remarking about it, one of the people attending the reception said, "Oh, yes, and that is a real one, but you should see his home in Switzerland that has even more." We knew, and I think this was generally understood in the embassy, that many of the ministers were taking advantage of their position and were certainly living beyond their means. What we knew on paper was that the minister's salary would certainly not have put into his hands a painting valued at many hundreds of thousands, if not millions, of dollars. So, the extent of corruption was becoming apparent.

There was no natural disaster. I believe they're rare in Ivory Coast. However, the government in neighboring Liberia was falling at that time. We didn't really suffer any kind of difficulty, but some Americo-Liberians were permanently exiled from their country as a result of the coup.

Q: This was Samuel Doe.

DONAHUE: Yes, this was Samuel Doe's revolution against President Tubman. We didn't really suffer any ill effects. We did notice that there was an influx of people from Liberia. They were not true refugees, that is village people, but business people who found that they could no longer make a go of it in Liberia. In many cases, Côte d'Ivoire was just a way station to some other place. We had made friends with the Liberian ambassador in Abidjan at that time and enjoyed

him and his wife very much. They were Americo-Liberians. They told us a little bit about the experience of the Americo-Liberians in Liberia and about their concerns about what would happen if the Tubman regime were overthrown.

Generally speaking, Côte d'Ivoire was very safe and very welcoming and we felt very comfortable there. I do remember, though, that during this period when there were a large number of people coming across the borders from Liberia, the Ivorian government wanted to try to control this. A typical way of moving was along the coast and involved the highway, which is not continuous, from Liberia to Ghana. The Ivorian government erected roadblocks that would go into effect usually around sundown. We had diplomatic license plates that were very apparent and we were almost never stopped at a roadblock in Abidjan, but if we were traveling outside of the capital city, where the local police might not have been so familiar with our license plate, occasionally, we would be stopped. There was always a sense of apprehension. Once they saw our documents, there was no problem, but we never knew. That was the one period towards the last part of our posting there when we felt any degree of tension or apprehension about being on a highway. Otherwise, we really didn't feel affected by anything going on in neighboring countries.

Q: When you left there in 1976, whither?

DONAHUE: We left Ivory Coast in 1976 to return to Washington for one year of Chinese language training at FSI to be followed by another year of Chinese language training at our school in Taichung, Taiwan, and then onward assignments in Hong Kong.

Q: You had experience with Spanish and French. What determined you wanted to do Chinese?

DONAHUE: I had always wanted to study Chinese and unfortunately went to a university where it was not offered. So, I was looking for an opportunity to have that training. It was not possible when I first entered the FS. We had very few Chinese language posts at that time. Hard language training of long duration was almost never given to a first tour officer. So, really, coming back from Côte d'Ivoire was our first opportunity to get this. My wife also was interested in studying Chinese because she is Chinese-American and had not learned Chinese, at least not well, in her home growing up because her parents spoke different dialects. But she had an interest in learning Chinese. So, both of us sought and obtained FSI training.

Q: How did you find the 1976-1977 period at FSI?

DONAHUE: Of course, there is always an adjustment coming back to Washington. However, being in a language training mode means that you almost never get out of your suitcase. We were two weeks late starting our language

training because we could not leave post before a certain date and language training must have begun either in late August or very early September. So, we had a lot of catch-up to do. Just getting oriented, buying a car, figuring out where we were going to live, making and then getting ready to make some of the purchases we would have to make down the road. Also, we had wanted to have a family. However, my wife did not want to get pregnant while we were in Africa and while we were taking malarial suppressant pills, not knowing what the impact of that medicine would be. So, after we were off of the tropical regime and after we felt fine medically, we started to be interested in having a family. In fact, that was one of the things that we began to accomplish while we were here in language training. My wife got pregnant. We ended up actually delivering the baby while we were in our second year of training in Taiwan. So, our oldest son was born in Taiwan.

On the one hand, we were adjusting to American life, having lived abroad for over five years since we entered the FS. On the other hand, we had our noses in the books. Chinese language training requires about a 30-hour day. 24 hours are not enough. There is no time out for sleeping. So, the teachers kept at us. There is a tremendous amount of memory work. It's almost like learning two different languages. The spoken language for rudimentary speech, to find your way around and take care of the necessities of daily life, is relatively simple. It's a language where syntax is more prominent than grammar. It's also a language that is highly idiomatic. So, in those respects, it is similar to English. The problem is reading and writing and then integrating reading with speaking. That is the only way to develop higher-level vocabulary. Learning to read takes time. I think your brain is limited to how many characters it can take in at a given period. That part of your memory probably deteriorates with age. So, the people who have the greatest aptitude in learning Chinese would be young people. An aging adult finds it more difficult, which was another reason why that was really probably the window in our career when it was optimal for us to get into Chinese language training.

Q: Also, 1976 was very early on in our opening of relations with China. Was this seen as a time of great promise for a career in Chinese?

DONAHUE: It was. Ever since I entered the FS, there had been the expectation that some president would find a way to bring about normalization of relations with China. The wonder is that it took so long. Kissinger had in fact made his historic visit to China under President Nixon. Following that, there was the expectation that we would be opening up in Beijing and we would need to train a lot of speakers. So, in fact, there had been an effort to increase the number of FS officers that would get Chinese language training. However, it didn't happen. There were a number of reasons. The period of the Kissinger visit was during the Cultural Revolution in China, which had never been well understood in the West because very little information about China was made available by the Chinese – purposely. The conditions were simply not right for the U.S. to establish a permanent mission of any type in Beijing during that Cold War period. That was followed by the Gang of Four period. In fact, when we began studying Chinese in

1976, Mao Zedong had just died. There was this brief period of expectation and certainly our Chinese teachers and the woman who was running the East Asian area studies program at the time, Dr. Hattie Colton, believed, “Now that Mao is dead, this can happen.” But we had not expected the Gang of Four to come together and have a hard-line resistance to any reform and for that period to take as long as it did. So, virtually for the entire period that we were studying Chinese, the Gang of Four was in control. It was a kind of return to very hard line rhetoric in Chinese editorials and a fierce face towards the West. There was a U.S. Liaison Office (USLO) in Beijing, but it was a very small one and what they could do was very limited. So, State was training Chinese language officers to have people in the wings, to be held in readiness. However, we could not be placed in an assignment in China at that time.

Nevertheless, at that time – and I think this is still true – the State Department would only accept people for long-term training who already had an ongoing assignment in a country in a language-designated position. So, my wife and I were going to LDPs [language designated position] in Hong Kong. Still, there was the expectation that during the course of our training our assignments might change and we expected we might be assigned to Beijing.

Q: Why don't we talk a bit about what you were getting in Taichung? First, did your wife have any connection with the Chinese side?

DONAHUE: My wife's family came from the southern part of Guangdong Province, which is in the south of China. Her father's family came from southwest of Hong Kong. Her mother's family came from northeast of Hong Kong. Linda's mother's family was Hakka, which is a group of people ethnically Chinese but culturally distinct from other southern Chinese. They had maintained more of their northern ways as they had migrated to southern China at a later stage of Chinese history, about one thousand years ago, and after Cantonese was well established in the region. The Hakka are very interesting people in Chinese history. Most Chinese revolutionaries have been Hakka. They are seen as very creative, ambitious, and operating outside of the lines. Deng Xiaoping, for example, was a Hakka.

Q: Sounds like the perception of the Jews of Russia and Europe.

DONAHUE: Perhaps. Also because they were culturally distinct and they were frozen out of society in southern China, they maintained some element of secrecy and separate lines of communication with Hakkas in other parts of China. There were pockets in other parts of China, such as Sichuan Province in the country's interior. They communicated among themselves and had their own intelligence network. Therefore, they were sought after for Chinese intelligence operations because they were very adept at that. One of Linda's relatives, a Hakka, had been an intelligence officer in the Nationalist army. He was active when the Nationalists were being routed from the Mainland and Chiang Kai-shek decided

to hold the island of Formosa. That relative ensured that his family was brought over from Guangdong into safety in Taiwan. Linda's family in America had maintained ties with them. So, some of the first people we saw when we arrived in Taipei were that uncle and aunt and their adult children, some of whom were older than we were. They were very welcoming and helped us get into life in Taiwan. Having a family connection there was very useful and allowed us to have the best of all possible worlds.

We would have enjoyed living in Taiwan and working in our embassy in Taipei, but I think my wife breathed a sigh of relief that we were not being assigned there because she did not feel comfortable being subjected to family pressure for granting visas or other consular-type favors. So, we had the best of all possible worlds because we were students, we were at an arm's distance from the embassy, in fact, living in another city. Therefore, the family couldn't really prevail on us to do any favors because we didn't have the ability to do that. It was very apparent that we were there as students, not as officers.

Q: What was the situation on Taiwan as you saw it? This would be 1977-1978.

DONAHUE: Right. Taiwan was already undergoing several transitions. It was apparent to me that they were going to fundamentally change how people approached life in Taiwan. It was an interesting period. My first trip to Taiwan was in 1970 when Chiang Kai-shek was still living, although perhaps not functioning very well physically. This was also during the height of the Vietnam War period. The American military presence was very apparent. We had used bases in Taiwan to help support our air and naval efforts towards Vietnam. On the one hand, there were no copyright laws or at least nobody paid any attention to them then, so you could buy English language books very cheaply. Everything was very cheap. You could live well for very little in Taiwan in 1970. But you also had almost the sense of an occupied country. At least that was my impression in Taipei. The American military presence was so great. There were a lot of English-speaking people, shopkeepers and so forth, but their orientation was to sell something to that military person. During 1977-1978, we lived in Taichung, a small city in the center of the island, a 4-hour drive south of Taipei. That was where the American Embassy Chinese Language School was located.

By that time, Chiang Kai-shek had died. His son, Chiang Ching-kuo, was the president. He was a Mainlander, but he had a different orientation than Chiang Kai-shek, partly because his mother was not Chinese, but Russian. He had had to work hard for acceptance by the Chinese at all. Chiang Kai-shek was never truly accepted on Taiwan because the Taiwanese people saw him as having taken away a good thing. Taiwan was one of the very few parts of the Japanese empire that did not chafe under Japanese rule. It had been lost from China in 1895 and taken away from Japan in 1945, so it had been ruled by Japan for 50 years. The Japanese had treated the Taiwanese very well. It was like an agricultural colony for Japan. All of the people who had been through schooling in Taiwan knew

Japanese and didn't know Mandarin Chinese. They spoke their own Chinese dialect at home, Southern Fujianese dialect, whose spoken form is quite different from Mandarin. The written language was based on classical Chinese, not modern Mandarin. So, there was really very poor communication and very little meeting of the minds between Chiang Kai-shek and the Mainlanders he brought with him to Taiwan to administer Taiwan and the Taiwanese, who really preferred the kind of colonial relationship they had had with Japan. Chiang Kai-shek issued a number of very draconian laws forbidding the use of Japanese and prohibiting the importation of Japanese-language printed materials. Everyone must learn Chinese. The language of instruction in high schools must be Mandarin. A number of traditional forms of Chinese government were either reintroduced into Taiwan or were enervated by the state. Chief among them was Confucianism as a state religion to supplant Shintoism, which would have held a similar position as a state-sponsored religion under Japanese rule. Confucian temples were abounding and a lot of money was given to Confucianism. Major museums of Chinese culture were built, including the wonderful National Palace Museum in Taipei. A great deal of effort was made to convince the Taiwanese that, in fact, they were part of the Chinese orbit culturally. The government strove hard to get them to speak modern Mandarin publicly and use that as the language of administration.

Chiang Ching-kuo was much more relaxed about culture. Under his rule – and I think he was seen as quite benevolent and better liked by the Taiwanese – Southern Fujian dialect (Minnanyu) was used more in public. Chiang Ching-kuo understood that people wanted to be able to speak in public the language they speak at home. Under his period, there were television shows and soap operas broadcast in Southern Fujian dialect. They would have been totally forbidden under Chiang Kai-shek. So, the society relaxed a little bit. Also, Taiwan's economy really hit "takeoff" and things started clicking. Big buildings were put up. Chiang Ching-kuo had a series of 10 great projects -- large infrastructure projects for which there was a sound economic need. Some of them were undoubtedly dual-use – airports, highways, seaports. They were part of defending Taiwan. It was a military defense. But they also had a practical commercial value. I think putting those projects in place really allowed Taiwan to have the economic success that it has today.

Q: I assume you were absorbing things through your teachers.

DONAHUE: Yes. Cornell-trained Charles "Chick" Sheehan was the linguist in charge of the Taichung School. A real character, he had been sidelined to Vietnamese training for much of the 1970s and was delighted to get back to his love – the Chinese language. He strongly encouraged field trips and other outings with the teachers, as well as social gatherings in which we used our Chinese. Other State Department students in Taichung were Neil Silver, Richard Boucher and Michael Klosson. One service member, Air Force Capt. Lawrence Mitchell, subsequently served in Hong Kong, Beijing and Taipei.

Q: Did you have the feeling that Taiwan was moving places and that Mainland China was far away and over the horizon? Were you all fixed at all on Mainland China?

DONAHUE: Well, it was surreal. I go back to learning Chinese at FSI. When you start out with a new language, you feel like you are a kindergartner or a first grader and you move up. In terms of our level of language ability, we were probably at upper years of elementary school when we left FSI and junior high when we got to Taiwan with the hopes that we would emerge from high school by the end of that year. Here in Washington, the teachers who taught us had left the mainland and severed connections with it in the late 1940s. We were probably the last generation of FS students to have had all of our teachers be those who had worked for the U.S. Army or U.S. government in some way on Mainland China during World War II or immediately following it. The China Mainland they remembered had been swept away by the Communists. What they knew was definitely an old China. However, the orientation of our studies was toward the Mainland, not Taiwan. At that time, the People's Republic prohibited the export of certain items, including banknotes, the money they used. It was simply illegal to take them out. But of course, we have our ways and through our intelligence apparatus, some of these notes had been taken out. Part of our instruction at FSI was to learn language using modules where we would be going to a store and making a purchase and we had to have some money to exchange. So, FSI copied the Mainland Chinese banknotes so that we would have something to do that with. Also, under Mao, a process that began in the 1950s as an effort to improve literacy, China adopted a new series of characters referred to as "simplified" characters. A student of Chinese must know about 3,500 characters to read a high quality newspaper. Not all of those characters had been simplified. But about 2,000 of them have a simplified version. So, we began at FSI learning the so-called traditional or "old style" characters, as well as the corresponding simplified characters. That meant that we really needed to know 4,500-5,000 characters to be considered "literate."

Outside of our language school in Taiwan, you would never see simplified characters or any books from the Mainland. Their use might be treasonous. Our house was considered an extension of our language school because if we were going to do homework, we had to have some of these Mainland language materials. The first time my wife's relatives came to visit us in Taichung, they were shocked when they saw our bookshelves. They were seeing materials that were definitely forbidden in Taiwan. It gave a surreal quality to what we were learning.

Another strange feature about language learning in Taiwan was the challenge of using Mandarin in public. When we were learning Chinese in Washington, our teachers would arrange opportunities for us to speak Mandarin. We would go to a restaurant where the owner was known to be a Mandarin speaker, or go to a museum and have a special tour by a Mandarin-speaking curator. In Taiwan,

outside of the school building, the language we heard on the street was Southern Fujian dialect. So, we were in a country learning one language where we could use it on the street if we initiated the conversation, but even so, we could only expect to speak Mandarin with people of a certain age. Generally, only those who graduated from high school after 1955 were really fluent in Mandarin. So, there was an artificial element to this. People working in our embassy in Taipei, when they dealt with government officials, would use Mandarin. That was the language of government. But we were not doing that. Our main interaction with people was shopkeepers, some commercial transaction, a restaurant, a barber, and we felt like fish out of water. Although our language ability in Mandarin improved, it didn't help us figure out how we could live our daily lives more easily.

Q: That's where the fun is.

DONAHUE: Right. So, it was a bizarre experience.

The other thing was, the language teachers in Taichung, who also were of the same generation as those at FSI, people who had worked for the American forces on Mainland China before 1949, whose knowledge of Mainland China had been even more frozen in time. What they knew of contemporary China was heavily colored by the Nationalist propaganda they had been exposed to in Taiwan. However, because of their lifestyles, some of our teachers in Taiwan were more reminiscent of Mainland China in the 1920s and 1930s than we could have encountered anywhere else on earth. They were that Chinese literati class that really no longer exists. From them, we learned much about the traditional Chinese aesthetic, from "polite language" to "grass writing." The men teachers were truly "Chinese Gentlemen Scholars" from another era.

Q: I took Serbian somewhat earlier and I had a couple of Royal Yugoslav officers. I understand what's happening in Yugoslavia today because of being up against these hardnosed Serb types, but they were talking about a different world.

DONAHUE: Yes.

Q: Why don't we stop at this point? We'll pick this up when you left Taichung, which was when?

DONAHUE: We left in August 1978.

Q: We'll pick it up in August 1978. Did you go to Hong Kong?

DONAHUE: Yes.

Q: Today is May 24, 2000. We're in 1978. You left Taipei and you're off to Hong

Kong.

DONAHUE: That's right. Staying in Taiwan for a minute, I'd like to describe some of the characteristics of Taiwan at that time and contrast them with Hong Kong. Taiwan has subsequently changed a very great deal, as our relationship with it has changed. I was a member of the last class at the American Embassy School of Language Studies in Taichung, Taiwan, to graduate while we still maintained diplomatic relations with Taiwan holding the seat of China in the UN. There were many, many changes following my departure from that school. The school itself subsequently was moved to the outskirts of Taipei. Purposely, the State Department had located the language school in Taichung, which was a rather small city, instead of Taipei because they did not want the embassy to look upon us students as a pool of workers who could be pressed into use to fill their needs. We were to be kept quite separate from the embassy staff. On the other hand, we relied on the embassy for administrative-type functions. So, there were two or three times during the year when we had to make the trip to Taipei to visit personnel, to square things away with the embassy in one way or another. We found the embassy very efficient and almost working on a military footing partly because U.S. military bases occupied large parts of downtown Taipei in those days. So, there was an American Air Force base right next to the civilian air facility terminal. On the main road going from downtown Taipei to the famous National Palace Hotel, both sides had U.S. military bases, including an officers club and commissary. All of that subsequently changed entirely in the year following my departure from Taiwan so that we were part of the last of an era. Even while we were there, it was very apparent that Taiwan had grown a lot and the nature of its economy was changing a great deal. There was a sense of great economic dynamism. All of that having been said, however, there was a world of difference between Taiwan and Hong Kong. Although my wife and I felt that we would have benefitted a great deal from having a follow-on assignment in Taipei, certainly it would have cemented our Mandarin being in a situation where we had to use it on a regular basis, nevertheless, we were very much looking forward to our assignment to Hong Kong, which was then and remains now truly an international city. The orientation of our jobs was very much to China, which was a much bigger fish than Taiwan. So, we left Taiwan very much looking forward to working in the realm of China relations, not knowing for sure, but having an expectation that, finally during the course of our tour in Hong Kong, the U.S. government would indeed shift the recognition of China from Taiwan to the People's Republic.

Q: This was the shoe that everyone was expecting to drop.

DONAHUE: That's right. As we were leaving Taiwan, all of our social contacts with Taiwanese had that sense of anticipation. Was there anything we could tell them about when this decision would be made? There was a lot of expectation and concern because no one anticipated the Taiwan Relations Act that would essentially allow us to more or less continue our relations with Taiwan as before.

Q: The real feeling was that they were expecting to be really cast adrift?

DONAHUE: That's right. There was a lot involved with the sense of the loss of national recognition. A lot of it had to do with the Chinese sense of face, that they would lose their face internationally. They were very concerned about maintaining their trade relations and their economic well being.

Q: What about your wife's family relations?

DONAHUE: There are several different kinds of people living in Taiwan. There are actually Aboriginal people related to the Polynesians and similar to the people of the Philippines. They are island Malays, a distinct minority. The people that most English speakers refer to as native Taiwanese are in fact people of Chinese ancestry whose families migrated to Taiwan since the 1700s. They mostly came from the southern part of Fujian Province on the Mainland of China and speak Southern Fujian dialect. It's written in Chinese characters, but the spoken language is as different from Mandarin as German from French. It almost represents a different language family. So, those are the people who are referred to as native Taiwanese.

My wife did not have any relatives among them. Her relatives were so-called Mainland Chinese who migrated to Taiwan with Chiang Kai-shek's armies following WWII. It was a harrowing experience for them. My wife's mother was a Hakka from Meih sien County in the northeastern part of Guangdong Province. The Hakka people are probably originally (2,000 years ago) from the Yellow River Valley in northern China and migrated to the south after the culture of Guangdong Province had become established. They were seen as interlopers, refugees from the north. They were never fully accepted into southern Chinese society. For a number of reasons, they maintained their distinction, so their language is different, their customs are different. The women, for example, never bound their feet. They remained apart from the dominant society of the south. Sort of like the Medicis or other people in Renaissance Europe, they maintained family ties with other groups of Hakkas elsewhere in China. Hakka people were very prominent in financial affairs, having run a kind of banking industry throughout China over the last 1,000 years. The Hakka also were mainstays of so-called secret societies and brotherhoods, many of which had a political dimension and were active in the 20th century revolutions and civil wars.

Q: More like the Masons were in Western Europe in the last couple of centuries.

DONAHUE: That is correct. The Hakka group's secret societies played an important role at the end of the Ming Dynasty and the Ching Dynasty. A foreign group known as the Manchus ruled the Ching Dynasty in China. The Hakkas also played a significant role in the downfall of the Ching Dynasty and the early period of the Republic. Furthermore, the Hakkas played a role in the communist uprising in China, and Chiang Kai-shek used Hakkas on his staff. He probably largely

relied on Hakkas in his intelligence network and secret police network. One of my wife's uncles was in fact a general in Chiang Kai-shek's army involved in intelligence.

Q: At the very end there, did you find that the group, including your wife's family, but others, were looking to meld into the Taiwanese population? Were they looking to get the hell out? How was this group getting ready to deal with the situation?

DONAHUE: As a group, the Mainlanders who had migrated to Taiwan following WWII never felt fully accepted by the so-called native Taiwanese, the majority of the population. Under Chiang Kai-shek, the Mainlanders held a privileged position, and indeed, they dominated most high level government positions. As time progressed and the native Taiwanese got wealthier and got more political power under Chiang Kai-shek's son, the relative power of the Mainlanders waned. I think a lot of the immigration to the United States and to Australia from Taiwan has been Mainlanders realizing that their prospects on Taiwan were very limited. They felt they would be better off moving on to someplace where they would be given greater scope. At the time we were in Taiwan, Linda's uncle and aunt were still living. They were very elderly. They had a very large family, eight adult children and two still in high school then. All of them aspired to leave Taiwan. Subsequently, almost all of them did. Two family members continue to live and maintain businesses in Taiwan. However, most of the family went abroad for advanced university degrees and then subsequently either went into business or entered a profession while maintaining their lives outside of Taiwan.

Q: You were in Hong Kong from 1978 to when?

DONAHUE: 1978-1981. That was a defining period for our relations with China. It also was a major period of decision making for what to do with our consulate general in Hong Kong. Hong Kong had been a rather insignificant part of the British Empire for most of the 20th century up until WWII. From the 1890s to WWII, the main city in East Asia was Shanghai, and it had the bulk of British and other foreign presence. That was the economically dynamic region. Hong Kong, while it remained very important as a major port, nevertheless really had no industry. So, what gave Hong Kong its industrial base was the flight of refugees from Mainland China into Hong Kong in the early 1950s, as many of those businesspeople were forced to leave China. Most of the refugees in that early period were the so-called capitalists or what the communists termed "bourgeoisie." They took out whatever resources they could, as well as their skills. Many of the refugees from Shanghai established the textiles industry in Hong Kong, its economic mainstay for much of the '50s and '60s. When we arrived in Hong Kong, the early period of the shock of foreign recognition of Mainland China had already subsided. So, Hong Kong business and the Hong Kong population had gotten used to the fact that western countries were rebuilding their relations with China. However, the U.S. had not yet made that decision. So, there was a lot of expectation, not apprehension, but expectation that

once the U.S. did indeed recognize Mainland China, it would be ultimately good for Hong Kong because a lot more business would flow through Hong Kong to China. There were many reasons to believe that. Hong Kong had become the main entrepot for China trade. Probably Hong Kong was responsible for as much as 80% of China's foreign exchange earnings. Many foreign countries would not or could not ship to the port of Shanghai. So, a lot of Chinese goods would go by lighters or coastal vessels from Shanghai to Hong Kong to be placed on international ships.

The British government in Hong Kong had evolved during the course of the '50s and '60s, and by the late '70s there was a maturation process. During that period, from 1950-1980, Hong Kong's population increased about three times. So, during the '50s, which was the greatest period of the influx of refugees, the Hong Kong government had been mainly concerned with how to house these people, how to provide normal city services like schools and water supplies to the new areas that were being built. That was consolidated during the '60s. However, the '60s was a period of great tension in Hong Kong because of the Cultural Revolution taking place on the other side of the border, the flow of another group of refugees, and the concern that Red Guard or similar political activities would cross the border into Hong Kong. There was a feeling of tension. For a period during that time, the Red Guard effectively controlled the Portuguese enclave of Macau on the south side of the mouth of the Pearl River. It was only with great patience and concern and close coordination with the government in Beijing that Red Guard control was ended and the Portuguese were allowed to retain a fig leaf of rule over Macau. It never got that bad in Hong Kong, but nevertheless the Hong Kong government was greatly challenged during that period. There were times when it could not provide a sufficient supply of drinking water to the inhabitants of Hong Kong. They were concerned about power shortages and so forth. That ended by the '70s.

Q: We really want to talk about 1978-1981. Who was consul general, what were you doing, what was the situation?

DONAHUE: At the time that we arrived in Hong Kong, the consul general was Thomas Shoesmith, who had been DCM in Tokyo and was a member of the so-called "Chrysanthemum Club" in the State Department. Virtually all of his foreign assignments had involved Japan, and he did not speak Chinese. It was perhaps by happenstance that he was assigned to Hong Kong. I guess the Bureau owed him something. Perhaps there wasn't the expectation that our relations with China would be affected to the extent that they were during the period of his assignment there. Interestingly, he subsequently became ambassador to Malaysia. Shoesmith was highly regarded and extraordinarily knowledgeable on Japan and the U.S. strategic relationship with Japan. However, he really did not have a background in Chinese affairs nor was he particularly knowledgeable about our relations with China as they were to develop. However, that was also a strength. He didn't have preconceived notions. He was willing to ask for guidance and

ideas and took them on board very well and cogitated a lot before determining action. So, he was a kind of broker of options that were put forth by various agencies when the questions arose as to what to do with the consulate in Hong Kong. When I arrived in Hong Kong, I was assigned to what was then called the China Reporting Unit. I have to go back a little bit in history to explain the significance of that and then describe what subsequently happened to it.

Hong Kong had truly been insignificant up until the end of WWII and then it became a staging area for American military operations once it had been recaptured back from Japan (it had been occupied by Japan during WWII). Hong Kong became extremely important to both Britain and the U.S. in the 1950s as Mainland China was taken over by the communists and most foreign delegations were forced to leave China, with the exception of the British. Of the main Western European countries, only Britain retained a presence in China continuously. The British Government did this in part because it felt the need to safeguard its presence in Hong Kong. The other western countries increasingly recognized the value of Hong Kong, as well. The U.S. considerably beefed up our operations there. Hong Kong became very important as a source of intelligence and analysis on China for the U.S. and for Britain during the early 1950s for the Korean War, and in the 1960s for the Vietnam War. It was also an excellent location from which to follow the North Koreans, the Russians, and the Vietnamese. Hong Kong became a significant collection center because it was right there on the coast of China. It was easier to get information than any other place.

The China Reporting Unit was composed of a very unusual group of people, including highly talented FS nationals, some of whom, like David Wong, had actually worked for the U.S. Consulate General in Shanghai during WWII. He was one of the last people who closed our consulate in Shanghai and fled the city when the communists were telling foreigners they had only a limited time to remain. So, David and some of the other people at the consulate, like Vincent Li, literally brought papers with them as well as other belongings from our Consulate General in Shanghai. We had a sizeable library of works on and about China written by Chinese and foreign scholars. We had incredible and extensive files of various kinds of happenings in China. David Wong and others of his generation essentially established the filing system that allowed us to track what was going on in China. I know that various places in Washington had some of the same materials, similar materials anyway, but I think that we would have had to visit several such facilities in Washington, whereas they were all together in Hong Kong. So, Hong Kong became a kind of analyst's paradise. Even as late as the 1970s, it was visited frequently by Washington-based analysts to pick the brain of David Wong and Vincent Li. They could find immediately what the analyst was looking for. The reason why this was so very important was, a kind of theology has developed in the world of Marxism and governments claiming to follow Marxist ideology. Certain terms have a particular meaning and they are often associated with people in the leadership. I'm sure in Russia there were terms or

ideas that were associated with Lenin as opposed to Trotsky. In the Chinese context, there were similar ideas. There were ones associated with Mao, with Deng Xiaoping. One of the aspects of the analytical function was to very carefully read Mainland press and look for trends or changes in content that would indicate which leader might be coming to the fore or which political line would seem to be most influential at a given period. People like David Wong were past masters at detecting those ideas. David's strength was economic. His political counterpart was Vincent Li. Both of them had reputations that caused people in Washington to really follow what their thinking was. They were that important. So, the China Reporting Unit was one of the places to be assigned, and it was considered quite a feather in one's cap to be part of the staff. It was a learning experience as much as a job for us to accomplish.

Q: 1978-1981. What was the situation in China as seen by you all?

DONAHUE: When I began studying Chinese in 1976, Chairman Mao had just died. There was the expectation that China could return to a more liberal or pragmatic approach to politics following his death. We had not really expected the subsequent Gang of Four period that lasted for about two years. About the time I was leaving Taiwan and going to Hong Kong in the summer of 1978, the Gang of Four was arrested. At the very time that I arrived in Hong Kong, there were trials for the members of the Gang of Four. These were show trials and were televised by Chinese TV. We were able to pick up that in Hong Kong and we watched the trials in real time. We also taped them. That way, we could watch the tape as a group, stop it periodically, and discuss the import. So, among the first few weeks that I was working in Hong Kong, it was very exciting because we knew that we were witnessing an historical period. We did not know precisely what the outcome was going to be. Deng Xiaoping had been reinstated, which was his third resurrection politically. But he was not particularly well known or understood. There were debates on the extent to which he would reintroduce Maoist-type policies, whether he would carry out more pragmatic policies. There was also some apprehension as the trial of the Gang of Four unfolded as to whether they themselves would garner popular support and make it difficult for the mainstream communist authorities to continue to pursue a criminal case against them. But the Chinese government was very astute in staging the TV show trials and arranging testimony from people who had been directly and awfully affected by the excesses of the Cultural Revolution. Many of those witnesses were able to finger specifically one or another member of the Gang of Four. This totally discredited them. This was over a period of some months. So, it got wide coverage in China and a political pulse reading was taken at that time. I would say by November of 1978, we were beginning to realize that indeed a new era was taking shape in China, that Deng Xiaoping was consolidating his power, that the period of excess under Mao and the Gang of Four was over, and that China was getting ready to take a more pragmatic approach. Also, Beijing began really welcoming foreign investment. Already, it had engaged in foreign trade. However, it was a major step politically and ideologically to actually permit

foreigners to own property in China. It was even more threatening to the leadership to permit foreign firms to employ workers in China. This was a big step for them, a major concession to capitalism for a country that until then had not recognized individual property rights. The concept of Chinese people working for a capitalist enterprise was just anathema ideologically.

Q: What were we seeing during this time, the China watchers? Were they concerned about where we might go?

DONAHUE: I think that this is one of the strengths of the China Reporting Unit that we maintained in Hong Kong at the time. We had files that went back probably to the 1930s, including some files that had been carted out of Shanghai. People like Vincent Li and David Wong went back into that material to research extensively the biographies of Deng Xiaoping and the other people he was bringing back into government. So, we looked very carefully at the period when Deng Xiaoping had lived in Paris, which was in the 1930s. We looked very carefully at what we had known about Deng Xiaoping in the '50s and '60s before he had been imprisoned for a period during the Cultural Revolution. We looked at why he had been placed on Mao's enemies list, what Mao had seen in him that he didn't like. Going back to a point that I made earlier, Deng Xiaoping was a Hakka. He had been on the communist side rather than the Nationalist side during the civil war. Nevertheless, he was part of this Hakka family network and there were Hakkas we knew who could shed a little bit of light on what Deng's thinking or likely operations would be. What we saw was that Deng had maintained contact during the period of his disgrace with a number of people who had been pragmatic thinkers in the 1950s and there had been a period in the 1950s in China when China had done something similar to what Lenin did in Russia in the late teens and early '20s. In Russia, it was called the New Economic Program. Lenin had allowed a level of capitalist enterprise to be maintained. In China, there was a similar period in the early 1950s, when Mao had allowed certain types of capitalist activity. He had divided the capitalist society into two groups. One was called the large bourgeoisie, the other the small bourgeoisie. The large bourgeoisie, with capitalization valued at hundreds of thousands of dollars, were the owners of factories. These were the major enterprises that the state decided to nationalize. It was because of that policy that many of those factory owners from Shanghai had fled to places like Hong Kong. But the so-called "small bourgeoisie," the people who owned small storefront shops, restaurants, various services, were permitted to maintain their operations. There was no problem for them as long as they did not employ people from outside their family. However, this was not a problem culturally. Typically, Chinese never felt comfortable employing people outside their family except in very menial positions. They certainly would not invite people from outside their family to keep their books or have deep insight into their financial situation or their business operations because they didn't want competition. So, this worked in China. It worked until the period of the Cultural Revolution. During the Cultural Revolution, however, even these small businesses were wiped out. In big cities like Guangzhou, that had thousands

and thousands of restaurants, they were reduced to only four restaurants for a population of five million people.

So, what we anticipated was that Deng was going to revive this low-level capitalism. Indeed, that's what happened. Of course, it took years to actually bring back this activity. China's economy actually shrank during the Cultural Revolution. There was incredible demand, but insufficient production, of certain items, including most consumer goods. During the waning years of the Cultural Revolution and up through the time that I was in Hong Kong, ration coupons were required to buy mainstays in China. That included not just food but also low-level industrial products such as a fan, a radio, and a bicycle. Therefore, there really weren't products that small shopkeepers could buy that would allow them to maintain their shops. So, Deng Xiaoping faced a number of problems. He had to increase agricultural production, increase industrial production, and make available products that could be marketed through retail operations at the grassroots level. He did accomplish this by bringing back into government and pressing into service people who had been discredited by Mao and considered Mao's enemies during the '50s and '60s. But, it took several years for those people to be located and reestablished.

Q: During this period (You were there up through the second half of the carter administration and the full recognition of China), how did that impact on the consulate general?

DONAHUE: It impacted in a number of ways. First of all, there were opportunities for us to make official visits to Beijing that would include travel to other cities between Hong Kong and Beijing. The U.S. Liaison Office in Beijing asked us to string out our travels so that they wouldn't have too many visitors at one time. They were very conscious of the need to not wear out anybody's welcome and they wanted to manage us well, which is also a Mainland Chinese thing, to manage the foreigners. So, the timing of our travel to China was related to the date of our arrival in Hong Kong. Because my wife and I had arrived late in the summer, we were somewhat later on the list for making our trips to China. Some of the people in the office were making their orientation trips to China during that fall, talking with the liaison office, and getting a sense that the shoe was ready to drop. Even so, it was a considerable surprise to us.

I remember being at a Christmas party at the home of Stan Brooks, the head of the China Reporting Unit, in December 1978. It was a beautiful day and life was continuing on per usual. Then we got the news. I believe somebody called him from Washington or Beijing. "The President has announced that we are normalizing relations with China." So, the party that had been a holiday party ended up being a kind of celebration of our new relationship with China. We also spent the rest of that time, and indeed the rest of the month of December, ruminating about how our situation in Hong Kong might be affected. We knew that when the Liaison Office in Beijing was turned into the U.S. Embassy, there

would be a great desire to make it a full-fledged embassy and to have it do everything that an embassy could do. We thought our whole unit might be moved to Beijing, lock, stock, and barrel.

Well, for a number of reasons, it didn't happen. But we had lots of meetings in the consulate where all of us had the opportunity to make our views known. This was another thing that perhaps was most unusual about how Hong Kong was run. Tom Shoemith almost viewed us as a combination faculty on China, sounding board on what to do with China relations, and cabinet. All of us members of the China Reporting Unit were given equal standing to voice our opinion. He ran the consulate in a very collegial way. He did not rely exclusively on his section chief to advise him, but really wanted to hear all of our views. One by one, we would go over various themes. I remember contributing to speeches and drafting some speeches he made during that period when he was explaining to various groups in Hong Kong, business groups, groups of Chinese, perhaps even people in the Hong Kong government, what this particular move on the part of the U.S. Government meant for our presence in Hong Kong. He also needed to discuss its effect on our relations with Taiwan because there was considerable dissent about that. As well, our new recognition of the People's Republic had implications for our relations with other countries in East Asia like Japan, and the so-called balance of power in the region. At the time, although we were no longer involved in the Vietnam struggle, we still had a considerable U.S. military presence in South Korea.

Q: We had pulled out of Vietnam fully in 1975.

DONAHUE: You're right, but Hong Kong had been affected in several ways by Vietnam. There was a kind of dirty war going on in Vietnam and the rest of Southeast Asia. There were all kinds of things going on in Cambodia. There was a quasi-military tangle between Cambodia and Thailand that involved U.S. military and other parts of the U.S. Government. We had a Vietnam watcher-type position in Bangkok looking at Indochina from that side, but we also had an equivalent position in Hong Kong looking at the operation from Hong Kong's side. The person in that position is still living in the Washington area and is very much involved in foreign affairs: Charles Lahiguera. I believe he served in Bangkok as well. He was a very astute political officer, and his job involved looking at Vietnam. He also looked at what North Korea was doing in this area. There was concern on that score, as well. Because Shoemith had served in Japan, he was looked to by a number of people in the Hong Kong community and the Hong Kong government for a readout on how our new recognition of China might affect our relationship with Japan. There had been a feeling in some quarters that as we renewed our relationship with China, we would diminish somehow our relationship with Japan. There was also a concern about whether China would seek for us to minimize our presence in South Korea, whether China would press forward more vehemently to bring about reunion with Taiwan. So, all of those issues were up in the air at that time. They were a matter of debate within the consulate as well as in Washington.

Typical for being assigned overseas, you are aware of but not always completely knowledgeable about debates taking place in Washington. A lot of times, decisions are made in Washington without necessarily involving the post. So, I would say from December 1978 through about May of '79, many of us had the expectation that we would just be reassigned to Beijing. None of us frankly expected at that time what subsequently happened.

In Beijing, the U.S. was Johnny Come Lately. I think the fact that we were so late in our recognition of the Beijing government in comparison with other Western governments made it inevitable that we would be further delayed in bringing our embassy in Beijing up to full status. There was a shortage of everything in China, really a great shortage. Because Beijing was a government city, the government provided all municipal services. That means not just a single municipal water and sewer supply, but the provision of heat was based on a city steam plant and things like that. So, even though we could get a plot of land that the Foreign Ministry would allow us to have to build on, it was on the outskirts of town and not part of their plan to be supplied with heat for another 10 years or so. The better plots, the ones that were already connected to that city grid, had already been taken based on order of recognition. So, we truly lost out. Our tiny liaison office building simply was not sufficient to handle the large number of people and multifarious agencies that would want to be in Beijing during a period of normal relations. Everything had to be done. So, in the end, our embassy was able to obtain a series of buildings on two different compounds several blocks away from the liaison office. It was certainly not an ideal situation. But it became sort of adequate. One of the buildings had been the former Pakistani embassy that was moving to newer, better quarters. We had to refit it and it sort of worked but was never adequate. Then the other compound was where we put administrative, consular, and embassy community functions. It was never adequate either, and they are probably still adding a little room here, there, and the other place. But these were all fixes and they are not a true solution. Just refitting the Pakistani embassy required another year or two to make enough room for people. There was a severe housing problem for diplomats; the embassy could not add personnel as rapidly as it wanted to.

So, a kind of division of responsibilities came into being. First of all, even though we maintained the China Reporting Unit at least initially, we changed its nature fundamentally. We split it into an economic section and a political section. The China Reporting Unit officers were split so that Stan Brooks, Ray Burghardt and Neil Silver went to the Political Section, and John Moddero, Kaarn Weaver and I went to the Economic Section. At that time, we were only concerned about political relations with China, not with Hong Kong. The Political Section essentially was a China Political Section. The Economic Section had some people dealing with our relations with Hong Kong with the expectation that China trade would increase. However, it was expected there would be a lot of Hong Kong-related work involved. So, the China economic unit was analytical, and the Hong

Kong economic unit was primarily commercial. At that time, the Foreign Commercial Service function was still part of the State Department, so this was not a problem. However, all of this changed during the period I was in Hong Kong. It seemed like every year we had a reorganization and we went through a number of different section chiefs and so forth. By the time I left Hong Kong, the Foreign Commercial Service had been taken over by the Commerce Department and had moved out of our unit physically, operationally and bureaucratically. Therefore, what had been the China Reporting Unit, global in its scope and providing close collaboration between economic and political officers, became much more stratified and separate and our orientation diverged. But we were also in a way backstopping Beijing. We were doing things that our embassy in Beijing could not do, so they were tasking us for research that they knew only we could do.

Q: I suppose too at this point your Chinese national staff in Hong Kong were highly skilled and were not about to go to Beijing anyway. You had the expertise and all there that could not be duplicated somewhere else.

DONAHUE: This was true. At that time and even now, we cannot hire FS national employees in China. The Chinese employees of foreign embassies are in fact employees of the Ministry of Foreign Affairs who are seconded for assignment to a particular foreign embassy and the foreign embassy pays their salary by contract. They can be yanked out at any time and they usually are recycled on a fairly regular basis. In fact, it's like employing a spy in your operation so you have to keep them at arm's length. By the time they're trained and are helpful, they're taken out and you have to train somebody else. I think that the people in our embassy in Beijing recognized early on that this was going to be the pattern and that we had a resource in Hong Kong that they could use and they needed to use. We had people in Hong Kong who, in reading a newspaper and especially the editorials in *People's Daily* or *Guangming Daily*, could immediately remember that a given phrase recalled something from the 1950s. These FSNs knew which leader had been involved and they knew what policy could flow out of that. So, we had a capability of forecasting that people in our embassy in Beijing simply did not have and would never have.

However, State Department Security interjected itself and forced some changes on our operations in Hong Kong. Together with the other bureaucratic changes, these fundamentally altered how we worked. In the days of the China Reporting Unit, the entire unit had been on a single floor. The Americans worked right next door to FS national employees. We saw each other all the time. We had meetings throughout the day. We were in each other's offices all the time. I would say we jointly drafted analytical pieces. Yes, only officers had access to classified information. A lot of times – of course, this was an era before computers – a cable or other kind of report drafted by a FS national employee would come to us and we would intersperse paragraphs that were classified that they would never see. Although we would be responsible for the whole piece, the bulk of the report might be mostly their work. Sometime during this period of 1978-1981, State

Department Security decided it would not work for us to be located together. They wanted all of the FS national employees to be on other floors in the consulate and for the Americans to operate behind a hard line. So, we had to make a major shift in our operations. Although we remained very friendly and we had to work with each other, it became a bit of a chore. We had to travel between floors. The national employees had to ring a bell or call in advance to get into our office space. It did alter how we were working. As a result, not right away, but over time, some of the longer serving FS nationals who were among the most skilled and had the most institutional memory of the staff ended up retiring. By the end of the time that I was in Hong Kong, 1981, what was left of the China Reporting Unit staff had been weakened. We had a new generation. They were people who had not been born in China and did not have the sense of familiarity with the Chinese countryside as the people who had departed.

I cannot overemphasize the importance to the U.S. Government of Hong Kong as a listening post on China and other parts of the Asian mainland. Hong Kong was a safe, convenient location, with a solid and supportive government, all of which encouraged the activities of a strong resident China-watching group. This included some knowledgeable expatriate businesspeople, foreign and Hong Kong Chinese academics, non-governmental organizations, and journalists. Although Hong Kong is a big city (4.5 million population), the foreign community, and especially the China watchers, frequently saw each other. There were well-established lines of communication, and many venues for the sharing of knowledge and views. These encounters included meetings of the American Chamber of Commerce's China Commercial Relations Committee, the Foreign Correspondents Club, the Hong Kong General Chamber of Commerce, and various receptions and lunches around town, as well as university lectures.

During both of my assignments to Hong Kong (1978-81 and 1989-92), I was privileged to be invited to participate in the Williamsburg Group. This was a handpicked "club" of no more than 20 China watchers who met monthly for dinner. I believe the original meeting had taken place in the Williamsburg room of a club and so the name stuck even though the meeting place changed many times. During my tours in Hong Kong, the group usually met at the Foreign Correspondents Club. During my second tour, I was the only one from the American Consulate General who received the coveted invitation; all the other participants were in the private sector, working for companies or themselves, or else academics or journalists. The meetings were conducted in English and the main rule was that all discussion would be kept confidential. Journalists and others who wrote for the public were not allowed to attribute any views to the participants. These rules became more important in the run-up to 1997, when people became more concerned about how they might be treated by China or the future Hong Kong Government. I found the discussion at these meetings extremely important to my understanding of events in China, helpful to my reporting and analysis, and invaluable as a way to bounce ideas off seasoned professionals.

Unfortunately, my Hong Kong contacts inform me that the China watching community has dwindled significantly since 1997, which caused many of my former colleagues to leave Hong Kong, for retirement or professional relocation. While some of them moved to Beijing or Shanghai, and are doubtless able to maintain their professional activities there, they may not feel so free to voice their views in settings on the Mainland as they were in Hong Kong during the “good old days” of China watching from a short distance.

Q: What about cooperation with the British and the French in Hong Kong?

DONAHUE: We have, generally speaking, an outstanding working relationship with the British. Perhaps just one rung below are our relations with other English-speaking countries like Canada, Australia, and New Zealand, where we share a very great deal of information. Up until the period when we first established our liaison office in Beijing, we relied almost exclusively on the British to give us a readout of what was taking place in China. The French also had a presence in Beijing, but we have never had the degree of closeness with the French in terms of information sharing that we have with the British. There were times during the Cultural Revolution when even those countries’ embassies in China were quite small and there were some weeks when they were advised by the Ministry of Foreign Affairs not to leave their premises. So, even they didn’t always know and could not always follow the scene of what was taking place in China. Up until the point when we formally recognized China, we had a very close relationship with the British and I would say there was no conflict and no competition. What they could not supply, sometimes we could through signals intelligence and so forth. So, we had a really hand in glove relationship.

This did begin to change with normalization. The Chinese made a distinction that was very important. We could buy things from China and they would probably buy a few things from the United States, even before normalized relations. But the Chinese had made it very clear from the outset that a full trading relationship would not be possible until we had established a full diplomatic relationship. So, with the establishment of our embassy came an incredible outpouring of interest on the part of American companies in doing business of various types with China. It sort of coincided with the beginning of loosening up in terms of China’s overall policy under Deng Xiaoping and a welcoming of foreign investment permission for foreigners to enter into contracts with Chinese enterprises and permission to establish joint venture industrial operations. Of course, American companies were reading about this in the newspaper and they wanted to have part of the action. I think the British and other Europeans chafed at this. There was a feeling that they had been there longer, they had suffered in their relations with China during the period when it was very difficult to live and work in China, and their companies ought to be able to take advantage of these opportunities. They saw Americans as Johnny Come Latelies, wanting to take advantage of an opportunity, and crowding them out. So, there was a sense of competition that we had not had

before in our relations with Britain. I saw this competitive sense not only in the period of 1978-1981, but also later when I served in Hong Kong, 1989-1992, in what was getting to be the waning years of British presence there. The British were trying to extract as much commercial benefit as possible from their relationship with China and they really saw U.S. business as wanting to take that away. This was unfortunate, and it did affect our ability to cooperate in some other areas.

Getting back to the French, I never personally found the French very useful or helpful. Perhaps some of the political officers did, but I don't think we had a high regard for French knowledge of China. We had a high regard for Australian knowledge. Australia was gaining a great deal of expertise. Australia and New Zealand had been quite shaken economically and politically when Britain joined the Common Market in the early 1960s because those countries had had a preferential trade relationship with Britain before that. One of the consequences of Britain's joining the Common Market was a trade shift favoring the continent over its former colonies. So, Australia and New Zealand at that point recognized that where they were located geographically had to dictate the countries which were going to be the most important to them politically and economically. Australia was the first Western country to develop agricultural trade with China, a grain deficit nation.

The Australians really made the most of the growing international diplomatic changes with China and they established relations between their academic institutions, their trading institutions, and so forth. There was a constant stream of Australian academics and politicians. On their way to Beijing, they would stop in Hong Kong. In fact, we had a very useful exchange with several of the academics over time, and some members of our staff had indeed studied under some of those academics at Australian National University before American universities could have similar exchanges. So, we got a lot from that relationship.

We also got some benefit from our diplomatic colleagues in the Japanese mission. Japan had also developed a trading and economic relationship with China, and was one of the first countries to provide foreign assistance to China. Since Japan had linguistic, cultural and historical associations with China, it was somewhat easier for them to understand what was going on there. Also, the Japanese are meticulous in recording details. The Japanese Economic Trade Organization [JETRO] provided many how-to manuals for Japanese business to know what to do in China. These were updated on a regular basis. They were able to do things that the U.S. government was never and probably will never be able to do. The Japanese government does both pre- and post-trip briefings of their businesspeople. So, when a business delegation was going to China, government officials would tell them what to look for. When they returned to Japan, the officials would debrief them and ask whom they saw and what they thought about them. Were the Chinese officials at an appropriate level? Were they decision makers? Questions like these. So, these how-to manuals (mind you, only in

Japanese) gave a great deal of information about which Chinese official in which ministry was actually the key decision maker. The manuals advised the best people to deal with at each stage of a business transaction. This is one reason why Japanese business became so successful. They knew how to do this. I was fortunate to obtain such a manual from a JETRO colleague. I do not know Japanese, but I was able to provide it to consulate colleagues who do. They were able to glean some very important political insights. We did not turn around and universally make this information available to our businesspeople, certainly not in the degree of detail that the Japanese did. But in our overall briefings to American business, we were able to say, "We understand that in this ministry, certain people are important and the degree of importance does not necessarily match their title or where they are on the official organization chart" and so forth.

Q: Was the Commerce Department picking up the ball? So often, Commerce has not had a high reputation within the FS.

DONAHUE: In the case of China, I think it was somewhat different. This is because the State Department relatively early on, together with a group of politically connected businesspeople, had fostered the formation of the National Council for U.S.-China Trade (subsequently, the U.S.-China Business Council). I could not emphasize too much the importance of that organization in the early days of our relations with China. At that time, the National Council employed a number of people with a serious academic background in China at their offices in Washington and Hong Kong, and subsequently following our establishment of relations, in Beijing. The people they employed were outstanding. One of them, the person who headed their office in Hong Kong, was John Kamm. Despite the fact he appears to have a southern Chinese name, he is a Caucasian American married to a Chinese woman. He became probably the most knowledgeable person anywhere in the U.S. on certain Chinese industries – textiles, chemicals, petrochemicals, and minerals, in particular. There was a lot of strategic interest in what the Chinese were doing in those minerals. So, we tapped into his information. John subsequently became very interested in human rights in China and runs a non-governmental organization on that issue from his base in San Francisco.

The State Department also employed China experts on a contract basis. I'm not sure how they were able to do this. But one of those people, who ended up being assigned for a short period to the U.S. Liaison Office in Beijing and then subsequently the embassy, was a man named David Denny. I believe that, after his contract expired, he went to work for the National Council for U.S.-China Trade. But at that time, David Denny did the commercial work for the State Department in Beijing. He was John Kamm's counterpart in Beijing, the person that U.S. business people would go to for advice. Up until then, very few American businesspeople were able to go officially to Beijing, but some who did developed acquaintances in Chinese ministries and became very knowledgeable. Denny was the one who dealt with them. He was the one who followed the

Canton Trade Fair activities from the standpoint of being resident on the Mainland. I should talk a little bit about this.

During the period of the Cultural Revolution, China, like all communist countries, still had to maintain some foreign trade. It could not be economically self-sufficient. However, China wanted to rigidly control foreign trade and, indeed all contact with foreigners. China also wanted to maximize its income from exports and needed to be very judicious about imports. So, it would very carefully predetermine the types of products that it would want to import and often would buy only one item, only one piece of machinery or product, with the idea that the government would turn that over to its engineers to try to reengineer it and be able to produce that kind of product in China. China's exports were mostly agricultural products and raw materials, mineral or other. China was not self-sufficient in raw materials production for its own industry. And, its production was not necessarily efficient on economic grounds. However, for national security needs, China would make available for export enough products to be able to pay for its imports.

That is how it maintained its economy during the Cultural Revolution. It conducted its foreign trade at two trade fairs held in the city of Guangzhou. They used the old name for Guangzhou, Canton. They were spring and fall affairs, one month long in each case. Sometimes they would be themed. One time, they were going to have a textile fair, but usually they would incorporate a number of items. Each four-week session was divided into two parts. Usually, the first two weeks were reserved for China's exports, and the latter two weeks were for China's imports. They would invite people from various foreign countries to attend. The invitee needed to have a personal invitation in hand to obtain a Chinese visa, and to make a reservation at the main hotel – the Dong Fang Hotel near the Trade Fair building. Prior to our establishing full diplomatic relations, very few Americans were invited to the trade fair. To the extent that American companies were able to sell anything to China, it was almost exclusively through a foreign intermediary, either British or Hong Kong Chinese, who would be invited to the fair. In addition to representing a, b, c company, the intermediary could also represent American x, y, z company on the side. Sometimes the intermediary would be chosen because China had a particular need for a given type of technology. For example, something in the computer area. Even so, this type of trade presented a lot of problems.

At that time, the British and American Governments maintained an export control regime for products that had some strategic value. So, when we knew the ultimate purchaser was China, the State Department exercised a degree of control, and we had to decide whether or not to permit that transaction to take place. Before normalization of relations, very few American businesspeople were able to attend the fair. One of the very few was John Kamm in Hong Kong, but even he was given restricted access, so a lot of the information he was able to glean at the Canton Trade Fair prior to recognition of China was from other traders. So, John would follow Japanese practice. He would debrief the traders after they had

concluded their contracts and ask what quantity, what price, and so forth. A lot of times, they were willing to give him that information knowing they did not face American competition. John was able to aggregate a lot of that information and yield much data that was of value to the U.S. Government. So, we were able to make guesstimates of what China's total production of a particular product was, what proportion the country was making available for foreign trade, what it was probably selling it for, and what the total amount of foreign exchange was from that. This became very useful.

With recognition of China, for the first time, we were able to participate fully in the Canton Trade Fair of spring 1979. The timing of that trade fair coincided with the opportunity for my wife and me to make our first visit to China. We started our two-week trip in early April 1979. After the trip, I returned to Hong Kong to get a new visa and then traveled back to Guangzhou for the final two weeks of the fair. My main responsibility was to man the "American Embassy Office" at the Canton Trade Fair. I had to bring up with me from Hong Kong liquor setups and so forth so that we could provide hospitality for the American businesspeople who for the first time would be at the trade fair. David Denny from Beijing joined me at that event. We worked together. When one of us was in the office, which was just a hotel suite, the other would be walking around the trade fair picking up things and we would trade off. So, it was a very exciting period. We saw a lot of evolution in how China was conducting business. During the course of my period in Hong Kong, I continued to visit the fall and spring trade fairs on a regular basis. During that period China also changed how it was conducting trade and invited more and more businesspeople to Beijing to conclude deals or to discuss other kinds of business relationships. So, the focus of trade moved to Beijing, and it took on a different characteristic as it was linked to foreign investment.

Q: Canton is where all trade with China had to go?

DONAHUE: That's right. The English word "canton" comes from a Cantonese pronunciation of that province. In Mandarin, the province is pronounced "Guangdong," which means "broad eastern plain."

Q: You left Hong Kong. Were the Chinese becoming more savvy on the economic side? There would be an awful lot of Americans and others who would come in to trade who really weren't able to deliver. This must have been quite a learning period on both sides.

DONAHUE: It was indeed. It was a big deal for a Chinese official to be tapped to have the opportunity indeed to go to Guangdong for a trade fair for a number of reasons. The northern part of China where Beijing is located is a very cold, inhospitable plain and has always been a food deficit area and rather poor region of China. The southern coast from just north of Shanghai all the way down to Guangdong has always been viewed by the Chinese as the land of milk and honey. Northern Chinese have always enjoyed southern food and look upon the

region as a kind of lush paradise. So, for a typical Beijing bureaucrat to be tapped to go to Guangzhou for a whole month for the trade fair was nice duty. However, at that time, perhaps even to this day, the Chinese have always been suspicious about Chinese who maintained contacts with foreigners. I'm sure there was always a lot of tension. After they spent the day negotiating deals with the foreigner, they would probably have to spend half the night debriefing the security guy and satisfying him that they weren't giving away state secrets. In those days, even phone numbers in China were state secrets. So, it would have been interesting to be a fly on the wall at one of those business deals because there was so much involved with trade that after you had a meeting of the minds, "I want to buy or sell this for this price," and became satisfied with the quality and all of that, then you had to figure out shipment details. In which factory is it being produced? Which port will it be shipped out of? On what ship can this be done and which brokering company is going to be responsible for this? Do I need any phone number, any telex number, and all of this? All of that information the Chinese regarded as secret. So, there was a kind of risk involved in giving it to a foreigner in the first place even though it's a vital part of concluding the trade transaction.

The other thing is, the bureaucrat, the person conducting business at the Canton Trade Fair, was very much removed from anything to do with production, much less business. I'm sure they were given a brief. If you were selling a Chinese product, you must try to sell it for the highest price possible. I have no doubt that one of the primary functions of a Chinese economic officer at a typical Chinese embassy outside China in those days was to gather information about prices for the kinds of products that China would sell. The official would have to examine the world market price and then the government would give a range to these bureaucrats who would try to sell it on the high side and buy on the low side. As you can probably appreciate, there are all kinds of reasons why prices might be different in different parts of the world. A price for a commodity in London may not be the same as the price for that same commodity in East Asia. If China were selling products, buyers had to be very much satisfied regarding the quality. The terms of the shipment themselves – timing, bulk versus container, even entry port – might also affect the price.

Part of the visual appeal of the Canton Trade Fair was the large exhibit halls of Chinese products and machinery. Many of the items that the Chinese were hoping to sell during the trade fair were on display and the Chinese sellers would often provide samples. This was a way to interest other people in their product, and to demonstrate the product's quality. The Chinese would display some antiquated looking capital equipment and other goods for which the only market would be within the communist world. They certainly would not have met world standards in terms of quality. But they probably would have been sought after in Poland or Albania. Then there were other products, raw materials, for which the Chinese went to great pains to ensure they could match world quality. Such products were feathers, denim, cotton and silk textiles, cashmere, chemicals and minerals. They

would show the stages of production from the raw mineral to the first, second, and third stage of processing to the final product to ensure the individual buyer that the Chinese could produce at world standard. Industrial oils and other chemicals were similarly displayed. The same was true for some large equipment. I was told the Chinese produced extremely high quality large industrial valves at a very attractive price. The typical foreign buyer, especially if doing business for the first time, would often ask for and receive a sample that he could take back to his company and have tested. If the company was satisfied, it would then conclude the deal.

There were many interesting anomalies. For example, one of the products that China marketed was something called refractory grade bauxite, which is used to line steel furnaces. In much of the world, this is not produced at a particularly high level of quality. Its use is as a flux in steel making. It is not a commodity per se. No one cares what it looks like as long as it works. In China, it was refined to the nth degree, probably using a lot of hand labor. The bricks were as beautiful looking as gold bricks, except of a different color. The buyers thought it was aluminum rather than refractory grade bauxite. China for a while was able to get a very good world market for this product because it was both beautiful and cheap, but at what cost to China? China made its mistakes.

There are people with long memories and the country is still living with the consequences of some of these mistakes. In the early 1970s, before the normalization of relations with the United States, China had already become a major world supplier of feathers and down. There was a large and growing market for these materials. This was before some synthetic products had become widespread for use in coverlets, jackets, and other things. Because there are so many ducks and geese and fowl of various types that are commercially raised in China, the country was able to gather all of these feathers, wash them with the use of cheap hand labor and provide high quality products. They marketed them successfully. Once they were known for their quality, they marketed them for a very good price. Chinese bureaucrats knew China had very few competitors in the world. Their production was so enormous and they were going to drive their competitors out of business. So, they kept dropping the price and increasing the quantity that they would market. They drove out of the international market some of the other competitors over a period of years. Then they had to deal with the worst period of the Cultural Revolution when all of their production dropped. Because fowl production declined so precipitously, the Chinese could not fill their international orders and they got a black eye on the world market. I would say that this feathers and down shortage was the impetus for chemical and other companies to develop the substitutes that subsequently changed the nature of that entire market. So, the bureaucrats were not as smart as they thought they were.

I cannot overemphasize the importance to the U.S. Government of Hong Kong as a listening post on China and other parts of the Asian mainland. Hong Kong was a safe, convenient location, with a solid and supportive government, all of which

encouraged the activities of a strong resident China-watching group. This included some knowledgeable expatriate businesspeople, foreign and Hong Kong Chinese academics, non-governmental organizations, and journalists. Although Hong Kong is a big city (4.5 million population), the foreign community, and especially the China watchers, frequently saw each other. There were well-established lines of communication, and many venues for the sharing of knowledge and views. These encounters included meetings of the American Chamber of Commerce's China Commercial Relations Committee, the Foreign Correspondents Club, the Hong Kong General Chamber of Commerce, and various receptions and lunches around town, as well as university lectures.

Q: In 1981, whither?

DONAHUE: In 1981, it was time to return to the U.S., never having had an assignment back in Washington. There were a number of job possibilities. Actually, there was a possibility for me to go on to Beijing, but because we had not had an assignment in Washington, we also felt that that was the time to come back. There was an opportunity for me to go to work on the China desk. However, I was an economic cone officer and at that time there was the belief that in order to make it in the economic cone, you had to have worked in the Bureau of Economic Affairs. So, I took a job there. However, unbeknownst to me and unexpectedly, there were a lot of political changes in the U.S. that greatly affected the kind of job that I would be doing. I worked in the Division of Industrial and Strategic Minerals under the office that dealt with all commodities. That office included agricultural as well as mineral commodities and some other oddities like the Law of the Sea. It did not deal with petroleum, which was a neighboring office, Petroleum and Energy. From the time in which my assignment was made to the time I actually reported for duty, Ronald Reagan became President. Prior to that, the new FS Act of 1980 was implemented in 1981 and took the commercial function out of the State Department and gave it to the Department of Commerce. It also took the trade negotiation function out of the State Department and handed it to a beefed up Office of the U.S. Trade Representative. So, the nature of the job that I went to changed a great deal.

Previously, the Division of Industrial and Strategic Materials had actually negotiated a number of commodity agreements. The impetus for that came from Secretary of State Kissinger as a response to the oil crisis of the early '70s. The job that I went to ended up having different characteristics entirely. Under Kissinger, there had been a desire to consider agreements for other commodities because of OPEC's success in raising the price of oil. Many developing countries were suffering because most of them were oil importers, not exporters. However, they often produced some agricultural or mineral commodity that could perhaps also benefit from a cartel-type arrangement. Agreements were designed for tin, rubber, coffee, cocoa, sugar and similar products. Under Kissinger, there had been an interest in working with the producers of some of those commodities to form commodity associations to include consumers, and be producer-only cartels. The

aim was to develop and disseminate market intelligence, rather than to overtly control prices, in most cases. These were the so-called international commodity agreements that allowed for a degree of price stability. They were a compromise between the greedy desires of the producers and the equally greedy desires of the consumers, and it was hoped they would provide price stability. Under Kissinger, there had been a feeling that one of the great problems that OPEC presented the Western world was not just an increase in the price of oil but the fact that the price was very volatile. Businesses were caught in desperate straits sometimes because of their oil supply positions as a result of price changes. The volatility itself had become a cost of doing business and it was seen that consumers could benefit from price stability as much as producers. This was the policy under President Carter. For a number of commodities, the United States had already entered into agreements and we were actively negotiating other agreements at the time I entered the Economic Bureau [EB]. President Reagan brought about a sea change in economic policy. Reagan's appointees to the State Department were ideologically opposed to any kind of price fixing or setting. These appointees believed fully and fundamentally in the market. Among these people was the Under Secretary for Economic Affairs, Allan Wallis, who had been a professor of George Shultz. There were certainly people in the White House and people further down in the Economic Bureau who believed that these agreements, which had been negotiated during the Carter period, were a mistake and we had to get out of them.

So, we attended a series of commodity association meetings in which we had to inform the other governments that, not only did the U.S. not want to press ahead, we even wanted to pull back, and we were no longer going to participate in those agreements. Because the U.S. is such a large consumer for many of these commodities, our decision to stay out of the agreements fundamentally altered their makeup. In other words, they would not survive for a number of reasons. In many cases, the membership fee to support the operations of the secretariat was based on the proportion of world trade that the member country maintained. The U.S. often had the lion's share. So, when we opted out of an agreement, it meant that other members had to pay a lot more to keep the secretariat going, and they may or may not be willing to do that. Also, our influence is so great. If we were out of the agreement, the producers would not have the benefit of whatever market intelligence we would be providing. I'm not convinced that the U.S. government would be providing that much more than what a good analyst of the newspapers would be able to get. But for many countries it was important that they had a degree of authenticity and authoritativeness that they desired. So, the fact that the U.S. was not participating was a major problem for them. Subsequently, many of these agreements totally collapsed. Briefly, I was responsible for what was labeled highly strategic materials, which included gold, platinum, iridium, and palladium -- the precious metals. These products were strategically and commercially significant because the West was beginning to use catalytic converters in cars to meet pollution requirements, and iridium and palladium are key ingredients. There were only two main producers in the world,

Russia and South Africa, and we had problems with both of them. We were very concerned that the two countries would form a cartel to fix the market for those products. So, we pursued our strategic interests with respects to those commodities.

Another pair of materials we followed was cobalt and copper. Although the U.S. is a copper producer, at that time we were importing copper. There had been a series of nationalizations of American-owned copper mines in South America, and we were concerned about that. Copper mines in Africa were located in places that were politically problematic, like the Congo, Zaire, at that time, and Zambia. Cobalt is the byproduct of copper production and had already been the subject of an effort to move the world market price up as a result of the Shaba rebellion in the Congo. So, again, that issue was all related to geopolitics. Also, the office that I was in was responsible for our membership in the International Natural Rubber Organization, the International Tin Agreement, and the International Lead and Zinc Study Group. For strange reasons, this latter organization was interesting to us because Russia was a member. We were able to get some information about Russian production through our membership there. There had been some interest in forming a similar study group for nickel. Both Canada and Russia were interested in that. This ended up not coming into being because it was seen as the slippery slope toward a price-setting commodity agreement, which was political anathema at the time. Anyway, we had to undo a lot of what had been done.

During part of my period in that office, we actually gave notice to other member governments that we were no longer going to be a member of the International Tin Agreement. That became a political issue for the U.S. Government for two reasons. One, from early days in WWII, the U.S. had imported a lot of tin. At that time, the world's great producer was Bolivia. Tin was a very important ingredient in tin cans, which were needed for rations during WWII and therefore we stockpiled a lot so that we could see ourselves through a very long conflict. In the end, we had far more tin than we needed and so we put it in a so-called "national security stockpile," which just lay unused and forgotten for many years. Then in the '70s when the U.S. Government was facing a lot of budgetary problems, some people realized that we could and should sell the tin to help with our budgetary needs. The producing countries got wind of this and became very concerned because they were relying heavily for their economic well being on their sales of tin. The second reason this became politically sensitive was because at that time, one of the main producers was Malaysia. We wanted to maintain good relations with Malaysia. We didn't want to sell it out from under. For part of that period, Malaysia was still fighting a kind of communist insurgency on its border with Thailand, so there were very good reasons for us to want to maintain Malaysia's economy. My office worked together with the Malaysia Desk in the State Department, which was at that time run by Alphonse LaPorta, who now is our ambassador in Brunei. We were able to work out an agreement with the tin producers that the General Services Administration, which was overseeing the stockpile at that time, would be very careful in the amount of tin that was

offloaded into the world market, and we agreed to provide periodic assessments of our sales' impact on the world market. In an effort to provide transparency to the other producers, we offered to release statistics on a regular basis of the quantity of tin we were planning to market. What was interesting was, the International Tin Agreement also had a stockpile, in London. That was for the purpose of maintaining price stability. So, we were also making our marketing plans available to that organization. Unexpectedly, subsequent to our decision to pull out of the Tin Agreement, Malaysia tried to corner the world market on tin and pull its own OPEC. The bubble burst eventually and the other members of the Tin Agreement were left with an incredible amount of tin stockpiled in London that they would probably never be able to sell for the price that they had paid for it. It was an incredible loss of value. So, in a way, we got out of the Tin Agreement at a good time financially. Otherwise, it would have been a hole in our budget. But I know it was ironic and surreal to undertake that process of getting out of agreements that we had had a lot to do with forming.

Q: What was the attitude of the economists in the State Department regarding these agreements?

DONAHUE: Many of us had been to university at a time when there was a much more liberal cast to Economics. We had described the American economy as capitalist, but a mixed economy with quite a few features involving government planning and even government involvement in production, such as the Tennessee Valley Authority. We saw a role, and I think this is something inherited from the FDR era, for government in the economy, both nationally and internationally. At that time, and going back to something that I said earlier about competition between Marxist and non-Marxist economics and political systems in Africa, it was perhaps easier to describe Marxist economics than capitalist economics. There are quite a few different forms of capitalist economics. In many of them, planning plays a great role. In many of them, government plays a great role. Most developing countries, most of those countries that gained their independence in that early wave of decolonization in the early '60s, maintained a strong central government and even under a capitalist market economy, government played a central role and there were a number of valid reasons for that. Their currencies were not that strong. The government wanted to maintain various kinds of controls over currency. Many of the industries that were the mainstays of their international balance of payments were government controlled. We needed to deal with those governments, rather than the private sector, on economic issues because local business was not that strong or significant. So, I think many of us in EB were used to that.

What was different under Reagan and his British counterpart, Margaret Thatcher, in terms of ideology was the belief that government should pull back greatly. Rather than being involved in production or other major economic decisions, it was felt that government should limit itself to the role of regulator. Production and marketing decisions, to the extent possible, should be made by business, not

government. Even though there were academic studies from the 1950s and 1960s that seemed to either excuse or justify the role of various kinds of price setting mechanisms as having some value over time, nevertheless, Reagan ideologues felt that was not the case or it could not be sustainable over time. I think from the standpoint of the year 2000, looking back, on the one hand, we still see this as a sea change and as being a radical shift in the approach of government. Nevertheless, we probably give these policies their due for being the right thing to do eventually.

If we had not gotten out of the commodity agreements in the early 1980s, we probably would have been forced into that action sometime later to allow the market to operate. There were many reasons. When a market price is fixed higher than people want to pay, it invites people to bring in alternatives. That fundamentally affects the overall economy. We had already seen this happen. For example, one of the effects of the Tin Agreement in maintaining a rather high price for tin was that manufacturers of tin cans or other products using tin either greatly reduced the amount of tin or turned to other kinds of containers. We've seen in this country the use of plastics to replace tin, the use of paper in some cases, and the tin can industry is certainly not now what it was during WWII before these prices went up. That has been true in a number of other areas. Either because of the price or because of other benefits from a different set of commodities, we found that use of copper in wires is not nearly as significant now as it was. For communications, optical fiber, which is based on silicon, whose potential supply is infinite, has replaced copper, and vastly improved telecommunications as a result.

We have seen that over time the use of these natural commodities has decreased as technology has brought forth alternatives or as our need for them has diminished.

The final thing I'd like to say is, during the period that I worked in the Economic Bureau, 1981-1985, I took advantage of being in Washington to get some additional academic training in Economics, some of which was at the FSI. I took the six-month Economic course they offered at the time, and subsequently some graduate work at George Washington University. Partly because it took place during the Reagan period and partly because there had been an evolution in thinking in Economics anyway, there was a much greater emphasis on the market and much less confidence in the role of government in the economy than had been in vogue during the period when I was an undergraduate. So, it completed my academic training and gave me a more comprehensive view of the field of Economics.

Q: Why don't we stop at this point? We'll pick this up next time when you left EB in 1985. Where did you go?

DONAHUE: I remained in Washington for a year serving as vice chairman of the

Secretary's Open Forum and left in May 1986 for an assignment at our embassy in Beijing.

Q: Today is June 6, 2000. You were in the Open Forum from August 1986 for one year, is that right?

DONAHUE: The tenure was for one year. I actually ended my time there in May 1986 in order to go to an assignment in Beijing a little bit earlier than I had expected.

Q: Could you explain a little of the background of the Open Forum? How did it work during your time?

DONAHUE: The Open Forum began during the late Vietnam War period. I can't remember the precise date but it would have been the late 1960s or the early 1970s. The way the U.S. formulated and implemented our policy on Vietnam during the Vietnam War made many career FS people uncomfortable. Even at the time that I was in the Open Forum, it remained an important issue as to whether the policymakers at the time of the Vietnam War had surrounded themselves with too many group think-type people. We wondered whether too many sycophants had caused U.S. leaders always to choose a particular policy line rather than look at a wide array of possible policy options. So, the point of the Open Forum initially was to provide a special, privileged channel from any career FS officer directed to the Secretary of State for the transmission of a message of dissent against current policy. It could be any policy, one that the individual may not have been directly involved with. Usually, however, it was used by people who were dissenting directly against policies that they had been asked to implement. The reason why it was a privileged channel was to protect them from any personnel or other repercussions to their career and allow their view to be surfaced. The assumption was that the individual already understood the rationale for the policy and had already made an effort to have the policy reconsidered in the formal chain of command. The mechanics required that the dissent be transmitted by cable. There was a separate means for people in the State Department to transmit the message via memo, and the message went to a very small group of people that constituted a committee that read the dissent channel messages. The original message would go to the Secretary, together with a companion piece written by this committee, including a recommendation on why it may or may not be wise to alter policy as the dissenter desired. Then after the Secretary had seen this, whatever came out of his review would be communicated back to the dissenter. We tried to make this as short a time as possible, but I think it normally was four to six months, just because of the complexity of doing it. So, the dissent channel really wouldn't have been feasible or particularly useful to dissent against some action that would be immediately taken. It was visualized as being more useful in the broad formulation of a policy that would be implemented over the long term. I think probably the operative period for the establishment of the Open Forum and

getting the dissent policy process to work was about 1973 or '74. So, in 1985, we were looking back on about 10 years of track record.

Q: How did you get the job?

DONAHUE: The election to the Open Forum is somewhat similar to the process for the election of the president of the American Foreign Service Association [AFSA]. I think people had to get themselves on a kind of voting register, indicate their interest in being part of the Open Forum, but it was free to all employees of the State Department. An election was held and a vote was taken, tallied up, and so forth. I ran for and got the position of Vice Chairman. The person who was Chairman was Norman LaBrie, whom I had not known before the election. But there were others prior to him and after him whom I had known fairly well. So, for a number of years, I had a degree of familiarity with the Open Forum.

Q: What was your interest in doing this?

DONAHUE: At the time that I was elected vice chairman of the Open Forum, I had already been assigned to my next ongoing assignment, which was to the American Embassy in Beijing. Assignments for a hard language post generally are made two years in advance in the event the individual needs language training. So, I was finishing what would have been my final year in the State Department and a fourth year in the Economic Bureau and I really wanted to do something else in my last year in Washington because my expectation was that I would remain overseas for many years. I wanted to see another part of the State Department. Also, the office that I was in charge of, which was the Division of Tropical Products, was undergoing a reorganization. Because of the great change in our policy regarding international commodity agreements and the fact that we were pulling out of agreements that we had been in for years or were becoming much less interested in them, the Economic Bureau was losing some positions and cutting the size of divisions. When they decided there would be only two officers in the division, we recommended that we just fold that division into another companion division dealing with all agriculture issues. So, it really was a suitable time for me to move on and do something else for that final year.

Q: You mentioned a board or committee that would do the screening. How would that work?

DONAHUE: It's a process similar to the vetting of a paper in an academic community. During the period that I was in the Open Forum, we did a backward survey of Open Forum dissent channel messages for the previous decade. We looked at the relative degree of seriousness of the policy issue that was being dissented on, what effect the dissent message had, and what the end result policy outcome was. I think we found about 30% of the dissent messages had a degree of frivolousness to them. That means the dissent was really directed toward the individual who was calling for the policy to be implemented, so it was a personal

thing. Or it was a dissent against a small part of an overall policy, and one could question whether the issue was substantial enough to dissent against. The committee was aimed at trying to establish the broad parameters of the purpose of the dissent. The committee also included some people with a wide range of expertise so that if a dissent fell in a particular area, we would at least have someone who was knowledgeable about it. I cannot remember the particular makeup of the committee. At that time, Open Forum was housed in the Policy Planning Staff offices. We had our own budget. We had our own office suite, but for budget purposes, our administrative element was handled by the person who handled admin for the Policy Planning Staff. I believe the deputy director of the Policy Planning Staff was on our committee. Then we also had someone with knowledge of every geographic region, and a person with knowledge of administration or management because some dissents were in those areas. There may have been somebody with a personnel background. It was probably a committee of eight. It was a kind of sounding board.

Q: I would have thought that people would be using the dissent channel for matters which were more for the Inspector General. Did you find matters of that nature?

DONAHUE: We didn't have a dissent message that was put that way, but there is sometimes a fine line between an issue that should be taken up with the Inspector General or an issue that should be taken up with the Director General of the Foreign Service that is personnel related. So, the first thing we would do when we obtained the dissent message was to determine whether indeed it met the guidelines for a proper dissent message. I believe that during the year that I was in the Open Forum, we only had three such messages. I just couldn't remember what they were, but I believe they were in different geographic regions. I think that it was a useful escape valve for people to deal in-house before either going to the point of resigning or going public with a message against policy. Subsequently, after I left the Open Forum, there was a lot of use of the dissent channel over our policy towards civil war and the U.S. response to the various political problems in the Balkans. I believe some officers did leave the service over the issue.

Q: This was relatively early on in the Reagan administration. Every administration goes through a learning phase. They come in full of piss and vinegar about how they're going to change things. This was quite a conservative administration following quite a liberal administration. After a while, everybody ends up towards the center anyway on policy. I would have thought that you would have had quite a bit on Central America, Latin America, Africa policy. During this '85-'86 period, what were you getting?

DONAHUE: Vietnam was over, so you're right, Central America was an area of controversy. Parts of Africa were regions of controversy. There were many people in the State Department who disagreed with or at least were uncomfortable with some of the Reagan administration policies in the economic and trade area, but I do not remember any dissent messages on them. Virtually all of the dissent

messages we received were on political issues. As a counterpart to the dissent channel, which turned out to be a minor part of what the Open Forum did, we ran an in-house speaker series. We organized it differently in those days than it has become since. We did not want to offer a podium to a member of the administration. We wanted to provide a vehicle for people from outside the administration to offer alternative views on policy. So, there were times when we invited people who had retired from the military or eminent scientists such as John Pipe, who was a prominent expert on Soviet military issues at that time. We included issues involving most regions of the world: Central America, Africa, the Soviet Union, China, and political, military and economic issues in the general sense. One of our speakers was Gary Hufbauer, who was a professor at Georgetown at the time. Probably in that year, the single most controversial speaker we had, and it caused the resignation of some members of our board, was Dr. Jonas Savimbi, who was the head of UNITA, a faction in Angola fighting a civil war against the government. Unbeknownst to us at the time we gave the invitation to him, the U.S. Government had entertained the possibility of supporting him perhaps *sub rosa* in his efforts to fight against the government of Angola, whose head was and remains a man named Dos Santos, who was at that time tarred with the Marxist brush. Jonas Savimbi was seen as an independent, i.e., non-Marxist. So, when we actually had him speak, the Dean Acheson auditorium was filled to the rafters. There was a great deal of interest in the administration in having him in the building. I know he went on to meetings with a number of other people in Washington. So, ours ended up probably being the least significant thing on his agenda, but it was very significant for some members of the Open Forum.

Q: Why would there be disagreement with him then?

DONAHUE: This was something that Norman and I talked about and didn't quite understand. If you set as your goal to have alternative views on policy and to foster a degree of controversy, then why not have someone who would be controversial? But there were many people who on principle were opposed to the U.S. overtly backing someone in a civil war situation. They saw this as a replay of what we had tried to do in Vietnam and perhaps what we had done in Central America. The U.S. was undertaking covert operations at about that time, but what was known publicly came out later, following the Iran Contra scandal crimes and so forth, which was probably a year or two after this period.

Q: This isn't an endorsement; it's just to let people... I imagine it caused a certain amount of annoyance within the board. How did Secretary Shultz respond to this?

DONAHUE: We had several meetings with Secretary Shultz during that period. It was always important for the Open Forum to make sure that we had the full backing of the Secretary and that he bought into the concept of the dissent channel, the concept of the free podium that we were offering people with

dissenting views. Then the other thing that we did, and something that I edited during that time, was a compendium, a kind of short form of some of the addresses that had been given in the in-house speaker program, and perhaps comments or questions and answers that came out in subsequent discussion. That was to benefit mostly people in overseas posts, but it was also circulated in the Department. We just wanted to make sure we would have the backing of the Secretary for this type of thing and we did. Secretary Shultz was very supportive. He really took on board immediately the importance of this. He recognized that it was beneficial for him to have at least another source of views on policy issues. It was also a way to encourage people in the Department to talk about issues and bring about a debate before a final policy decision was made. That was another one of the things that we tried to do in the speakers program. During that year, among the speakers we had were Strobe Talbott on our Soviet policy. He was Time bureau chief in Moscow at the time. We had Dusco Doder, who was a Balkans expert. We had Wolf Blitzer, who had been covering the Middle East at that time. There was Joseph Brodsky, a well-known Russian dissident poet who had been in the U.S. for a number of years and wrote in English. We had him come down. It was a different kind of issue that he talked about, but one that the audience appreciated, the importance of poetry in the Soviet political expression. We also had the wife of Canadian Ambassador Gotlieb discuss what it was like to be a Washington hostess. We tried to do a wide range of issues and bring people into the building that people had heard or read about but would not otherwise have had a chance to see.

Q: In a way, the speaker series was informative rather than challenging for the most part. This was not a shadow government that was always looking at the other side of the coin.

DONAHUE: This is true. We tried to be objective. In other words, we didn't want to only bring people who were democratic liberals because this was a Republican administration. On the other hand, we didn't shy away from inviting people who disagreed with the particular policy of the administration.

Q: Did you have any problems with true believers in the White House or in Congress?

DONAHUE: No. I'm not aware of any kind of pressure that we received from anybody to have or not have someone from the standpoint of overarching ideological inspirations.

Q: Sometimes you can get columnists who are hunting for something to talk about and they would be saying, "Did you know that the State Department did such and so?"

DONAHUE: At that time, too, our sessions were really closed to people in the State Department. In fact, this journal that we put out was classified. It had an

unclassified portion in the middle, but it was sent out usually as a confidential text with the idea that these speeches were for an in-house group and a commentary that came out that was privileged.

Q: Did you see a generational difference that has existed since time immemorial between the young officers challenging the policies of the older officers?

DONAHUE: I do believe that most of the dissent messages we got were probably from officers in their 20s or 30s, certainly not from those in their 40s or 50s. Part of that is natural in that the older officers are usually the ones formulating the policies and may be charged with implementing them. The Policies are somewhat less bothersome to them since they formulated them. But, that is not necessarily the case. Some of the members of our board were older and recognized that, in fact, some of the people that would be facing the greatest degree of concern about our policies were people at a senior level. The board surmised that these older dissidents might quietly try to influence the formulation of policy, possibly going back-channel. However, the more experience officers also realized that there was a time when they had to bite their tongue if the decision moved against them. In my own experience in the FS, I've seen this a lot. A lot of discussion takes place among officers at the working level that is never reflected up to the person on top who may or may not realize the extent to which there is a lot of concern at the working level about that particular policy. On the other hand, sometimes the people at the top have information that the people lower down don't have. And the true justification for the policy may not be shared downward. So, sometimes it appears to be a whim, rather than a well-considered policy.

Q: Did you see any problems from anywhere of a relatively junior officer dissenting and having his ambassador or her bureau chief, saying, "What the hell are you doing sending this off?"

DONAHUE: There was a glaring example of that. I think the dissent had been sent in a year or two before I actually served on the Open Forum, but we gave an award that year to the individual who had been involved. That was Tex Harris, who subsequently became president of AFSA. Tex had been a junior or mid-career officer in Buenos Aires and had been involved in trying to help the parents of the children who had disappeared during the Argentine "Dirty War." People at the embassy at that time were very concerned about the work that he was doing. They felt it would impact their ability to work at all with the Argentine government. I am not so sure that their fears were well founded. I think they were maybe protecting their own social acceptance rather than anything else. We had long conversations with him. I know that Tex was and remains a controversial figure in his own right. He is not a shrinking violet personality. I do think that he made some points that are particularly valid in Latin American countries and may be true elsewhere. If the embassy is publicly associated with a particular opinion or view on something going on in that country, it can affect the ability of embassy officers to have access to officials that they need to see. There are many examples

but some of the specifics are lost in the mist of time in terms of my own memory. I have heard of cases where the State Department gave an order for a consul general to go in and deliver a very heavy-handed demarche and either it was only within that private context of government-to-government discussions or perhaps something about it or something about the way it was done became public and therefore embarrassed the government. But, in either case, that official, although he remained at post, might as well have been back in Washington because he had no more ability to work with the government and was frozen out socially. So, I can understand that in some respect. But with the benefit of hindsight, all too often, especially in the context of Latin America, the U.S. has been seen as a power broker as propping up a regime, or as apologizing for a regime or permitting whatever a regime is doing to happen. I think Tex acted based on a higher principle. We felt that way and gave him an award. This was an award that we gave on an annual basis to someone who had demonstrated courage in the process of dissenting against official policy. I don't know whether or not they still give that award on an annual basis.

Q: Did you ever wrestle with the problem of somebody dissenting in order to dissent?

DONAHUE: We did have some rather frivolous dissents. On one, we immediately responded to the individual and told him that the dissent channel was not the proper channel, that his issue was a personnel one, and that it had to be taken up in the Personnel system. So, we deflected that. There was one dissent that had more to do with budgetary resources than with policy considerations. We felt it had merit, but the dissent channel was not the proper vehicle for that. The State Department has gone through a lot of reorganization. The office that is now S/RPP and deals with some of these overall budgetary issues would have been something else then. We dumped it in their hopper and asked them to give it whatever importance they felt it merited. But we communicated back to the individual at post and told him that this was not a proper dissent message and we informed him about what we had done with it. The ones that were truly dissent messages did go on to the Secretary, but with a companion review that the members of the committee had seen that it did have merit or one element of it had merit and perhaps should be given consideration.

Q: What would happen? Through the Secretary's office, a response would come?

DONAHUE: That's right. I believe Secretary Shultz turned those around fairly rapidly, probably within two weeks of him seeing them. But they might have been in the Department two weeks or months.

Q: In 1986, you're off to China.

DONAHUE: That's right.

Q: You were there from '86 to when?

DONAHUE: I ended up being there for only one year, from May '86 to July '87. At the time of my assignment, my wife and I were both assigned to two two-year jobs in Beijing, so we were expecting to be there quite a long time. My initial assignment was as one of the two deputy chiefs of the Economic Section. We had a sizeable Economic Section divided into two units. One was doing internal reporting. The other was external. I was the chief for external, which meant responsibility for trade and investment. That was one of the peak periods of American business interest in China. Many businesses had already gone in and had contemplated an investment but had not actually made it or were in the process of completing their legal contract work or completing the negotiations with their Chinese partner, whatever it was. They were beginning to run into various kinds of problems. So, we were in a problem-solving mode. On the one hand, we were listening to business and what their concerns were and trying to help them determine who in the Chinese government might be helpful for them. On the other hand, we were also dealing with the Chinese Government at a kind of macro level on trade policy. At that time, we began our negotiations with China on the possibility of its becoming a member of the GATT [the General Agreement on Tariffs and Trade], the predecessor to the World Trade Organization [WTO].

Q: Your wife was doing what?

DONAHUE: My wife is a consular cone officer, but her first assignment in Beijing was as a personnel officer. Her second two-year assignment would have been as the deputy head of the Consular Section. My second assignment would have been as chief of the Science and Technology Section, which was sizeable in Beijing.

Q: Who was the ambassador and what was the state of our relations with China from 1986-1987.

DONAHUE: The ambassador was Winston Lord, who had been head of the Policy Planning Staff under Henry Kissinger and had accompanied Kissinger on his famous first trip to China. That having been said, Lord really thought of himself as a specialist on balance of power politics, the broad parameters of power politics, as opposed to China *per se*. But his wife is Chinese. He did not know any Chinese language, but his wife was fluent. A lot of what he understood about China he learned through his wife. Also, he had a wonderful background in our overall policy and where we wanted China to fit into that from his years of experience on the Council of Foreign Relations. So, he brought an urbane New Yorker's world view to Beijing, which we had not had up until then because his immediate predecessor was Art Hummel, one of the real China experts. Before that was Woodcock, the union man.

There has been a longstanding debate among Foreign Service Officers on the

relative merits of career vs. political ambassadors. Having served with both kinds, I believe there is no easy answer. The particular personal characteristics that the ambassador brings to the job are the most important factor in the success of the mission. While it is often argued that a career ambassador, ideally, can draw on years of experience with the system, and the region or country of assignment, most career people lack access to the political level of our own government. Therefore, while they may be highly competent and knowledgeable, unless they have access to the top decision makers, their ability to influence policy formation at that level is limited. On the other hand, while the key strength of the political appointee is access to the White House, in most cases that is limited even for them. Certainly, the political ambassador brings another perspective to the job, a perspective of American life outside of government. Because a political appointee has an independent basis for the views he or she voices, that person may be taken as more credible by the host government. Also, the political ambassador may have contacts in American circles outside of government that could embellish the mission.

Ambassador Lord had many of these assets and used them to great effect. Having served in the State Department under Kissinger, he was well versed on how the system operates and how to get things done bureaucratically. As a result of his tenure at the Council on Foreign Relations in the mid-1980s, he had considerable access with corporate America. Also, he and his wife had many contacts in the American cultural community. They were able to draw on these resources during their period in Beijing to introduce Chinese officialdom to a wider range of movers and shakers in American society than they had heretofore been exposed to. Very few career ambassadors would have been able to accomplish that.

Q: And before that was David Bruce.

DONAHUE: That's right. He was our first representative to China after we established the Liaison Office. Each of our early representatives to China brought something in particular to the job. Winston Lord's immediate predecessor, Art Hummel, was really a China specialist. However, a lot of his personal knowledge of China was WWII era. Winston Lord brought the great interest on the part of U.S. business, the Fortune 500 companies, the New York Stock Exchange, and so forth in rekindling relations with China. During the period that he was in Beijing, I think many of those companies brought their boards of directors for meetings in China. I can think of three or four major companies that had their boards meet in China, either in Beijing, Shanghai, or some other city. Many of the organizations had had some important activity in China before 1949 and were trying to determine whether they could revive those operations. Sometimes, the interest was on the part of China. For example, China had sought out the company that was manufacturing Jeeps to bring new technology into its Jeep plant in Beijing. I think that they had also approached Ford and GM to try to bring new technology back to what had been their original operations. General Electric probably was the same. All of those large companies had had major operations in China. For some

companies, a change of ownership in the U.S. made it more difficult to stage a direct return to the Mainland. They were interested in China for other commercial reasons. That was true of many of our banks. There had been a lot of evolution in our banking industry since 1949 and some of the biggest American banks that had played a role in China before then no longer existed. Other banks had bought them. So, there was a great deal of interest.

We were negotiating with the Chinese on becoming a member of the General Agreement on Tariffs and Trade [GATT], at least moving in that direction. We were discussing with them changes that would be required in their legal system, the establishment of laws to allow Western business to operate, all kinds of things that we take for granted that they did not guarantee, the sanctity of contracts, the ability to own more than 50% of an enterprise, all of the features of a capitalist system. China was so intensely communist that the concept of private ownership was very bothersome to its leaders – both of the government and the party. As a matter of ideology, they only wanted to accept ownership by the state. So, the concern was how to allow a foreign entity to operate in China without full ownership, or without the amount of ownership that made it comfortable. In fact, a lot of the problems faced by U.S. business involved this issue of ownership. Even if a foreign business owned outright its operations in China, it did not have the ability to manage them entirely without Chinese acquiescence or agreement to certain elements of its management. That included hiring personnel, renting office space, certainly putting up a building, all of which required many different kinds of permits. We had to help American businesses sort this out and determine how it could work.

Q: Did you put out a guide to doing business in China?

DONAHUE: The Commerce Department did. By this time, the commercial function overseas had been totally spun off to the Commerce Department. They had globally absorbed about 30% of the State Department officers who had previously done commercial work. However, their Beijing office included many with private sector experience. I think everyone in that office was new to the Commerce Department but had a lot of experience in China or in countries surrounding China. They did put together a lot of how-to guides.

Q: What was your impression at that time? Was it worth it to do business with China?

DONAHUE: Yes, but a lot of times it was a matter of competition with the Europeans or the Japanese. There were several reasons why an American company needed to be in the China market and perhaps could not dare to avoid it. It was considered the largest potential market in the world. There were certain types of products for which the market in the Western world was becoming saturated. A lot of these products were what we call industrial or capital goods – heavy equipment – for which in the entire world there may be a very limited

market. An example is diesel locomotives.

For makers of large industrial equipment where the demand was slack in the rest of the world, China was seen as perhaps their most viable potential market. Companies such as Westinghouse and GE, makers of turbine generation equipment, found they had no choice but to try to get into China. In some cases, companies sought to get into the China market to continue producing something which, unless they had a market like China, they would no longer be able to produce. I think GE was in that area with respect to diesel electric locomotives and other large equipment like that. Demand in the U.S. and Europe was slack. The extractive industries were also very interested in China. Again, there was a feeling of intense competition with European and Japanese companies for certain types of minerals, and for oil. U.S. companies believed it was important to make an investment in order to have a claim on the supply stream from that investment. For example, aluminum companies were interested in getting hold of bauxite production. There was a lot of interest in oil exploration in China. Unfortunately, the major oil supply was found far from the coast where it might not have been economically feasible to exploit it.

Q: How did we find the situation in China per se? Were we able to get around? Was there such a thing as politics there?

DONAHUE: 1985-1987 was perhaps the period of greatest relaxation of official prohibitions against public expression. That period continued until about 1989, when it culminated with the Tiananmen Square massacre. During 1986-1987, we found a great deal of liberalism expressed in the editorials of the major newspapers. Censorship rules in Beijing for the publication of manuscripts were relaxed, and a lot of Chinese who had written materials and had carefully hidden them during the Cultural Revolution brought them out and had them published. Also, some papers that had been published in the 1950s were being republished. This was because many intellectuals felt it might be possible to turn the clock back to the period of the early '50s before the ideological wars of the Cultural Revolution. There was the so-called "Hundred Flowers Movement," when Mao invited the intellectuals to criticize what was going on. As soon as they stood up and had their names associated with a criticism, he knocked them off. There was a feeling that the only way for China to really make headway in solving its problems and get ahead with economic development was to allow the intellectuals to debate issues openly, and not characterize their views as anti-regime. So, the late '80s was a period of intellectual ferment throughout China.

There was a square near Beijing University called the Deep Purple Park. It was a place similar to the free speech corner of Hyde Park in London where the students could meet and talk about issues and not feel fear that they would be condemned or face any kind of a problem. It was also a place where foreigners could go to meet students and speak English. Sometimes we would go there, listen to some of the student discussions in English or Chinese, and also speak with some of the

students. That was a favorite thing to do on a Sunday afternoon, ride the bicycle over there and appear unobtrusive and sense what was going on.

In terms of traveling around China, when I made my first trip in 1979, we were housed in special facilities. Every effort was made to segregate us foreigners from regular Chinese to the point of having to eat in a special dining room reserved for foreigners, sitting in a rail car exclusively for foreigners. By the time we were assigned in Beijing, the number of foreigners had risen to the point where it was no longer possible for China to maintain those strictures. So, for the most part, if we traveled on vacation, we were pretty much on our own. We were treated as anybody would be. Stand in line to get your ticket. Sit wherever they assigned you. That type of thing. We were pretty free to mingle. If we traveled officially, we still had what we referred to as a “foreign handler,” someone from a foreign affairs advisory office in whatever city or province we visited who would generally meet us at the airport and arrange an escort for us. Whatever our needs were, they would take care of it. They were like a travel agency for officials. They would arrange a car and driver, get hotel reservations, and arrange interpreters. They would also set up an itinerary. A lot of times we would make our request in Beijing and before we started our trip be assured that our itinerary was set. Many times, we would arrive in a particular place and find the itinerary had changed for some reason. Sometimes the change might be beneficial, sometimes it was a change that we didn’t care for. However, because we were already there, we would not really have many opportunities to change it. Generally speaking, I think we were able to get what we asked for and we were able to see what we thought we ought to be seeing.

The one part of China that remained difficult to access was Tibet. I think that is still true. I think Tibet and the part of Yunnan Province near Burma still have access by foreigners tightly controlled by Chinese authorities. Undoubtedly on some of our travels, we must have gone through some military zones, but I am not aware of any U.S. officials having any problem with that. However, occasionally, journalists did. During the period I was assigned in Beijing, a British subject who happened to be a reporter for “The New York Times” and his Chinese assistant were arrested. They were detained for having traveled through one of these military zones unbeknownst to them. I suppose it’s possible because I’m not sure that they’re all marked. You may be going down a road and perhaps see a barbed wire fence and think nothing of it. Then somewhere along the line, you would be stopped, but there would not be a sign saying “foreigners forbidden” or whatever it was. I have a feeling that it was that kind of a case. At the time, this was a particularly interesting situation. The British were in a difficult position. They were in a kind of bind over this incident because they were in a tricky negotiation process on the retrocession of Hong Kong to China in 1997. The British did not want to make a stink of this issue. Ambassador Lord was prevailed upon by *The New York Times* to weigh in despite the fact that the man involved was a British subject. Lord, who realized he had a limited number of “silver bullets” to use with the Chinese Government, nevertheless, did weigh in with the Chinese authorities

and was able to obtain the man's release. I believe the journalist had to leave the country. I don't know what happened to the Chinese interpreter. He probably remained in detention. But that incident was a little unusual. Another strange event that took place during that year was the sudden death of the Hong Kong governor who was visiting Beijing for negotiations. Governor Youde, who was not known to be ill, died of a heart attack in Beijing quite unexpectedly. A lot of people were very concerned about that. A number of our colleagues at the British embassy were quite beside themselves with that incident. Those were the two incidents involving the British that I remember very well, the trickiness of their negotiation on Hong Kong and the two unfortunate incidents.

Q: Were you treated with a certain amount of suspicion? Here you were, with a Chinese background wife with connections to the Nationalist regime, as was Betty Bao Lord, too.

DONAHUE: Actually, in our embassy at the time, in the Political and Economic Sections, maybe half of us had Chinese wives. So, it was not unusual, but in fact, it was unusual for any embassy that I've ever been posted to to have so many wives with a connection with that country in one way or the other. I am not aware that anybody had any problem during the period that we were there. I presume you may have heard Betty Bao's famous story when she first arrived in Beijing. It was perhaps one of her first days at post. Most of the time when she was traveling in the official car going to the residence, the ambassador probably accompanied her. The Chinese guard at the gate, a member of the People's Armed Police, would have recognized the ambassador. Certainly he would recognize the car. But on at least one occasion early on, Betty Lord was in the car by herself. The man at the gate did not want to open the gate, which is incredible because you would recognize the car, the driver, etc. But for whatever reason, he thought, "This is a Chinese woman in the car. I'm not going to open the gate." Betty Bao opened the window of the car and called the man to come over in Chinese and said, "You look at this face. Yes, I am Chinese, but I am the wife of the American ambassador. You will open the gate and give me entrance to my house." She never had any problems after that.

We had some wives who had very unusual backgrounds and I am sure that the Ministry of Foreign Affairs kept dossiers on all of us and probably would have followed them very carefully. I'm not aware of anybody having a problem. There was one woman who was not Han Chinese, but from a minority in western China known as the Uighurs. They are quite a small minority in China. They are also a minority people in some independent Central Asian countries, as well. I believe this woman's father had actually been politically active. This woman had completed her undergraduate and graduate work in the U.S. and was an American citizen, but of course in China she became interested in the plight of the Uighurs and other minority peoples. Because she knew the languages, she could move in those areas. I am sure that she spent some time in Beijing with those communities. There was another woman who had family associations with both the communist and Nationalist military. This was not unusual for many Chinese families. But

nevertheless, because some of her relatives had been in high-level positions in the military, probably there was some interest in her. During the time that I was in Beijing, there was one American who “befriended” a Chinese woman who was the daughter of a Chinese general. He lost his security clearance and returned to the U.S. I don’t know for sure if they ever did get married, but I know he wanted to do that. But that was the only such incident I was aware of.

My wife has relatives living in China. One member of the family lived in Beijing at the time we were there. That relative and his wife were a wonderful couple, both of whom were medical doctors. The man had done a residency at Harvard University before WWII, so he was already quite old at the time we were assigned in Beijing. He and his wife had both been high-level officials at the Chinese Academy of Medical Sciences. We were able to visit them in their apartment compound. We had no problem. There were a couple of things that we noted. If we wanted them to visit us at our apartment in the diplomatic housing compound, we had to send them a written invitation. Otherwise, they would not have entrance into our compound. If we went to their place, we didn’t need a written invitation, but I’m sure we caused consternation. We couldn’t just drop in. We had to call them in advance that we would be going there on a Sunday afternoon or something. I remember one instance when they were very concerned. We had a car that was self-locking. You flipped one button and all the doors locked. We had gotten out of the car inside the residential compound and were heading into the relative’s apartment. He was coming down to meet us. He was very concerned that our car was not locked because he had not seen us put down the locks of the doors. He said, “You know, you really have to lock your car here.” I was a little chagrined because to get to that parking spot, we had had to go through three checkpoints of guards. I thought, “If they have that kind of security, why are they concerned about somebody breaking into my car?” However, I could appreciate that concern later on when we had an incident in our own diplomatic housing compound parking lot. Someone broke into the car of one of our secretaries at the embassy in daytime and set it afire. It was within sight of a guard at the gate. He did nothing. We found out about it because our servant looked out the window and told us about it and we called the fire department. Of course, by the time they arrived, the car was beyond repair. Probably, the car had been broken into by children of Middle Eastern diplomats. The attitude of the Chinese guards was that they were there to provide security from the outside, not to provide security from the inside, that whatever took place inside the compound was our common problem, not theirs.

Q: During this time, were you noticing the impact of the great flood of Chinese students who had gone to the U.S. mainly for graduate degrees and returned?

DONAHUE: We were certainly seeing a large number of students going to the U.S. I am not sure that we had seen that many return. There were several phases of these students going to the U.S. Among the first phase were those who had studied abroad or had advanced studies of some type, perhaps in Chinese

institutions before the Cultural Revolution, and because they were so bright and capable an effort was made to build their skills up to world standards in the wake of the Cultural Revolution. Then there was another wave of students who were chosen primarily because of their connections with the Party, or there was a political angle that they were being given a benefit because of their father's status in the government or the Party. Yet there was another wave. I think that during the time that I was in Beijing, this was most prominent. The foreign companies that wanted to benefit their operations in China were finding that one way to do this, and perhaps one of the ways around the Foreign Corrupt Practices Act, was to provide scholarships to people who they wanted to favor. In some cases, they would be prospective company employees who needed to bring up their skill levels. In other cases, they would be children of high-level Party cadres whose permission was necessary for the companies to make their investments. A number of visa applicants were students who had valid passports and other documentation, but they might be traveling under an assumed name. I know of at least one instance when the consular officer who was interviewing – because occasionally the consular officers would call us up in the Political or Economic Section and ask us, “Is it proper for us to give a visa to this person?” – was not certain about the bona fides of the particular student and asked, “What does your father do?” The student said, “My father is the president.” The consular officer didn't know what he was the president of. It could be the president of an association, an institute, a company, or whatever. It turned out his father was the person who had the title “President of China.” But because the name on the applicant's passport had nothing to do with his father's name, it couldn't be verified. In this case, we went back channel to the Ministry of Foreign Affairs to verify the family relationship. So, there were some instances like that. We didn't want to send anybody out of the consular section without something they should have, but on the other hand we wanted to make sure. We didn't want to be entire patsies. I think probably in the earlier period of the issuance of student visas, it was easier to sort it out than it was during my period there.

Q: Is there anything else we should talk about?

DONAHUE: Maybe talk about the stresses and strains of being assigned in China. All of us embassy officials were under constant scrutiny, we were very conscious of the security situation, and this complicated our work style. We had to work in a particular way in the embassy building. We had to go through three doors to get to our offices, all of which required being pestered by the Marine. We had to have clean desks and could not leave any paper on them because there was a Chinese char force after hours. We still have a Chinese char force. I think while we were there, our embassy in Moscow got rid of the local char force and the American officers had that responsibility. We debated whether we would do that or not, but during the period I was there, we didn't. So, if I had to go out of my office for any reason, I would have to carry all of my classified materials with me and eventually lock them up in a safe in the secretary's office. We had IBM electric typewriters in our offices. However, we had to go to another area of the chancery

building that had been specially made where all of our computers (at that time, Wang computers) were held. So, if any of us had to type something on the classified computer system, we would be out of our office for some time. Movement within our building was complicated. Our Economic and Political Sections both employed Chinese professional workers that in other embassies would be considered FS national employees. But we could not employ FSNs. So, we obtained our assistance by contract with the Ministry of Foreign Affairs, Diplomatic Services Bureau. Our employees were themselves Chinese FS officers who just happened to be seconded to our embassy. Therefore, for security reasons we had to keep them in a separate building. But they were absolutely invaluable to us. We used them to peruse the newspapers. They were okay for that. They were okay for compiling statistics. They were absolutely invaluable for putting together guest lists to help us determine who was married to whom. Many high-ranking Chinese officials were married to other officials, either of the State or the Party. But, the wife did not change her name when she got married. So, we had to know who was really paired with whom and what their relative status was. Our local employees were invaluable for that protocol element. They also greatly assisted in putting together itineraries or making appointments when we were visiting places. Many Chinese ministries had only a few telephones. Their telephone numbers were still considered secret. So, if we needed to see a particular ministry, and perhaps we had never contacted them before, a lot of times our local employees would have to go through the Ministry of Foreign Affairs to even find out how to contact them. It was really complicated. Sometimes it would be a lot to do four appointments in one day in Beijing because it's a very large city. You would have to go across town. Drivers sometimes would not even know where the place was. The address would not be clear or there could be all kinds of problems. So, just the process of living and going through normal work experience was difficult.

In our apartment buildings, there were typically six floors of apartments and a seventh floor on top of that, which housed the Chinese "listeners." Our apartments were bugged and we presumed that somebody was listening night and day, probably with a tape recorder, because it would have been really boring in the middle of the night. But we were very conscious of the fact that we were under scrutiny. It was not until after I left China, really, that I realized the amount of pressure we had been under. Being back in the U.S., I was able to relax to a degree that I had not been while in China. As a matter of fact, my wife and I very rarely talk about work outside of the office and we would almost never make any kind of pejorative comment, but nevertheless, it was just the knowledge that we were being listened to.

During the time that we were assigned in Beijing, my wife got pregnant with our third child, which was totally unplanned. We had not expected it, had not planned for it, we were happy with two children, etc. During my wife's pregnancy, we had been injected with a vaccine for Japanese B encephalitis, which uses a live virus. We had to get that in China, not the U.S., because that kind of vaccine is not used

in the West. Normally, a live virus vaccine is not given to a woman who is pregnant, but my wife didn't realize she was pregnant at the time. I think the vaccine was given in two or three courses. At least one of them must have been while she was pregnant. So, we had no reason to believe there was going to be any problem with the birth. We were expecting for her to go down to Hong Kong and give birth and then after a short time return to Beijing with the child. What happened was, the child was born in the hospital in Hong Kong. At birth, the doctor realized our child had a major problem, involving a deformed heart and the arterial plumbing that is needed to move the blood to the lungs for oxygenation.

Q: This is what we used to call a "blue baby," isn't it?

DONAHUE: Our baby's problems were more complicated than that. He had Tetralogy of Fallot, which involves four problems with the heart. Some of them are not terribly important, but others are critical. So, he needed to be operated on at birth. Fortunately, they could do a palliative surgery in Hong Kong. But he needed to be medevaced to the U.S., and we knew there was no medical care for him in Beijing. So, I had been in Hong Kong for his birth and realized that he was not going to be able to live with us in Beijing. We considered a number of options. One of them was that I would continue in Beijing, my wife would return to Washington or go to California where her family was, and be on LWOP [leave without pay]. There were all kinds of considerations. So, we didn't really make up our mind what to do until my wife and the baby were medevaced to California when he was six weeks old. He actually turned blue on the plane on arrival in LA, so they whisked him to UCLA Hospital and did another one of these palliative surgeries. At that time we realized we needed to be together as a family. So, my wife and I ended up curtailing two assignments each in Beijing in order to go back to Washington. And that ended our assignment in China.

Q: How did things work with the child?

DONAHUE: I think we're fortunate that our son was born in Hong Kong and they could at least do the lifesaving surgery at birth. We were not certain whether it was in time to ensure enough oxygen in the brain. You always are concerned about the loss of oxygen in the brain affecting learning ability and so forth. Then the doctor that we were put in touch with at UCLA Hospital in California turned out to be a surgeon who had been able to do the more complete open heart type of operation on an infant. He was not yet able to do it on a child as young as six weeks. But he was able to do it when our child was 13 months old. So, during the period we were in the U.S., we had sufficient surgery for Ian to develop fairly normally and the Department was satisfied that we could have another overseas assignment.

Q: So, what happened after 1987? You came back and were in Washington doing what?

DONAHUE: It was really the tail end of the assignment season by the time I made the decision to come back to Washington. The Canada Desk in the European and Canadian Affairs Bureau picked me up. I was the head of the Economic Unit on the Canada Desk, which was a very sizeable office. It was the time that we were negotiating the U.S.-Canada Free Trade Area Agreement, which was the precursor of NAFTA, so it was an interesting time to be in Washington. It was an interesting thing to be doing and gave me a lot of knowledge about our next-door neighbor to the north, as well as experience traveling to some places in our country where I had not been. I got to visit upstate New York, North Dakota, New Mexico, Washington, and California, and parts of Canada along the border to meet with business groups and talk with the general public about the implications of the trade agreement. The Canadians were as concerned about the Free Trade Agreement as Americans subsequently became about NAFTA. The Canadians thought they would be losing jobs to the U.S., we would be swamping their markets with cheap imports, all kinds of concerns like that.

Q: You were doing this from 1987 to when?

DONAHUE: It was a two-year assignment, 1987-1989. During that period, I obtained my onward assignment, which was another Chinese language designated position, but this time in Hong Kong.

Q: On this Canadian Free Trade Area Agreement negotiation, what particular part of the equation did you have?

DONAHUE: This particular negotiation was as complex as, and maybe even more complex than, a GATT round had been up until then. It included some areas that had not been addressed in previous GATT negotiations. The GATT negotiations had mostly aimed at reducing tariffs. This one included a real thorough discussion with Canada on the issues of subsidies and tax policy, and it attempted to add services. We also attempted to deal with the issue of professional people so that providers of professional services would be able to perform their work in the other country in a relatively easy way, almost as though it would be somebody from Virginia working in Maryland. Because of that, the U.S. Trade Representative's Office, which is very minimally staffed in the best of times, needed to beef up its staff. So, they had asked various agencies of the government to essentially designate people on their staffs to be negotiators on different issues. In the State Department, the Economic Bureau had provided maybe five or so such people to this task on a full-time basis. They continued to have their office in the State Department, but essentially they were at USTR's beck and call. The European Bureau designated one person to have that function; that was another person in our office named Tim Skud, who subsequently left the Foreign Service and went to work for Treasury. He was the person from our office who lived at USTR during the negotiations.

My responsibility was to follow the negotiations closely and keep the European Bureau informed of their pace, and then work in a macro way with the European Bureau, with Economic Bureau, with other agencies and so forth, on issues that we thought could be political problems with Canada. So, a large part of my work was working with our embassy in Ottawa to make sure that we were all on the same wavelength on how to proceed on a given issue. I would then carry those views into the negotiations, make sure that the State Department understood where our political concerns were, and if we had reasons why we couldn't bend or something, we had to work out an explanation that would be saleable to the Canadians. So, it was a little bit of political work and a little bit of economic work. The chief USTR negotiator at that time was Peter Murphy, who we found out towards the end of the negotiation had a brain tumor that essentially sidelined him. It became very evident that he was losing his mental focus but had a very good deputy who retained all of the ins and outs of the negotiation process that was able to finalize the agreement so that it worked out fine. But there were times when we were very concerned within the American negotiating party because typically in a negotiation setting, a lot of times the foreigner wants a one on one with the American negotiator. If only two people are in that meeting, either you get a full debrief from the American and everything is recorded or not. We realized we were missing some details and we were hearing from the Canadian side what the American government was undertaking to do, but we weren't getting confirmation from our own negotiator that indeed a deal had been done. So, that deputy played a very particular role in ensuring that. I think at the end, probably 30-40 people in the U.S. government were involved directly in negotiating that agreement. It was major work and it ended up becoming our going in position for the GATT Uruguay Round and was tweaked a little bit further to become NAFTA. Some things were added on to meet Mexico's requirements, but the bulk of the Free Trade Agreement served as the basis for NAFTA.

Q: Were you feeling the pressures of unions, of Congress and all while you were doing this?

DONAHUE: It was apparent, but the bulk of that pressure was directed at the Office of the U.S. Trade Representative because it had the statutory authority to negotiate. The USTR was saddled with a statutory requirement to deal with eight or 10 committees of American business sectors that had been set up and functioned under the Commerce Department. They are committees dealing with broad areas of American business and most of them deal with industry. For example, there is a Textile Committee and a Steel Committee. These are industries that have been affected historically by trade agreements. However, the Canada Agreement, the GATT Uruguay Round, and the NAFTA involved some very contentious service issues – intellectual property, transportation, insurance, the financial sector, and so forth. There really isn't enough to hold those services together. Each one is a separate industry and the companies all look at an agreement in a very different way. Nevertheless, Congress designated those

committees as sounding boards. The committees were really composed of businesspeople, on the one hand, that represented companies in that sector and, on the other hand, people in the government who were concerned about those issues and dealt with them in a particular way, sometimes in a regulatory context, sometimes merely with policy on issues that would affect those industries.

When we negotiated a chapter of the agreement, we had to provide the text to the business committee that was most closely associated with the affected sector of the economy. The idea was that that committee would formulate its view and hopefully would be one that would support us in our negotiation. The expectation was the committee would write a letter to the Congress saying, "We support this agreement and we recommend that you approve it." Otherwise, if they told us in advance they could not support it, we would have to go back to the drawing board and try to negotiate whatever they felt they needed. So, that was the importance of that kind of committee. In this agreement with Canada, we did not have real problems with these committees. We had kept them fairly well informed to begin with, and going into the negotiations, they knew what we were trying to get. Also, they had a fairly high degree of familiarity with Canada. Canada is our closest foreign country. In many cases, it has similar industries to our own. So, they understood how Canadian business operated and there were very specific things that they wanted. The Agriculture people wanted us to end a subsidy that Canadian rail gave their wheat farmers, things like that. That is why we ended up having a philosophical discussion with Canada on the issue of subsidy or on the issue of tax because we may handle these things differently. At the end of the day, we dealt with these issues in the text of the agreement in a specific way based on a meeting of the minds in that larger discussion. The committee that was the most important, and I participated on several occasions in its twice-yearly meetings, was the U.S.-Canada Chamber of Commerce committee that had been put together to back this agreement. It was the businesses on that committee that were trying to provide the greatest pressure on their governments to support the agreement to conclusion, and then to support it in Congress and the Canadian Parliament. They kept a lot of pressure on the negotiators and were an important counterweight to the unions. The union situation was also complex and unique, because the main unions in Canada were American unions that called themselves "international" because they had a Canadian element. So, the United Auto Workers, for example, the same United Auto Workers in the U.S. also was United Auto Workers in Canada. I think that was true for mine workers and steel workers. So, essentially, the unions were of one mind going into the agreement. We didn't face a political issue where the Canadian unions as a group were against something the American union favored. On the other hand, the Canadian unions backed more government supports and subsidies than the American unions did.

The Canadian negotiator for the Free Trade Agreement had a history of labor negotiations. He was very contentious and cantankerous. He was crude, not always very civilized, and would use really rude language a lot of times in

negotiations. By contrast, our negotiator was more of a silk stocking type of person who wanted to maintain a degree of decorum that was not always acceded to by the Canadian side. I know that many members of the Canadian negotiating team were very embarrassed by some of their negotiator's vitriol on occasion. They also didn't want to be treating this negotiation the way he was doing it. Nevertheless, a lot of times in the negotiation personal style becomes an element, and bombast and so forth may in fact have an impact. In our working with the rest of the world, we try to avoid it because I think we're very concerned that if we are seen to be ramming something down another country's throat, it will reverberate against us. But for the Canadians, I'm sure this negotiator felt under intense pressure not to appear to be yielding to Americans, so he perhaps took a stronger approach than he might have in a negotiation with another country. The concern in Canada had to do with a lot of Canadians not having confidence in the public statements of their government. On the one hand, Canadian business oversold the agreement and claimed it would provide more jobs and improve quality of life, etc. more than anybody could reasonably deliver. On the other hand, the detractors to the agreement saw the loss of jobs, loss of income, payment of higher taxes, and so forth more than was reasonable to assume the agreement would result in. The problem was, the Canadian government did not always have credibility with its own people. This agreement always was a far bigger political issue in Canada than it ever became in the U.S. It went to the heart of the overall U.S.-Canada relationship – we are good friends, but we have our differences. Canada will always be the junior partner in the relationship.

Q: This was the Mulroney government.

DONAHUE: That's right. We could not have gotten into negotiations, and we certainly would not have stayed in them to the end, without the particular interest of both Mulroney and Reagan in completing that agreement. They had an excellent personal relationship and they were able to talk directly over the phone, no misunderstanding at all in language. They both recognized the importance of this. It was driven in part because Canada had had a period of relative economic decline after Britain joined the Common Market where it had had its privileged trade relationship with Britain severed as a result of that. It wanted to take advantage of the growing U.S. market. Canada increasingly saw itself as part of the Western Hemisphere as opposed to part of Europe. It increasingly saw its economic well being tied in with that of the U.S. But its viewpoint was also different from that of the United States. Many Canadians had become very uncomfortable with the U.S. during the time of the Cold War, and particularly our involvement in Vietnam. So, from an ideological standpoint, they resisted many aspects of American policy, and they did not want to be roped into an agreement that would take away their freedom of movement. So, there was no way we were going to negotiate a Common Market type of agreement, much less the type of monetary union that Europe has subsequently adopted. The Canadians wanted to maintain all of the distinctions that set Canada apart and it was as important for the English-speaking as for the French-speaking Canadians. But there were times in the negotiation when one or another group in Canada was trying to take

advantage of it to make a political issue for their own cause. So, I did visit Montreal and Quebec to try to head off the possibility that the Quebec Liberation Movement saw an advantage for them somehow in the Free Trade Agreement. We visited western Canada to assure the people there that they were not going to be hived off from the rest of Canada, but they were not going to be discriminated against either. Some of the prairie provinces would have preferred to have been part of the U.S. at times rather than remain under the control of Ottawa, which they felt favored Ontario to the exclusion of the western provinces. So, we got very deeply involved in an understanding of Canadian politics on this issue.

Q: I've talked to many people who have dealt with Canada. One of the things that comes across rather clearly is that particularly with the English-speaking Canadians, particularly in the Ontario area, they define themselves as being not Americans, whereas the French Canadians know who they are and are not as troubled by any agreement. The western provinces don't really like the Ottawa regime.

DONAHUE: That's right. NAFTA required that we get involved with Canada to a degree of detail way beyond our dealings with any other country. A lot of industrial traffic between Quebec and Ontario travels through upper New York State, so the state government wanted the right to inspect Canadian vehicles, for example, and make sure that they're safe on our highways. This is an example of a U.S. state wanting to be involved in issues affecting a Canadian province or vice versa. Ottawa and Washington had to come to an agreement that, yes, this should be, or, no, we're concerned about that.

Q: What about subsidies? One person's subsidy is another person's natural right. The Canadians I'm sure were pointing the finger at us. Subsidies come in all forms. This must have been a very difficult problem to resolve.

DONAHUE: Well, we ended up making some rules. I won't go into detail here because it's really enshrined in that agreement. But our countries developed in a different way in large part because of geography. Waterways are very important to trade. The Mississippi is open virtually year round. There may be a couple of months in the winter when there is not a lot of traffic, but essentially the Mississippi provides a year-round waterway for Midwestern farmers that is better than the St. Lawrence seaway provides for the prairie farmers of Canada. Also, the Seaway doesn't extend far enough into the prairie. So, years ago, the Canadian rail provided reduced rates for the shipment of agricultural products from the Canadian prairie to ports. In the U.S., the Army Corps of Engineers and other entities developed ways to manage barge traffic on the Mississippi. We also developed the interstate highway system, which gave access to Great Lakes ports and so forth for a lot of our farmers. The subsidy issue was mostly for agricultural goods. We just worked out a way with the Canadians whereby they ended up reducing or alleviating their subsidy on the rail but provided a tax benefit that was equivalent in some way to how we computed the benefit of our public sector

investment for our farmers. I think that we ended up putting it into the tax hopper and were looking at tax policy as being comparable between the countries. There are other problems that Canada has that have caused Canada to have a lower level of productivity than the U.S. A much larger landmass across which products have to move. Much colder climate requiring that plants be heated in the wintertime to a greater extent than in the U.S. They had more of a socialist orientation in government, whereby the government and industry provide a greater proportion of social welfare benefits than we have historically provided. So, all of that computes to a little bit lower productivity.

Q: This might be a good place to stop. We'll pick this up in 1989 when you're off to Hong Kong.

Today is June 26, 2000. You're going to Hong Kong in 1989. What were you doing?

DONAHUE: I was preparing to go to Hong Kong as the chief of the Substantive Reporting Section. Since I had been posted in Hong Kong previously, having left in 1981, there had been several organizational changes. When I had left in 1981, there were separate Economic and Political Sections. In the meantime, they had been combined. So, there was a single combined section. However, it was carried on the books as an economic section, and it was called the Economic/Political Section. It really had four functions. It was responsible for backstopping our embassy in Beijing and constituent posts on both political and economic reporting on China, taking into consideration the continued usefulness of the unique China watching community in Hong Kong and the perspective of Hong Kong-based business in particular. Embassy Beijing recognized the value of the views of Hong Kong's politically astute people on what was going on in China. In addition, the Section emphasized to a greater extent than we had before both political and economic issues in Hong Kong and Macau (we were jointly accredited to Macau). Macau was still administered by Portugal at the time.

Q: You were there from 1989 to when?

DONAHUE: Standard three year tour, 1989-1992.

Q: Who was the consul general?

DONAHUE: When we arrived, it was Don Anderson. After about a year, Richard Williams, who had been director of the Office of Chinese Affairs in the State Department, replaced him.

Q: What was the view of events in China in 1989?

DONAHUE: That was a particularly important year. When I had received the assignment in 1988, I had certain expectations. One of them was that the pretty good relationship that the U.S. had developed with China -- that had flowered and reached its full blossom in late 1988 and very early 1989 -- would hold and would be something that we could build on. We were also staring in the face a very important deadline for Hong Kong, which was June 1997, when it would revert to Chinese sovereignty. There was so much work that had to be done, primarily by the British, in their continued negotiations with the government of Beijing. There probably was some expectation that improvement of relations between the U.S. and China might allow the U.S. to play a facilitating role. Typically in preparing for a Chinese language assignment, we had to undergo some brush up. Chinese is a very difficult language to learn, but it's a very easy language to lose. So, I had already arranged to leave the Canada Desk early enough to get some oral practice with the teachers at FSI before going out to post. I was in language class in May 1989, watching with great interest the flowering of the so-called "Democracy Movement" with the students and other people in Beijing taking over Tiananmen Square and seeming to challenge the authority of the Chinese government. Then, I was still at FSI during the Chinese Army's June 4 decision to move on the demonstrators in Tiananmen Square, which has been labeled the "Tiananmen Massacre." Because I was a language student and I was freed from other responsibilities, I participated in the task force and then subsequently became part of the emergency crisis group in the Watch Center of the State Department because it was the height of tourist season. There were many American tourists in China and we were concerned whether they would be able to leave the country safely. We didn't know what was going to happen. We thought the whole place could fall apart. At the end of the day, the situation stabilized quite rapidly. Although our embassy in Beijing had been partially evacuated, that evacuation situation lasted only a couple of months. By the time I reached Hong Kong in August, things were sort of back to normal. American personnel had returned to China, and Hong Kong was operating as though nothing had happened. However, there was a great feeling of jitteriness in Hong Kong, certainly in the business community. The British relationship with China was on a very bad footing. It was almost to the point of having no speaking relationship with China for about a year. So, there was no further movement in the negotiations. There were very few opportunities for the British to negotiate with the Chinese on the necessary procedures to bring about a relatively easy, amicable handover in 1997. The U.S.-China relationship was also quite strained. The job, and what we were actually able to do and how we did it, turned out to be quite different than what I had anticipated when I was getting ready to go in spring 1989.

Q: While you were dealing with Tiananmen Square in the language class and the emergency center, you must have been talking to your colleagues who were dealing with Chinese affairs.

DONAHUE: Yes, with my colleagues in the Department and also by telephone with our posts in China.

Q: What was the reading of what this was all about? Why had it turned into such a mess?

DONAHUE: There were a number of theories at the time and I think that subsequently we perhaps obtained a little bit better information.

Q: How about at the time?

DONAHUE: To begin at the beginning, early in 1989, there was a movement on the part of students at universities in Beijing, perhaps in other cities as well, for improvements in how they were treated as students. Initially, it began with just demonstrations, and then maybe some agitation on campus, for essentials like hot water showers, better housing conditions, better quality of food. Then, it increased to something a little bit more substantive where the students were actually asking for the freedom to study what they wanted or to seek jobs that were more in keeping with their real ambitions or aspirations. Up until that time, and perhaps even continuing to the present day, many students in China are selected for university based in part on examination, but also in part for political reasons, perhaps their willingness to be activists for the Party or their family's Party position or connections. They are often chosen arbitrarily to study a particular field and then tracked into a job in a given field or government ministry. Even when I had been posted earlier in Beijing in 1986-1987, several of the students that we encountered said, "Here I am, a hairdresser, and what I really wanted to study was engineering," or "I am studying traditional Chinese medicine. I really wanted to study chemistry." So, there were many mismatches. I think that the generalized aggravation on the part of the students began this.

In many cases, the university authorities, who were caught unawares, had not realized early enough the seriousness of the complaints of the students and had not realized where the movement would go. The university authorities may have, on the one hand, given into some of the early demands rather easily, inviting the students to ask for more, or in other cases, some of the universities around the country recognized what was going on in Beijing because communications in China were improving and there was a more widespread uprising on the part of the students for better conditions. So, similar to what happened during the Cultural Revolution, classes were suspended and students from many universities around China took the train or whatever transportation they could find to Beijing. For several months, there was a continuous student gathering, a kind of sit-in, in Tiananmen Square. It had incredible ramifications for the country. The students took advantage of a state visit to China by then Soviet leader Gorbachev. That was a state visit that had been expected to represent a rapprochement between China and the Soviet Union. It had been eagerly anticipated for some months by the Chinese leaders. The visit ended up being hijacked by the students because the major international media were present. The students used their presence to get a soapbox for not only national but also international coverage of their own cause during Gorbachev's visit. Gorbachev spoke about the importance of perestroika

and glasnost, which had been important elements of his new policy in the Soviet Union to let people comment publicly and criticize how the Soviet Union was organized. The students just grabbed onto that and called for the same and even more of the same, in China. Subsequent to that visit, the students got a piece of old marble and had a student sculpt the so-called "Statue of Democracy," a Chinese equivalent to the Statue of Liberty. The statue was displayed prominently in Tiananmen Square and the students gave every evidence of occupying the Square indefinitely. What went wrong is not entirely clear, what happened in what sequence. But some of the student leaders, including Wuer Kaixi, as well as others, a group of five or six that seemed to be the main leaders of the movement at that time, arranged several meetings with Chinese leaders. The main leader with whom they met was Zhao Ziyang. He gave the impression of being rather sympathetic for the cause of the Chinese students. Perhaps as a result, he was labeled a liberal by the Chinese leadership, and the Communist Party got worried, fearful. So, he was ousted ultimately and put under house arrest. He was replaced by much more conservative people. His deputy, Li Peng, who was an adopted son and protégé of Zhou En-lai, immediately replaced him, and Deng Xiaoping brought a harder edged group into office in Beijing. However, the ramifications of the Tiananmen Square disaster continued to be felt.

What we subsequently learned, or at least think we learned, in the months following the Tiananmen Square business was, there were many students either killed or badly wounded. The numbers could be a range of 1,000-5,000. But most of the students who were directly injured in Tiananmen were not from Beijing. In the days and hours before the June 4, 1989 incident, the students who were from the immediate Beijing area, many of whom were children of high-level party cadres, got the word somehow. Their families had heard that there was going to be a move, a major effort, by the government to rearrange the situation in Tiananmen Square, and those students were called off the street, called to go home or go to relatives' houses. Probably many of them did indeed leave Beijing so that if the secret police came knocking at their parents' doors, they would not be there. They got off the square, they dispersed. Many of the students who remained on the square were from other cities and didn't have relatives looking out for them in Beijing who could tip them off. Also, many people – and this includes Chinese officials – felt that things went wrong because of the way the troops moved into Tiananmen Square. Some of them had been ordered to sweep the streets and move into the Square in an orderly fashion from the west with the idea that they would force the students to give up the Square gradually and move eastward towards another smaller square in front of the railway station. The expectation was the students would be bottled up there and could be convinced to leave the city by train. Unfortunately, one of the columns of troops came in from the south and entered the Square on the eastern side and the students got bottled up towards the middle of Tiananmen Square. There was no route by which they could leave the square. So, they got slaughtered. Perhaps as many as 1,000 of them got truly wiped out. The Chinese expression is *fen cui*, literally "smashed to dust."

Q: The real question is, why didn't the Chinese leadership put an end to this at an earlier state? This thing festered for a long time. Anyone who knows about the art of Mao's politics, what have you, knows you don't allow something to fester for a long time. You either do something rather drastic right away while it's still small or you say, "Okay, you've got real grievances." It seems like a lot of the grievances early on could have been solved. "We're going to work on it. We'll set up a working committee. You can sit on it. We'll try to get you hot water." Something of that nature. Why this paralysis? How did we feel at the time?

DONAHUE: I think it was a situation similar to some other grassroots-type revolutions, some of which have been successful, others of which have not been. A little bit of success feeds on itself and something quite significant can grow over very little. It has been said subsequently, and I think that there may be something to it, that one of the events that emboldened the students in Tiananmen Square was the success of the so-called People's Revolution that took place in Manila in 1988. That was an effort by Corazon Aquino to overthrow the previous Philippine government. It was a grassroots effort and it was successful. It also involved people massing peacefully in the streets giving a show of solidarity and nonviolence. I don't believe there was any bloodshed. If there was, it was minor. So, it was seen as a kind of glorious revolution where the voice of the people was heard. I think that there was a great deal of naivete on the part of the students in Tiananmen Square, but probably also on the part of Zhao Ziyang and other like-minded people in the government. The years immediately prior to this had been a period of liberalizing in China. There was quite a bit of economic progress associated with the liberal trend. Some of this had been generated by Deng Xiaoping. When Deng Xiaoping was revived into the leadership following the Gang of Four period, he realized that a lot needed to be changed in order for China to get economic growth working again and free up means of production to allow China to realize its potential. There had been a great deal of progress in that area. He had brought into government people willing and able politically to criticize the hard-line positions previously taken. So, there was already a sense of acceptance of the criticism on policy.

People in Zhao Ziyang's immediate leadership circle, except for Li Peng and other hardliners like him, generally accepted the ability to criticize current policy. I think without a doubt the students went too far and pushed too hard. If they had accepted the honoring of the original requests that they made, which was an improvement of their living conditions within the context of the university, and if it had gone no further, they would have won a victory. I think the leadership would have felt that they had satisfied that immediate need. If the students and everybody had gone back to work, the Party and the Government could have declared victory. For whatever reason, that wasn't deemed enough.

Wuer Kaixi and others around him became increasingly radical in what they were seeking. There is no doubt that they also felt that they could develop common

cause with the workers. During the two or so months that there was a kind of sit-in demonstration in Tiananmen Square, they were seeking to bring workers into this movement. I think that they were generally disappointed that they were not successful in doing that. The workers' world view was quite different from the students'. Many of the workers had faced incredible economic and personal dislocation during the Cultural Revolution period and they didn't want anything to do with a movement that would revive the kind of instability that they remembered during the 1960s. Also, under Deng Xiaoping – and they had already had five to seven years of experience of rule by him – they were much better off. Many workers in the Beijing area worked for companies that had joint ventures with foreign firms. They were getting advanced technology, better management, and had order books that were months or years long. The workers saw so much to be gained under the status quo, and they feared they would lose much if they openly backed the students. There was nothing for them in what the students were seeking. In other words, the workers were satisfied. They were not willing to make common cause with the students.

On the other hand, there were many bureaucrats in government and even Party members who were making common cause with the students. I think part of the reason the rest of the world was able to witness this occupation for the long period that it did, and with the degree of international press that it got, was largely because of the willingness of ministries and even Party members to support the cause. Many of them, too, had suffered a great deal during the Cultural Revolution. This was a way perhaps for some of them to get back at the hardliners. It's quite possible that some of them had a kind of shared dream with the students that this was their way to bring about a liberal democracy and trounce for once and for all the hardliners of the Communist Party. I think that there probably was just before and just after the Gorbachev visit this high hope, but without a doubt the student leaders pressed too hard with Zhao Ziyang. Their inability to arrive at an acceptable compromise settlement must have forced the hand of the old guard and the hardliners, especially Communist Party members and military. The leaders had no recourse but to say, "We cannot allow this to continue any longer." It would be interesting to know what kind of discussions there might have been between China and Russia during and after the Gorbachev visit, where either the Russians might have expressed real concern about what was going on in China, or the Chinese might have asked the Russians, "What do you think about what's going on?" The flowering of the Chinese democracy movement and the hard-line squelching of it that resulted in bloodshed, and the intense foreign coverage that this received, had an immediate impact on the situation in the Soviet Union and Eastern Europe. Tiananmen helped bring about the collapse of those communist regimes. No one really expected this at the time.

Q: With this having happened, you arrived when in 1989?

DONAHUE: In early August 1989. I arrived about six weeks after what we referred to as the Tiananmen incident.

Q: When you came, was there the feeling that Hong Kong was going to for a while revert to its old ways and it might be handy to have a post like Hong Kong where it could look on what was happening without having to worry about official harassment and that sort of thing?

That was very much the case. The U.S. and Britain, and probably most other Western countries, had almost no access with Chinese officials for six months after the Tiananmen crisis and really not very easy relations for a full year. We all collectively held our breath at the one-year anniversary of Tiananmen because we didn't know exactly what to expect. So, it wasn't until the summer of 1990 that there was even a return of dialogue that was comfortable at all with the Chinese officials. That was true even in the U.S. Chinese embassy people who previously had had contacts with other governments just wouldn't leave their offices.

Q: Was this a mutual situation?

DONAHUE: The Western governments certainly did feel the need for stocktaking, and there was a sense that we could not go back to a status quo. So many of the bilateral assistance programs that had been anticipated had to be cut entirely off. For example, when I was on the task force in the State Department at the time that Tiananmen Square occurred, we had to draw up a list of initiatives, programs and proposals that had been scheduled for the rest of 1989. That included CODEL visits, high-level administration visits, initiatives that involved the private sector, and even bilateral negotiations. One after the other, we killed them all. In fact, USTR was ready to enter what I might call the final stage of negotiations to bring about Chinese participation in the GATT, the forerunner of the World Trade Organization [WTO]. The USTR officials felt that in their preliminary negotiations during the spring of 1989, they had just about tied up all of the loose ends and gotten satisfaction from the Chinese government on some of the areas that were of interest to us or were requirements as far as we were concerned for Chinese entry. They were just ready to send a delegation in late June to wrap this up. I had to call USTR and say, "I'm sorry, but none of this can happen." It was a good three to six months before any high-level delegations visited China. We just were holding our breath, looking for evidence of any willingness by the Chinese government to return to contact. So, in Beijing and in the constituent posts, the only kind of contact was a very formal type. Even the visas, especially student visa applications, fell off greatly. Everyone was collectively looking for people to show up to request asylum in the U.S. Many asylum seekers came to Hong Kong. For six to eight months after the Tiananmen Square incident, we had three to five asylum seekers come to our consulate in Hong Kong every week. Perhaps there was a similar number going directly to the British or to the Canadians.

Q: These were student types.

DONAHUE: That's right. I would say that most of the successful asylum seekers were students who had been directly involved in the Tiananmen Square demonstrations in Beijing and were documented as such. Many of them were those who had given interviews to CNN or well-known foreign journalists and had been named in their articles or had had a lot of exposure and were quite recognizable. We were all astounded at not only how many came out and escaped apprehension by Chinese authorities, but also the long period in which they had been able to remain in China undetected. Obviously, they had been given shelter and assistance in making their way from Beijing all the way down to south China. This is a journey that would have involved more than 2,000 miles of travel over many different kinds of transportation. Their pictures were on wanted posters throughout China and yet they were able to escape detection. So, it was quite phenomenal. There was an impressive network in place to assist these people.

Q: Was your unit looking at the situation in Hong Kong?

DONAHUE: We were. From that period, and directly as a result of 1989, there was a great deal of nervousness on the part of Hong Kong people who were interested in politics or were politically active in some way. I would say in that respect that there was quite a difference in the attitude of Hong Kong people beginning in the summer of 1989 in comparison with my previous experience in Hong Kong. Previously, most Hong Kong people would not have thought of themselves as interested in politics. This was a studied avoidance on their part. Many older Hong Kong people or children of older Hong Kong people had been affected in some way by the Chinese civil war that had raged from the 1930s and through the period of Japanese occupation in WWII up until 1949. Many of those families had been on the Nationalist side.

Much of the Hong Kong population, probably 2/3 by the mid-1980s, either themselves or their parents, had been refugees from Mainland China to Hong Kong. Many of them chose to remain in Hong Kong rather than go on to Taiwan because they had been associated in some way or had obtained their personal fortunes during the period of Nationalist rule in China. However, they had also been burned in one way or another by the Chinese civil war. There were some stalwarts who continued to be staunch Nationalists. On October 10, which is the Nationalist national day, they would display the Nationalist flag. This was technically a no-no in Hong Kong, but nevertheless they would do it. Those people often played a role in trying to develop some kind of relationship between Taiwan and Mainland China. But they were a distinct minority. Most Hong Kong Chinese didn't want to play any role in politics at all. On the other hand, in the political spectrum was a small group of left-leaning people. One such group at the grassroots level was communist-oriented. They tended to try to organize transport workers, industrial workers, with some degree of success, but in fact, they were never the majority. They didn't dwell on how wonderful communism would be. Their members were indeed benefitting from capitalism. But they did dwell on the importance of a kind of emotional solidarity with the Mainland. Another group

that also emphasized this emotional element of solidarity with the communist government in China for cultural reasons was a group of Chinese intellectuals who were intellectually socialist or communist inclined. Their movement was nationalism more than communism *per se*. It was a desire to see China, which they felt had been trounced by the West and by Western imperialism, once again take its rightful place among countries of the world and be admired for its heritage and its position in the world of nations. So, this group would have included university professors, lawyers, some quite wealthy people who had connections with Chinese hierarchy in China based on experience on the Mainland, perhaps university education with some prominent Chinese leaders or something like that. Yet it was a small group. A third group that was beginning to grow, but was still quite small, was Hong Kong businesspeople, most of whom had been refugees from China and were either from Guangdong or Shanghai, the industrial heartlands of China. They saw an economic opportunity for themselves in doing business in China. So, they would pay lip service, would carry out protocolary activities with respect to China for their own business advantage. But they were not ideological believers in the sense of the intellectual group. These people even, at that extreme, were quite a small number in the early 1980s. By the late 1980s, there was a group of Hong Kong businessmen who ideologically supported democracy in China. Some of them were indeed financial backers of the democracy movement in Tiananmen Square. As a result of the very heavy-handed putdown of that movement by the hardliners in Beijing -- what seemed by many to be a rise to power of the Chinese military, the PLA [People's Liberation Army] -- many of these Hong Kong businessmen began to quake in their boots because it was quite well known that they had been supporters. In some cases, they had actually donated tents to the demonstrators in Beijing. Some of these people were the Hong Kong owners of the fast food chains in China that had provided free food to the demonstrators over the many months of demonstrations or had in other ways bankrolled their activities. So, they were definitely on Beijing's black list. They were very concerned not only for what might happen to their operations in Beijing following this putdown, but also business and personal repercussions in Hong Kong, too. The PRC apparatus in Hong Kong began to go after them in one way or another. So, grassroots people in Hong Kong were truly disgusted with the putdown of democracy in Beijing. There were bumper stickers everywhere that said in Chinese, "Chinese people do not fight Chinese people." Millions of people in a population of five million total turned out in candlelight vigils on the public streets and parks to protest the heavy-handed putdown of the demonstration in Beijing. The emotions were amazingly open and represented a vast majority of people in Hong Kong. So, you definitely felt a political fervor that just had not existed prior to that.

Q: During the years that you were observing Mainland China, what were you seeing?

DONAHUE: In the first six months after the Tiananmen Square incident, we were seeing an effort on the part of the Chinese hierarchy to root out liberals from the

government. I think that the military cooperated very closely with the hard line of the Party in trying to bring about a better balance between economic development -- the high level of economic growth that the government needed and the leadership wanted -- and to have it selectively exclude the improved communications and sharing of information that had made the democracy movement so effective. So, there was an effort to once again control all communications, especially the media. Many of the newspapers or magazines that had flourished in the relatively liberal period of 1986 to 1989 were banned or stopped. That included some media from Hong Kong that had been allowed to circulate on the Mainland. There was an effort in Hong Kong to carefully scrutinize reports and editorials about the Mainland. The Mainland government had a number of agencies operating in Hong Kong, many of them actively, sometimes openly, but more often not so openly. They tried to convince Hong Kong journalists to censor themselves in articles that they would write primarily in the Chinese press, but it also affected the English language press. There had up to that point been opportunities for the Hong Kong press to have their media circulate in China at least to some limited degree. So, there was an effort to marshal editorial views and bring about a single official line once again. I suppose that effort culminated on the anniversary of June 4 in 1990. The PRC released a videotaped version of their view of what happened in the democracy movement, why it had gone wrong, and why they had had no choice but to put it down for the benefit of China. It was a totally whitewashed view, although there were some who felt that the Chinese had put their finger on some accurate elements in their presentation. Nevertheless, the editorial nature of it was a Party line. After that one-year period, there was a kind of return to normalcy, but it was recognized by all concerned as not the normal situation that might have taken place if the Tiananmen incident had not occurred. So, we watched very closely, and other governments did as well, how Britain might be able to renegotiate or negotiate anew with China on all of the fine points that needed to be addressed for the return of Hong Kong to China in 1997. That was one of the issues.

Another set of issues, that fall of 1989, was the world witnessing the collapse of virtually all of the communist governments of Europe. As a result, the nature of those countries' relationship with China changed. The Eastern European countries had enjoyed a privileged relationship with China. It was a shock to everybody's system for what looked like democratic governments to be forming in Eastern Europe, even in the former Soviet Union, and for them to establish a different kind of relationship with what one might call a newly hardened communist regime in Beijing. We saw this happen as well in Hong Kong when, for example, the East German Consulate folded and just went out of business. All of the East German diplomats became unemployed. The West German Consulate took down the sign saying "West Germany," and put up another indicating they were representing all of Germany. There were questions about what would happen to citizens of the former communist countries who happened to be in Hong Kong. The Hong Kong Government up until then had not given easy access to such people. For the first time, people from the former communist countries really had

the run of Hong Kong. They were discovering Hong Kong for the first time. It was quite interesting to see Polish television, Romanian television, and Moscow television coming to Hong Kong, where previously they would have pointed out the evils of capitalism in one of the most capitalist places on Earth, highlighting how wonderful capitalism was and how good a capitalist system was for the benefit of the workers and so forth. Then the journalists would talk about the evils of Communist China next door. It was a kind of “Alice in Wonderland” situation.

Another sea change involved the makeup of the PRC bureaucracy in Hong Kong. Many of the PRC organizations in Hong Kong had previously been headed by fairly liberal oriented people sent there to run businesses or carry on trade. Because of the demonstrations in Tiananmen Square and because it was widely known in China that the students had been supported by people in Hong Kong, almost all PRC representatives in Hong Kong were tarred by the same brush. So, there was a housecleaning at the top and they were replaced by real hardliners in many cases, or by people with no prior Hong Kong experience.

For many years, the leading PRC organization in Hong Kong was the New China News Agency (NCNA). Although it was there ostensibly as a media organization, it was known to be the shadow diplomatic representation of China in Hong Kong, and it was accorded a special status. It was really given the status of a consulate in many ways. During this period of the early 1990s, it changed into a government in waiting. It was recognized at that point that it would have a very important role to play in the negotiations with the British on the future Hong Kong Government. However, what had not been recognized up until then was, NCNA was also going to be the power in Hong Kong even after 1997. The British had actually believed what they had told the Hong Kong people about the deal they had worked out with China in the early 1980s on the retrocession of Hong Kong to China. The British had understood that Hong Kong was going to be called a “special administrative region,” that Deng Xiaoping had guaranteed that there would be “one country and two systems,” and that the Hong Kong system would be able to continue for a period of (at least, they hoped) 50 years following retrocession. Everybody was hoping that those 50 years would go on forever, that it would be something that would be extended indefinitely, and that they would really be able to have their own democratically organized government.

There are many ironies in this scenario. One of the ironies was that Britain, which had never fostered democracy in Hong Kong prior to that agreement, suddenly got religion and wanted to bring about democracy before 1997. So, the British government in Hong Kong, which was ruled by an appointed governor from Britain, and the higher level officials of which were all British, nevertheless went out of its way to explain to us and to anyone who would listen that indeed once those people left London and arrived in Hong Kong, they were really working for the Hong Kong people. They claimed that the Hong Kong government they ran had as many problems in its relationship with London as it did with Beijing. That was their line. They had really gotten religion and decided that they were going to

stage a number of changes during 1984-1997 that would bring about a fair degree of democracy in the Hong Kong government and establish their own democratically organized government. Therefore, they would allow the Hong Kong people self-determination and the only difference would be that it would not be under the flag of Britain but under the flag of China.

Well, Deng Xiaoping, who knew exactly what he had believed in 1984 when the British went down this road, by 1989, was of a very different view. Every time the Hong Kong Government used the word “democracy,” it must have caused incredible heartburn in Beijing. So, the Chinese leaders went out of their way to disassociate themselves with this line coming out of the Hong Kong government and they tried to block in every way any movement towards democracy, what they saw as democracy. They saw that term and the concept as threatening their position and their ultimate sovereignty over Hong Kong.

There had been an effort to formulate a kind of constitution for Hong Kong after '97 that would provide for supreme court judges who would be selected from within Hong Kong in a free process and they would have judicial independence from any other government. Only in the extreme case would a case go on to a higher court. Where prior to 1997 that higher court would have been the Privy Council in London, following 1997, it would be the National People's Congress in Beijing. Every two or three years in the election of the Hong Kong Legislative Council, a greater proportion of the seats would be open to general election, and some seats that had been appointed or had been elected by special interest constituencies would be diminished. By 1997, the majority of seats would be elected openly. There was also provision for the governor to be elected by all electorates.

As a result of June 4, 1989, every attempt the British government made to have some kind of negotiation with the Chinese government that would have brought about their acquiescence to this process was blocked. At first, the British could not even get an agreement to meet. Then when they finally got an agreement to meet, it had a very limited agenda. Finally when they were able to add onto the agenda some provision to permit free elections, it was blocked. So, the British failed to make any headway under Governor Wilson. Sir David Wilson was a retired British Foreign Service officer who had been British Ambassador to Beijing. He was a China specialist, and quite a scholar on China. He was not a British politician, however. At the time he had been selected to be governor of Hong Kong, if the Tiananmen incident had not taken place, he could have played a very interesting role in being a mediator between the interests of the Chinese people in Hong Kong and interests of the government in Beijing. Instead, circumstances forced him to play a different kind of role. He had neither the backing of the government in Britain nor access to the government in Beijing, although he should have. Because there was a different group in power in Beijing, the people that he would have related to were out. Unfortunately, his efforts were to no avail. As an individual, he really believed in democracy, although

democracy from a colonialist point of view, not broad democracy, but a democracy that Beijing might have accepted in other times. However, his efforts to bring about anything were just totally blocked. Governor Wilson was Governor of Hong Kong for virtually all of the time that I was in Hong Kong. But in the summer of 1992, as I was getting ready to leave to return to Washington, he was replaced by another governor, who was a British politician. His name was Chris Patton. He had been a Member of Parliament and had lost his seat so he wanted a position somewhere and was made the last British colonial governor to Hong Kong. His strength was that he was a politician and he had very close connections with the government in London. His weakness was that he really didn't know anything about China and had no access whatsoever to Chinese officials in Beijing. Ultimately, he became almost *persona non grata* with Chinese bureaucracy in Hong Kong. So, the situation was made even worse for him. What he wanted desperately to do was to give Hong Kong a completely democratic legislature before passing the reins on to China. He was totally blocked to the point that the Chinese government in Beijing made it very clear before 1997, and I think this was in a series of public statements in 1995 and 1996, so it was quite early, that they would not recognize the Legislative Council that was being majority elected by popular vote and they would be the ones to choose the next governor of Hong Kong. The Chinese made clear they would not recognize the newly democratized institutions of the Hong Kong Government and after 1997, they would be calling the shots. So, Chris Patton became quite an ironic figure in his own right. In the end, he was nothing more than a caretaker governor, no more than a British figurehead. This was political process.

There was an economic process as well. There were a number of areas that concerned us as well as the Chinese. It was definitely not Britain's finest hour in any way. First of all, we felt with respect to democracy, if Britain had been serious about wanting Hong Kong to have democracy, in terms of the preparedness of the Hong Kong people for democracy, they were as prepared in 1980 as they were in 1990. If Britain had really wanted to give Hong Kong a directly elected government, they could have done so well in advance of any negotiation with the Chinese on retrocession. It's easy to say that in retrospect. In the early 1980s, everybody was walking on eggshells, not wanting to do something that would have been seen by the Chinese government as threatening them in any way. Democracy did threaten them. So, I'm not sure that would have been in the hearts of any of them. But people became quite cynical on this issue of democracy. What people really became cynical about and really caused some heartburn in our relations with Britain at this time, was what the Chinese have often argued, and this sentiment had been argued by many former British colonies, that Britain had sought to colonize China primarily for its own economic benefit. There were many in Britain who had made counter-arguments. Certainly this was a strong argument that had been made by the Indian government post-independence, and there was quite an effort on the part of the British government and the British academic institutions to argue otherwise. Nevertheless, we certainly saw that this was the case, at least in the 1990s.

It became widely known in the UK that Hong Kong would cease to be a British colony come 1997. So, this was the last time to make your fortune in the last British colony. Hong Kong essentially opened up its doors to Britons of whatever type, whatever stripe, whatever credibility, etc. Not only were what one might call British-owned Hong Kong commercial enterprises recruiting widely in the UK for managers and other people, but also independent entrepreneurs from Britain arrived in Hong Kong to make their fortune somehow, some way. There was a lot of activity that was seen by the resident foreign community, such as the U.S., but also by Hong Kong business, as rather unseemly. We called the Hong Kong Government on the carpet on several occasions when we called into question some of the practices they seemed to condone. Hong Kong was a member of the GATT in its own right. It got in on the coattails of Britain, which would have been a charter member. But actually Hong Kong for the most part had a freer trade regime than even Britain because it had almost no tariffs. It benefitted a great deal from the GATT. Under the GATT, there were certain elements that every member must abide by. One of those was the generalized tariff system. But then there were other side agreements that they could join or not. The Hong Kong Government, because generally speaking it was of very liberal ideology economically, had signed most of these agreements. One was an agreement on government purchases, which said that for any contract valued at more than \$50 million, they would permit open bidding and there would be a very transparent bidding process. Companies from all GATT member countries would be invited to bid, etc. on government tender. In the late 1980s and early 1990s, the British Hong Kong Government unveiled a number of major construction projects that they saw as being their golden handshake to Hong Kong. There were things that they argued needed to be done, but there were also great opportunities for international business. One of these major projects was valued at half a billion dollars or some incredible amount, the building of a brand new international airport on Lantau Island, which did not have any land connection with the rest of Hong Kong. It required incredible engineering: leveling part of a mountain, making a major landfill in the sea because Hong Kong has one of the deepest natural harbors in the world, building a typhoon-proof bridge over to the Mainland, constructing an elevated highway, extending the subway under solid rock, deepening the ship channel, and so forth. So, it involved a lot of work over a period of years to bring about this project.

We initially took the Hong Kong Government at its word that it would make an open bid tender and it would have a fair bidding process and do this in a transparent way. Then, in 1989 and 1990, large American companies made us aware that they didn't think the Hong Kong Government was managing this in quite the transparent way that it should. It turned out that the Hong Kong Government established a separate authority to oversee the contract letting for the airport. It was headed by a Brit who was very pro-Brit and very anti-American. In all of my life, I've hardly ever met another Brit who was so openly and arrogantly anti-American. His desire was to freeze out any contenders that were not British,

even if there was a question about the British firm's ability to actually do the necessary construction. We are talking about complicated construction for which perhaps only a few companies in the world have a positive track record. These are the very large engineering companies, some of which have former American cabinet members on their boards. There is a lot of high-level political interest. Because of the high level of interest that we could not avoid, our Consul General sought a meeting at the highest levels with this airport authority, where we were ushered into an absolutely stunning boardroom with all kinds of high tech features to be given a presentation of what was going to happen. We were given all kinds of information about the various parts of the contract that would be let, and we also were given a rationale as to why only British companies would be permitted to bid on certain parts of the project. Only consulate people attended the briefing. We did not have private sector people. Following this meeting, our Consul General had to report to the American Chamber of Commerce. We were looking over some of the architect's renderings that had been made, and the British head of the organization said to the Consul General, "Well, I don't know why you Americans are complaining so much about not being able to have a part in this project. After all, if you had wanted to have business on the coast of China, you should have had your own colony. Hong Kong has been a British colony for 150 years, not an American colony." Our Consul General was Dick Williams. He had the rank of ambassador because he had been the resident-in-Washington Ambassador to Mongolia, as well as Director of the Office of Canadian and Mongolian Affairs. I'm sure it was the first time he had ever been subjected to such an anti-American statement and also one that was patently false or given by someone who didn't understand the full import of the Anglo-American alliance, which had been particularly strong on the China coast. Ultimately, we were able to obtain contracts for some American companies, including several very important contracts because, as the British finally admitted, they didn't want to throw their money down a rat hole. There were only a few companies that could do some of this construction, and many of them were American. Nevertheless, we had to agree with the PRC that in fact Hong Kong's market was not a level playing field. American interests had not been served as well as they might have been in this final period of British rule.

Q: Were you seeing an exodus or flight of people, money and all, out of there?

DONAHUE: There definitely was this, beginning in the late 1980s. It was accelerated in the early 1990s. The Hong Kong people desired to go to other English-speaking countries for a number of reasons. Some of them had a strong preference to go to Commonwealth countries, in particular Australia or Canada. Australia, because if they wanted to continue to do business in China or elsewhere in Asia, it was quite close. I think that the flight from Hong Kong to some place like Sydney is only a few hours shorter than a flight from Hong Kong to San Francisco, but it is much closer in terms of time zones. So, if they were maintaining their business by telephone from Sydney, it would be far more convenient than from the U.S. Also, if they were professionals, professional

certification from Hong Kong would transfer more readily to another Commonwealth country. Their credentials would work in Australia or Canada. So, doctors, dentists, and to some extent lawyers, accountants, and so forth, with UK-type credentials were very much attracted to Australia and Canada.

Canada, in particular, had for a long time a different kind of immigration policy than the U.S. We have tended to give preference to what we call “family reunification,” that is, relatives of people who have already immigrated to the U.S. and become citizens. Canada gave a strong preference for people in certain labor categories that they wanted to encourage immigrating. That was in particular professional categories. So, it would be doctors, nurses, computer programmers, and so forth. Every year, they would come out with a list of occupations they were looking for. Of course, there were many highly educated people in Hong Kong who filled those needs. There was quite a move from Hong Kong to Canada in that period. There were a number of reasons for it. Some Hong Kong people were going with the idea they were leaving for good. They were just looking for a good opportunity for themselves and their children. Other Hong Kong people were looking more strategically. In their heart of hearts, they would prefer to stay in Hong Kong and enjoy the lifestyle and all things Chinese that they were used to. But they wanted the best of all opportunities for their children. They wanted to be in Canada or Australia long enough to obtain citizenship and foreign passports for themselves and their children, and then they felt they could go anywhere and do business anywhere. If the situation in Hong Kong stabilized, they would return to Hong Kong. If they could continue to do business in China and make a lot of money, they were quite well situated to do that.

The situation that affected the U.S. in particular was, many American companies, as well as the U.S. Government, found our Hong Kong employees very jittery about their situation come 1997. This was especially the case for FS nationals and employees of companies on the Chinese black list as having helped in some way with the democracy movement. That included franchises like McDonald’s or Kentucky Fried Chicken, perhaps even some of the large foreign banks in Beijing that had been vehicles for transmitting funds to the democracy demonstrators. The Hong Kong employees felt they were going to be given the third degree by the PRC authorities come 1997. Our own FSNs knew they were going to be an anomaly and no one had an answer for their many questions. In China, and this may be unique in the entire world, we were not able to employ Foreign Service nationals as true employees of the U.S. government. The government of China required that all diplomatic establishments, and up until quite recently all corporations as well, could only employ workers provided from a particular corporation run by the Chinese government. In the case of the embassies, this was the Diplomatic Services Bureau, and the people that we were permitted to employ were usually Chinese Foreign Service or intelligence workers. So, we needed – anybody needs – chauffeurs, typists, and telephone operators, multifarious people that maintain certain types of services in the embassy. We knew that those people that we were bringing under our roof were indeed spies for China. This was true.

We had to go that route in our embassy in Beijing and in the four constituent posts that we had in Mainland China. In Hong Kong, we employed Foreign Service national employees and we did not know whether we would be able to continue to employ them after 1997 or not. Under previous law, the Consulate General had the ability to provide facilitated immigration for workers of long standing to the U.S. Government, but this had usually been accomplished in a particular way. A Foreign Service national who had given 30 years of outstanding service to the U.S. Government at the end of his or her career and getting ready to retire could petition the consulate to provide facilitated immigration to the U.S. under a special category of the law. Usually, that was granted. But it was at the end of a career.

There was no provision to provide facilitated immigration to someone who would be planning to remain on the rolls of the U.S. Government, and there was no provision under immigration law to provide a similar deal for an equivalent worker for an American corporation. In other words, someone who had worked for Citibank or another American corporation abroad perhaps could arrange to immigrate to the U.S., but that person would be handled under the normal provisions of the immigration law. There was no special deal for that person. We in the U.S. Government and the American Chamber of Commerce collectively realized in the wake of the Tiananmen Square incident that we had a problem. We also had a Congress that was sensitized or could be sensitized to this issue. So, we jointly petitioned for a change of law, that was brought about in the 1990-1991 period, for a special provision for Hong Kong. I don't think it was granted to any other place, although there may have been some other place that got in on its coattails. The new law allowed us to provide a facilitated visa for people who were already FSNs in our government and wanted to remain on the rolls working for us as long as they felt they could do that. It provided a similar provision for Hong Kong workers of American firms that would probably continue to work for those American firms but might have to do so in the U.S. for their own well being. There were some other provisions as well. Immigrant visas were made available for Hong Kong investors who agreed to invest something like \$1 million and employ a certain number of people in the U.S., the U.S. created an escape valve for several categories of Hong Kong people. Obviously for a period of time, for a period of some years, the visa work line at the consulate shot up as a result of this visa program. We got a lot of positive publicity from this. The U.S., which had always been the immigration destination of choice, became even more so.

High regard for the U.S. already held by Hong Kong people went through the roof. This was partly because we were measured in the minds of Hong Kong people against Britain. Britain had been petitioned as well by the Hong Kong people to provide facilitated immigration. They came up with a plan that paled greatly in comparison with what we did. In actual numbers, perhaps there were more immigration slots available from Britain than from the U.S. But the way they described their program to the Hong Kong people made it quite obvious it was greatly restricted. There were a lot of people who should have been assisted

by the British program who were not, at least not initially. What Britain said was, "We will give immigration slots to 50,000 people." That included individuals and their families so that it was 50,000 "packages." That included a total number of 250,000. But certain provisions had to be met. I believe the individual had to have been born in Hong Kong, and so could not have been from China and then naturalized as a Hong Kong resident. It usually had to be someone who was fluent in English, had a university education. It was better if they were in the UK, had worked for the Hong Kong government at a high level or commanded a certain professional position or something like that. So, it was very obvious that Britain was going to skim off the cream from the top. There was nothing left for people lower down who also might find it inconvenient to remain in Hong Kong after 1997. Some of those groups were important. For example, Britain had a special branch of the police who were very important in Hong Kong, from the standpoint of fighting crime, especially international organized crime, also from the standpoint of gathering intelligence regarding China and whatever was going on across the border. There were parts of the border that were quite porous where all kinds of things could happen. There were both a sea and a land border where a lot of things went across on a continuous basis. The U.S. had a lot at stake in maintaining this flow of information. We relied as much as Britain on the work of the Special Branch. Many of the members of the Special Branch were Chinese and were not, on the face of it, part of this special immigration process that Britain had talked about. I think that subsequently after some of our discussions with Britain, a way was found for at least some of them to get out of Hong Kong. But it was a lacuna; it was a gap in Britain's initial policy.

There were several other groups that were not provided for at all by the British policy. One of them was the very unusual group of Indians living in Hong Kong. During the heyday of the British colony in the Victorian period, Britain had imported a number of laborers from India, mostly to build roads but for other purposes as well. There was actually a period when most of the police throughout the British Empire were from India. The Chinese didn't do that at the time. For road building in Hong Kong, it was necessary to bring laborers from somewhere else because the Chinese believed in the importance of "feng shui," literally "the wind and the water." What it means is the proper placement of things, mostly buildings, but other civil structures, as well. This is the belief in the proper placement of such structures for the well-being of the families that are going to live there or the people who are going to work there. On Hong Kong Island and in certain other parts of the colony, there are rather high mountains. The British wanted to cut roads through passes or make tunnels. That work was greatly resisted by the Chinese people living there, including the Chinese laborers the British might have intended for that purpose. The Chinese felt that they would be cutting the dragon's tail, or they would spill the dragon's blood under that land formation, and as a result that would diminish the prosperity of the place. So, Britain imported Indian laborers to build those roads and other constructions. What happened was, they remained in Hong Kong. They didn't go back to India. They took various menial positions. Generally speaking, they had poor education.

After some generations, the only language they spoke was Cantonese. They didn't speak English or any Indian dialect. Because it was so many years after India's independence, India closed the door on these people. They said they could not return to India to live. Britain said, "You can't go to England to live." The PRC very unhelpfully said after 1997, "We do not want anyone in Hong Kong to be a resident unless they're Chinese." So, China also left these people out. They were not a large number, about 10,000. We thought that these people might become stateless and be put on a ship to nowhere. It was a problem and we felt it was a problem that Britain needed to address. I believe they did at least address it for the majority somehow, but I'm not entirely clear how they finally did. During the period that I was in Hong Kong, this continued to be a hot issue.

Another similar issue was what to do with the 200 or so Gurkha soldiers who had been recruited by Britain years ago in Nepal for the British army and served with distinction in many cases. Many of them had remained in Hong Kong after they had been discharged from the British army. During the period I was in Hong Kong, the British were rapidly disbanding the various military units they had stationed there, and if they were British, they were returning to Britain. For the Gurkhas, it was a question of what could happen. If they were Nepalis and married to Nepalis, they could have returned to Nepal. But many of these Gurkha soldiers had married Chinese women from Hong Kong. Under the British Hong Kong government, they were permitted to remain there as Hong Kong residents, but they themselves were not able to become legal Hong Kong residents. As long as their wives were there, they were okay. But because they were not Chinese, the Chinese government had said they could not remain there after 1997. It was not entirely clear to me what would happen to them either. So, they were another possible group of stateless people.

Then the other final group that was a real heartburn for all of us was so-called "economic refugees" from Vietnam. During the mid-late 1980s, there were vast waves of migration of boat people from Vietnam northwards towards China. Many of them went on rafts of the type that sometimes people leave Caribbean islands on heading toward the United States. They were leaky vessels and when they arrived on Chinese shores, the Chinese, who didn't want refugees (certainly not from Vietnam -- there is no love lost between those people), would help them make their boat seaworthy and then wave them along to Hong Kong. They would have to pass by Macau before they got to Hong Kong. The Macau authorities did not want them remaining there, so they would also very unhelpfully wave them on to Hong Kong. There was no place beyond Hong Kong to go. So, a total of more than 50,000 of these people arrived in Hong Kong. There were no other possible destinations for them. The Hong Kong Government didn't want them mingling with Hong Kong society. So, they built what looked like concentration camps for these people and walled them off and tried to maintain some basic services for them but also keep them separate from the Hong Kong population. This became a political issue, both in Hong Kong and with respect to China. First of all, at that time, the Hong Kong economy was booming. I don't know exactly what the

unemployment rate was, but there were a lot of employment opportunities available at the low level. So, on the one hand, the UN High Commission for Refugees and various NGOs working with them were trying to catalogue all of these people and determine whether among them were any political refugees. On the other hand, the Hong Kong Government was looking to provide them some opportunity to work if they were willing to do so for the period they would remain in Hong Kong. Several things became apparent. Most of these people were refugees from North Vietnam, not South Vietnam. So, very few of them had any connection with the Government of South Vietnam or had participated in any way with the effort of the U.S. Government that would have enabled us to provide a kind of fig leaf of political refugee status. Very, very few. Of 50,000, maybe 2,000 at the most were accorded political refugee status in the U.S. or elsewhere. Most of them were deemed "economic migrants." They came from impoverished villages in North Vietnam and really there was nothing to be done for them as refugees. So, those who were willing were essentially allowed to work in Hong Kong on a day labor basis if they would agree to return to the refugee camps at night. That gave them some economic wherewithal. The UN High Commissioner for Refugees and various other social organizations tried to provide medical care, education, etc. for the children and families in these camps. Of course, during that period, their numbers were burgeoning. Britain was beside itself because at the time, the U.S. was not really facilitating their return to Vietnam. On the one hand, we were saying, "We would like Britain to continue to house these people. We would like them to return to Vietnam on a voluntary basis. We can't do more than that." China was telling the British government, "As of 1997, we will not allow any of these Vietnamese refugees to be in Hong Kong, so you've got to find some way to get them back to Vietnam." We were saying, "But they can only go back on a voluntary basis." Well, during the time I was there, Britain did force some of the refugees back on what were termed "non-voluntary resettlements." We got the UN High Commission for Refugees, and perhaps other UN agencies as well, to be on the receiving end in Vietnam when these people got off the plane to verify that they would not be penalized politically for having departed Vietnam. The people were also provided an economic development package to help them resettle in their village or elsewhere in Vietnam to assuage our own sense of humanity. But even so, it took from a high in 1990 of about 50,000 certainly all of the time until 1997 to whittle that down to a couple of thousand. I believe there are still some Vietnamese refugees in Hong Kong. By now, perhaps some of them have married Hong Kong women. That was already happening when I was there as one way that they were trying to remain in Hong Kong. In any event, that problem sort of whittled down, but it took a lot of effort to get there.

Q: We were very much involved in standing on the sidelines.

DONAHUE: That's right. We couldn't do more than that for domestic political reasons. This is an example of a problem that U.S. foreign policy helped bring about, but was not really able to resolve.

Q: This is a good place to stop. There is one other thing. I would like on this Hong Kong time, 1989-1992, to talk about the problem of corruption as seen from Hong Kong. There was quite a lot of corruption in the Mainland Chinese system, including connections with the Chinese military and all that. What were we seeing? Where did you go after that?

DONAHUE: I left Hong Kong to return to Washington for an assignment in the Office of the USTR.

Q: Today is July 3, 2000. Do you want to talk a bit about our take on corruption within government circles in the Mainland Chinese regime?

DONAHUE: Sure. In order to talk about corruption, I have to mention a group of organizations referred to as the “triad,” which traditionally was something akin to a Chinese mafia.

Q: We used to call them “tongs.”

DONAHUE: That’s right. A tong would be an individual group like a gang. The triad is the organization as a whole. Traditionally, there were secret societies that were involved in some criminal activity in China. Sometimes the activity would be more political; other times, it would be primarily criminal. The triads were tolerated to some extent by most Chinese dynasties. There was a kind of pattern that as a dynasty was waning and losing its power, there was a resurgence of these groups, and many of the disaffected intellectuals moved to these groups for protection. What we saw in the early 1990s in Hong Kong was a rise of activity of the triads. There were several reasons for this. During the period 1950-1985 or so, both the British and the PRC governments had vehemently opposed crime and had sought to at least pressure these groups. They weren’t going to be able to put them out of business, but they were backed into a corner. So, in that part of China, one of these safe harbors for the Chinese underworld was Macau. The Portuguese Government didn’t have the same power that the British government had to police their activities. What we saw happening in the late 1980s was, under the liberalization influence of Deng Xiaoping, these organizations felt more free to engage in criminal activity. Because trade in general had been liberalized, some of these organizations went into legitimate trade, usually as brokers rather than producers. Undoubtedly, some of their capital was also recycled in production because that was a way to launder money.

So, what we saw happen was, in the early 1980s, when China first began to decide that international trade was important, not only was the central government going after that trade, but it was also facing competition from provincial governments. There was a profusion of Mainland offices being set up in Hong Kong with names that we had never heard of before, and it was not always clear whether they were official or unofficial, or whether they really had the backing of the province that

was claimed. I think that this was a period when a lot of these underworld organizations took advantage of a fluid situation to establish themselves in business or at least make themselves look legitimate. Also, in our previous experience in Hong Kong, there had been very low incidents of street crime, and certainly very little crime affecting foreigners. Places in Hong Kong where foreigners tended to predominate seemed to be off limits for even petty crime, like being held up for your wallet or something. During the 1989-1992 period, however, there was an obvious increase in crime and it was a kind of bold crime often under the nose of the police. A typical crime would take place in some of the tony shopping centers in Central District in Hong Kong where there would be two or three blocks filled with jewelry stores and gold stores. Some of them were broken into quite brazenly even during the day. Some of our friends had their pocketbooks taken even in very nice downtown shopping malls. Another problem that was probably worse was large-scale theft of automobiles from Hong Kong, all of which were taken into China. Some of the heists were so brazen that they were taking very high-priced Mercedes and placing them in a rubber bag, sealing it, and then towing it at the end of a high-speed boat to elude the police. During that period, the Hong Kong police bought high-speed airboats to apprehend the criminals on the water, but they were prohibited from going into Chinese territorial waters. The belief was that this activity could not take place without the connivance of authorities in China and the province closest to Hong Kong, Guangdong.

Q: I've heard stories where people have gone there and identified some of the cars and they're being driven around by ranking PLA Army officers.

DONAHUE: Yes, that's right. We know that happened and we know of Hong Kong people who had to pay to ride in their own vehicles while visiting China. Obviously, there were many opportunities for people in China, whether they were with the central government or the provincial government, and they took advantage of those opportunities.

During that time, there was also quite obviously a difference in point of view between the Chinese military in Guangdong and the central government. We were watching closely whether Mainland Chinese would try to sell any of their weapons or weapon products to other countries through Hong Kong. There were times that we got a whiff of questionable material flowing through Hong Kong, probably as samples, but it's not clear exactly where it was going. Nevertheless, there were opportunities and there was probably even more of that type of activity taking place in Macau.

Q: Was there any talk at this time among you China hands in the early 1990s about the possibility of a rupture in China and a breakup of China? China is essentially an empire. It's the only empire left. Was this talked about?

DONAHUE: This question has been a matter of discussion and debate for most of

the 20th century. When there was a very weak central government, it certainly looked as though a number of separate countries were going to form in China. That sense of fracture was ended by the strong central government that the communists put together. However, there have been times when that has been under assault, certainly during the Cultural Revolution. We did find that in the wake of the 1989 Tiananmen massacre, there was a great deal of dissension throughout China, and some provinces were seeking to move away from the line laid down by the central government. I am sure that it became more difficult and complicated for the central government to maintain adherence to its general policies in some of those provinces. The problem areas generally were southern China (Guangdong had often tried to demonstrate its independence from Beijing), and then west of Guangdong, the province of Yunnan, which borders on Burma and Thailand, and a lot of drug traffic goes across that border. I think that the existence of the drug traffic alone may be evidence that the central government in Beijing does not have as strong control there as it would like to have people believe. Other areas are Tibet and Xinjiang, the northwestern province of China near the new republics formed in former Soviet Central Asia with the collapse of the Soviet Union. Both of those provinces have a large proportion of so-called “minority people.” That is, they are minority nationalities in terms of China. Both of those provinces have been the target of a great effort for maybe 20 years by China to resettle Han Chinese – that is, Chinese-speaking people – into those provinces for both economic and political reasons. Tibet, which I have never visited, now does have a majority Han Chinese population. Xinjiang province may also. At least, the Han Chinese may outnumber the other minorities, because Tibet had essentially one minority, which was Tibetan people. Northwest China had a number of minorities: Uighurs, Uzbeks, Kyrgyz, and many smaller groups. There were people in that province from all of the nationalities in the neighboring Central Asian republics, and probably some Mongolians as well. I think the most vocal politically are the Uighurs, but all of those groups are there and all of them collectively wanted to resist the increased Chinese presence. Because they did not represent a single large group like the Tibetans that could go head to head with the Chinese, they didn’t have that political ability. I’m sure that the collapse of the Soviet Union and the establishment of the separate republics on the other side of the border intensified pressure on Beijing to make sure that that northwest province did not go the same way, that it remained within China. It’s actually an economically important province, but it’s difficult for China to take advantage of its potential because it’s located so far inland that the cost of transport to the coast is prohibitive.

Q: One last question on China. I’m talking about how you all were looking at it at the time. I remember interviewing somebody who was in Poland in the late 1970s. He said there were probably three dedicated communists in Poland at the time. The rest were opportunists. What about in China? What was the feeling about this vast effort to indoctrinate the people running around with the Little Red Book? How was it taking?

DONAHUE: That is also a complicated question. You can look at it a number of ways. One of the problems with Chinese communism is, it's not always easy to sort out the nationalism from the communism. I think that most Chinese intellectuals were staunch nationalists and to the extent that what the communists were espousing was what they felt China needed to do to be a strong country, they supported it. However, there were many aspects of communism that they did not support. It was very clear that after a major effort under Mao to establish communes and get rid of private property, that did not work. When Deng Xiaoping returned to power and allowed what he called "economic reform," which was the development of a market economy, there was a lot of interest in this. There was a groundswell of support. The inevitable result was, some people got quite rich and flaunted their wealth, which had been a taboo during the many years of Maoist communism, and that got some resistance. The intellectuals, that is, the people who would read the newspaper propaganda on a regular basis and would even be writing some of it, people participating in high-level government positions – they would support the Communist Party as long as it was clearly in their interest to do so. What they were finding, and it became apparent by the mid-1980s and was certainly apparent by 1992, was that people who took advantage of the market economic liberalizing trend under Deng Xiaoping and got into the private sector, those were the ones pulling ahead economically. So, the newspapers were filled with stories about Chinese who became millionaires, especially in southern and coastal China. Many of them enjoyed a far better quality of life than Communist Party cadres, who began to be resentful. So, no longer could they say that kind of lifestyle was limited to the capitalist countries under imperialist control like Hong Kong. It actually was part of China's current reality. It was harder for them to deny. Also, they could not deny – I think this was true of officials at the highest level – the benefit to the Chinese economy overall of all of this capitalist economic activity. The problem was how to allow that to happen and at the same time for them to maintain control. I think they still have not sorted it out.

In those years when Deng Xiaoping was still living, in the 1988-1992 period itself, at the level of popular culture, some of the communist heroes were being elevated to a kind of divinity status so that in parts of South China temples were being built to Chairman Mao and even to Zhou En-lai. For a while, the authorities in Beijing thought there might be an effort to steal the body of Mao from his mausoleum in Tiananmen Square, so they actually closed it to the public. During Mao's entire leadership period, the Communist Party had strongly discouraged this kind of popular religion, which they labeled superstition, as being injurious to society. They subscribed to the theory of atheistic communism and believed that all of a person's efforts should go into some kind of economic production or political activity rather than be wasted in religion. I think the people of Deng Xiaoping's type were greatly chagrined that there would be a desire on the part of the common people to deify Mao or at least give him a place of honor at the level of popular religion. I think it's to be expected. This is probably how Chinese religion developed over some thousands of years. The temples were built to him

not because of his communist ideology, but because of his nationalism for China. So, the question of whether a person who is a Communist Party cardholder is truly a communist or not, I think that this belief in so-called “international communism” and the inevitability of communism representing the ultimate stage in historical development had been totally shattered. If it hadn’t been before, it certainly was by the collapse of the Soviet Union. I think that all of the efforts of the Communist Party in China have been given over to how they could allow capitalist economic activity to thrive and have themselves remain in power. I think it’s going to be futile, but I think that probably there is still a majority of Party cadres and government officials who believe that without the Communist Party there would be chaos because they haven’t done anything to foster any kind of democratic activity that could carry on after communism collapses.

Q: Were you seeing an attempt to rationalize production with the normal communist policies on communism, Marxism, etc. both in the schools and the workplace? These take away from education of other things. Communist indoctrination takes considerable time out of the school place and the workplace.

DONAHUE: During this period that we’re talking about, 1989-1992, I do not recall having visited a school in China while the classes were in session. I think where this activity of communist indoctrination was strongest was probably in Beijing and other parts of northern China. The coastal area, and certainly southern China, would have been quick to pick up on the importance of teaching skills that were directly related to production and getting rich. I think that if they could have freedom in that regard, they would have tried to jettison or minimize the rote instruction of ideology except for what may be necessary to pass a test.

During this period, and I think it was in 1991, my family visited the village of my father-in-law, which was southwest of Hong Kong. My father-in-law was an immigrant from part of China known in Mandarin as Taishan. The local people pronounce it as “Toisan.” Up until the 1960s or so, the majority of Chinese in the United States were from that part of China. Their dialect is a sub-dialect of Cantonese. Despite the fact that the region had always been an agriculturally wealthy part of China, it was also densely populated. So, there was population pressure for people to go abroad and seek their fortunes. This is what so many did, of course. When we went back with my father-in-law to see his family village, on the way to and from, we saw a lot of evidence of overseas Chinese families having constructed many things there. So, a lot of their money was going back to that part of China. The overseas Chinese families were building major vocational high schools to teach mechanics, low level engineering, and the skills needed for factories. Many of the schools operated in conjunction with a factory. Many of the overseas Chinese were businesspeople and they were taking their capital back to China. They were looking to make investments back in their home communities, but they also recognized the need to train skills. I was somewhat surprised because when I had lived in Beijing in the mid-1980s, we had tried to see whether we could enter into some kind of cooperative arrangement between

the Beijing International School, of which I was the chairman of the board of directors, and some Chinese schools. We hoped there could be some kind of interchange, even a sports competition that would allow the students to know or learn something about each other. That effort was strongly resisted at the time and we were certainly given the impression by the Ministry of Foreign Affairs that no involvement by foreigners at all in the Chinese educational system would be tolerated. So, when I visited these areas in southern China and saw whole schools being built and textbooks being provided by “foreigners,” the difference was, they were overseas Chinese and probably their investment in the school was scrutinized to make sure that it conveyed foreign technology, but not ideology.

Q: Also, what you're saying is that the split between north and south is becoming more and more profound.

DONAHUE: I think that is true. The southern and coastal part of China has always been economically stronger. A big difference is that there are cultural changes that come with this economic development now. They will profoundly affect the willingness of the people to continue to even pay lip service to some elements of communism that just don't pass muster in the modern world.

Q: One last question on this. Were you seeing any change in the spread of Mandarin and Cantonese?

DONAHUE: Without a doubt, the communist government has been quite successful in fostering the spread of Mandarin as the national language. It has been very important politically and culturally for educated people from the entire country to have a common spoken language. From the standpoint of nationalism, encouraging the spread of Mandarin was a common goal of all Chinese governments during the 20th century.

Mandarin is somewhat lower in quality in areas of China where it has a heavy local dialect or patois, or even different tones. Those areas are Shandong province and Sichuan province, especially. They are within the Mandarin speaking area, but it's a heavily accented Mandarin. In coastal China, Shanghai, Fujian, and Guangdong provinces, the quality of Mandarin is good among Mandarin speakers. Almost anyone under age 40 with a high school education or above would be conversant in Mandarin. It has played a very important role in national unification.

What we saw happen in Hong Kong during this period, 1989-1992, was an intense debate by Hong Kong people over what language they should stress. It was an important debate. Many Hong Kong school educators felt that all Hong Kong public schools at the high school level should teach in English. English is the international language for business and Hong Kong's present and future depended so heavily on international business. They felt that there certainly would not be opportunities for people who were not conversant in English. There is a historical problem, an intrinsic problem, in teaching modern technology in

Chinese because Chinese lacks much of the vocabulary. So, at the university level, it is recognized that the teaching of technology has to be in English. Therefore, if Hong Kong is going to move not only into business but also into technology, the city's high school students must be prepared to take that information on board.

At the same time, the University of Hong Kong, which was the premier university, noted that the quality of English for its entering students was declining. Many of us living in Hong Kong also remarked that the English of the average shopkeeper was not quite as good as it had been. There were several reasons for this. One of the principal ones was the great amount of immigration out of Hong Kong by talented people who could immigrate to Australia and Canada and were taking their assets to prepare for their family before Hong Kong would be turned over to China. That exodus provided opportunities in Hong Kong for people who perhaps did not have as much preparation, but it also meant that quality of services was not quite as good as it had been previously. Part of the debate about language recognized the need to maintain good English in schools. Another group felt intensely that 1997 was an opportunity for Hong Kong and Guangdong nationalism. They thought that Hong Kong ought to be fostering education through the high school level in Cantonese, thereby reviving the ancient Cantonese culture. At one time, the area of Guangdong had been a separate kingdom with its own rituals and culture and history, and even its own version of Chinese opera and classical music. Mandarin speakers in the north had quashed those forms of cultural expression. The Cantonese nationalists felt that with their increased economic power, this was an opportunity for an expansion of their cultural presence.

However, many people pointed out that that if they went down that road, they were going to face an historical dead end. They were going to run into political problems with Beijing because they expected that come 1997, there would be strong pressure to have Mandarin taught in the schools, at least as a second language. Some Hong Kong business people thought students should become trilingual in Cantonese, Mandarin and English. So, this debate raged. I believe it still has not been entirely resolved, except that there is much more Mandarin spoken in Hong Kong now even in the government, where previously all Chinese employees were speaking Cantonese with each other in meetings, unless there was an expatriate or unless it was a high-level meeting conducted in English. Now, they would also be speaking a lot of Mandarin because the PRC administration was paying close attention to what they were doing. It's interesting that the rise in affluence in southern China and the easing of communication across the border with neighboring Guangdong gave more prominence in China to Cantonese-speaking cultural idols in Hong Kong. So, Jackie Chan and other actors prominent in movies, and pop stars from Hong Kong had quite a following on the other side of the border. Conversely, some singers and other cultural figures from Guangdong also began to have some following in Hong Kong. There was a rise at the popular level of "Hong Kong speak" in Guangdong province's

capital city, Guangzhou. People from a fairly wide area of Guangdong province could pick up Hong Kong TV. So, their speech patterns were also going to be affected. There has been an increase in the importance of Cantonese, at least at the local level. However, to do business with the rest of China or with Taiwan, Mandarin is essential.

Q: In 1992, you left and went to the USTR.

DONAHUE: That's right.

Q: You were there from when to when?

DONAHUE: I began there in September 1992, and stayed until April 1994, to get language training.

Q: What were you up to?

DONAHUE: I was one of maybe 12 State Department officers on detail to USTR at the time, and I was designated Director for Intellectual Property. Most of the State Department officers at USTR were serving on country desks. USTR divided along both regional and functional lines. They had an office to deal with every broad region and they would lump countries together so one officer might be in charge of all of Southeast Asia. For the larger countries, they would even have two officers, as for China. Then they had functional areas where there were trade problems so that there was an office dealing with industrial trade, especially steel. There was a large office dealing with textiles because most international trade is in textiles. There was another office dealing with agricultural trade. Then I was in an office that was seen as a kind of grab bag. Even when I was there, they changed the name a couple of times, but essentially it was services and intellectual property. It included some financial services like insurance. It did not include aviation services because we could not pry those loose from the Department of Transportation, which had the statutory responsibility. But the feeling was that in future international trade rounds, as more services were going to be part of the trade negotiation, it would be that office in USTR that would handle the aspect. There were similarities and differences between the types of services, but they were all growing in importance in international trade. Intellectual property had been added as a service under the U.S.-Canada Free Trade Agreement, which I had participated in negotiating in 1987-88. It had been added to the hopper of issues to be negotiated under the GATT Uruguay Round.

When I began at USTR in 1992, the GATT Uruguay Round had just been suspended. The negotiations had ended in a stalemate at the end of 1991 and the GATT Secretariat in Geneva undertook to write a draft agreement based on agreements reached among most of the negotiators when the talks ended in 1991. The idea was, they would circulate that draft agreement for comments and have a very brief negotiating session in December 1992 when those comments could be

addressed. However, they would place a strict time limit on that session and would close the discussion at a certain time. Then, the Secretariat would ask for an up or down vote on the entire agreement whether or not any of those areas had been fixed. Intellectual property was one of the areas for which there was considerable controversy, both between the U.S. and Europe, and between the developed and the developing countries. We fully expected in December 1992 for that issue to be opened for debate and renegotiation. We all expected that there would be another year of full negotiations on the Uruguay Round for a number of topics, one of which would be intellectual property. As it turns out, that did not happen. The debate was brought to an end rapidly. It turned out intellectual property was not the most controversial area. There were some others, one of them being agriculture. Some side agreements were worked out between the U.S. and Europe that allowed an Uruguay Round draft agreement to be circulated for signature. I think it was called "Final Agreement" at that time. The chapter on intellectual property was not reopened. However, after that became clear, we went ahead and concluded the NAFTA agreement, which has its own chapter on intellectual property. Some of the changes in the intellectual property chapter that we had hoped to obtain in the GATT subsequently were obtained in NAFTA. So, we felt that it was an improvement and represented a better deal than what we got in GATT. Both of those agreements were multilateral and they required a lot of bilateral work to fill in. So, we had a considerable schedule of bilateral intellectual property framework agreements that we were trying to negotiate.

Q: I'd like to bring it from the general to the specific. What were you up to?

DONAHUE: I was involved with the negotiation of the NAFTA, putting the intellectual property chapter in its final form. We held those negotiations at the Watergate Hotel. I helped develop several packages of materials for Congress and the public to explain what the agreement was, what the agreement would do, how it would change U.S. law or what U.S. law needed to be changed in order for us to be a signatory to the agreement. There was a similar process for GATT, but not as much change for U.S. law as under NAFTA. I was involved in preparing all of those documents, working with Hill staffers, and working with several committees of businesspeople who were trying to lobby the general public and Congress in support of NAFTA. There were a couple of different kinds of industry groups and I worked with all of them. I also conducted the interagency process, which approved our overall negotiation goals and strategies, reviewed progress in problem countries, and determined whether to publicly name the problem countries in our annual announcement, as required by law.

Going back to the need for the intellectual property framework agreements, however, we had targeted several countries for special bilateral agreements. Intellectual property trade was important enough with those countries that we had to encourage them to improve their laws. Protection of intellectual property was a prerequisite for the U.S. to conclude a bilateral investment treaty with those countries.

Q: Which countries in particular?

DONAHUE: The countries of greatest concern were in Eastern Europe, especially Poland. Russia to some extent, although we easily got an agreement with Russia that, of course, they didn't enforce. We had more difficulty getting an agreement with Poland that met our needs. There were some countries that were small but were a problem nevertheless, like Cyprus. Then in East Asia, China was the major concern, although we also had some concerns with Japan. We had quite a few problems with Korea and Thailand. We also had issues with India, Pakistan, and Brazil.

I should mention what IP is and what this involved. IP is all products and services protected by copyright, patent, trademark, or other forms of agreement that involve text, a graphic, design, the component of a machine, for example, or a technology, or a logo or mark that would represent a brand or other product. With international trade growing to the extent that it has, this area has become more important than ever. A given company wants to be able to market a product anywhere in the world that would be instantly recognizable as its product and it does not want to have it stolen in any way. With the advent of videotape recorders, there has also risen a pirating industry to counterfeit copyrighted videotapes. The same is true for sound recordings and now computer software is probably in a worse position than it was when I was at USTR. And computer games and other products for computers for which there is a substantial market. The American industry most concerned with our efforts – the copyright sector -- was represented by the Motion Picture Association of America, the Recording Industry Association, the Business Software Alliance, broad industry and technology groups for which patent or trademark protection was important. I worked with the Patent and Trademark Office, which had a group of lawyers familiar with patent routines in other countries. We tried to establish a model patent law that we felt would meet our needs and also fit the requirements of these new agreements, both NAFTA and the GATT Uruguay Round. Then, we encouraged other countries to enact legislation along those lines. We sought draft laws from other countries at an early enough stage so that we could make comments on them before we would face a *fait accompli* having them passed by Parliament and not meeting our requirements. That was a very important part of our job.

I also represented USTR in an intergovernmental committee on IP and the Internet at an early stage when we were looking at how, on the one hand, to make information available across the Internet, and on the other hand, protect against copying or counterfeit. Copyright issues were first and foremost in that setting.

We worked closely with the Department of Commerce, which collected statistics that became essential when we were negotiating with countries. Their statistics had to do with the size of the market, and also the presence of American companies interested in copyright.

The final aspect of the job, and what took most of my time and attention, was implementing U.S. trade law for protection of intellectual property. This was specifically called "Special 301." It requires the U.S. Government to take action if another country is not taking appropriate steps to safeguard our products. I think the law had been implemented for three years before I arrived at USTR. So, it was still in the early stages and we were working out problems in the interagency process. We were trying to be both rigorous and fair. The implementation of the Special 301 law had been in abeyance during the negotiation of the Uruguay Round because we did not want it to become an issue. However, after the Uruguay Round text was set, we moved to negotiate bilaterally with some of the problem countries. We rated countries in three bands, based on the degree of the problem and the country's willingness to take care of it. Just publicly stating that the country was a problem often brought about a quick solution. With the help of lawyers, I drafted announcements that were published in the Federal Register. Also, annually the USTR make a public announcement of countries that were on these lists. Then it had to be defended, and additional materials were provided to members of Congress, and foreign governments. We had to detail what was wrong with their law or what they were not doing. It was not sufficient for a country to enact a law; the law also had to be enforced. We paid special attention to enforcement in East Asia, where they tended to have acceptable laws; the problem was enforcement or their approach to the law. Even Japan was a problem in that area.

Q: Were other countries doing this, too, or was everybody letting us carry the water on this?

DONAHUE: Before the GATT Uruguay Round, the Europeans and we had major philosophical differences on intellectual property. There was a difference historically between the way copyright had been protected by the Anglophone countries compared with the continental countries. But we had sorted out those differences by the mid-1980s and were in substantial agreement with the EU going into the Uruguay Round negotiation. The main difference was, the EU was more willing than we to provide a long phase-in period to developing countries to allow them to get their regimes in order. In some cases, they defined developing countries differently than we. So, we could appreciate that, yes, India is a developing country, but we would not give that status to Poland, for example. The EU had a separate means of negotiating with countries on its borders that they considered potential EU members. They were cutting deals more broadly than IP. They were willing to be less strict than the U.S. in requiring adherence to the international regimes by some of those countries. That caused us heartburn on occasion.

Q: Who was the USTR?

DONAHUE: When I began in 1992, it was the tail end of the Bush administration

and Carla Hills was the U.S. Trade Representative. She had a reputation as a velvet sledgehammer and was seen as having been very effective in her role. She had actually an excellent staff, many of whom she had recruited from the Hill or private sector, so they had not been in government for that long. Many of them departed with her when she left at the end of the administration. So, it left a real hole at USTR.

President Clinton's first Trade Representative was Mickey Kantor, who was an unusual choice in some respects. He had been very prominent in the Clinton campaign, but his strength was as a labor organizer in California. He had no Washington experience and no experience as a trade negotiator. I think maybe his heart was not fully in it. There were a couple of things that took place early in 1993 that may indicate that. During that time, Cesar Chavez, a prominent agricultural union leader in California who had been involved with a boycott of California grapes many years earlier, died. Mickey Kantor was chosen by Clinton to go out and represent the administration at his funeral. It's understandable and probably Mr. Kantor was the one Cabinet level person that would make the most sense to send. But the west coast trip precluded a trip to Europe that Kantor was supposed to have taken -- a very important trip on the trade calendar. So, it was an example of one of those things that did not get done for other reasons. In that early stage there was a feeling that the Clinton administration was not giving due recognition to international issues, but was focusing exclusively on domestic ones. Another unfortunate thing happened when Mickey Kantor was visiting Geneva. I believe it was his first trip to Geneva to meet the GATT Secretariat people and it was a very important period for key decisions on the formation of the International Trade Organization, which was the successor of GATT and was the result of the GATT Uruguay Round. Mickey Kantor was standing on the roof of a building near Lake Geneva. I guess they were watching a sailing competition or something on the lake. He took a step backward and fell into a ventilation shaft. I don't think he broke his back; I think it was his leg. He was laid up for a while as a result and simply was not able to make the demanding travel schedule that had been prepared for him. So, he was a little bit late out of the gate making the rounds that are necessary to important trading partners to maintain the kinds of talks that are always needed.

As it turned out, Mickey Kantor stayed at USTR only about a year and was succeeded by one of his deputies, Charlene Barshefsky, as the Trade Representative. She remained through the end of the Clinton administration. I worked very closely with Charlene and I have a lot of respect for her. I guess the USTR and the deputies divided certain trade issues in terms of ones they would emphasize. From the beginning, Barshefsky had taken on IP and other services. So, we met fairly frequently on either country specific issues or the implementation of the law. We reviewed with her the countries we were going to target for negotiations and obtained her approval to actually conduct those negotiations. I found her extremely sharp, very understanding of bureaucratic and legal issues involved with these matters, wanting and being open to some cultural

guidance with respect to foreign countries, and just packing a lot into her day. I'm sure she worked many long hours in order to do everything.

Q: What was her background?

DONAHUE: She was a lawyer and had been involved in contract law, which is similar to, but different than, trade law. She had been involved in negotiating mergers and acquisitions, one company buying another company, but she had never been involved in negotiating a treaty with another nation.

Q: Your work was pretty much backstopping. You were at the Washington end.

DONAHUE: That's right.

Q: In 1994, what happened?

DONAHUE: I was putting together the package for our negotiation strategy and the public elements of our identifying problem countries for both 1993 and 1994. During 1993, many people left USTR when the Democrats took over. People with Republican Party affiliation may have felt that was the time to go. In addition, several career USTR people left since the Uruguay Round negotiations were over. They wanted to go on and do other things. There was such a departure of experienced people that I and some of the other State Department people ended up being the institutional memory in some of these offices. I was asked to stay to maintain the files and the continuity and make sure that there was the same face across the table in negotiations at least for some time. I participated in the bilateral negotiations that took place in Washington with a number of countries. We had two meetings in Geneva under the UN's UNCTAD, where we were trying to curtail any trade-related activity in the area of IP on their part. I succeeded in making sure that their work would be going in another direction, that is, providing assistance to developing countries needing to bring their legal systems in line with WTO requirements. There are UN agencies involved in IP. One of them is the World IP Organization, also headquartered in Geneva. We wanted to make sure that experts and people directly responsible for trade were going to be the ones making the rules, not a UN agency that is seen as being a kind of advocate for the Third World. But to the extent that we could provide it with expertise in its efforts in dealing with the Third World countries, we wanted to make sure that they understood that. That was one of the last things I did at USTR, to make sure the UNCTAD initiative was oriented in a way that met our policy needs.

Then I was selected for a following assignment in Brazil, in Sao Paulo. I did not have Portuguese at that point, so I had to have Portuguese language training. I left USTR in April 1994 to go over to FSI to get enough Portuguese training to get down to Brazil in August.

Q: So, you were in Brazil from August 1994 until when?

DONAHUE: Until July 1997.

Q: What was your job?

DONAHUE: I was deputy principal officer in the Consulate General and head of the combined Economic and Political Section, which also included labor reporting.

Brazil is one of our multiple post missions. That is, in addition to the embassy, there are several constituent posts, including some cities that are more important than the capital city where the embassy is located. In Brazil, both Rio de Janeiro and Sao Paulo are more important culturally and economically than Brasilia. Other countries with similar characteristics are: Australia, Canada, China, India, South Africa, and Russia. One of the challenges for such a mission is to maintain open lines of communication between the embassy and the posts, coordinate closely on the implementation of the mission plan, and utilize the knowledge and strengths available in each post for the benefit of the overall mission. Brazil was a considerable challenge in this respect. The vast size of the country and the high cost of travel meant that mission personnel were not able to see each other very frequently. Although the entire country is Portuguese-speaking, there are significant regional differences, and each city where the mission had an office has a distinct personality. That meant that there would be a different way to arrange meetings and get things done. Although each of our multiple post countries is distinctive, they all require a special approach to management to ensure that resources are being put to the best use.

Q: Sao Paulo is the guts of the Brazilian economy. What was the economic situation as we saw it in 1994?

DONAHUE: Brazil had gone through a very long period under military rule during which its economy had been laid waste. For much of the 1980s, Brazil had experienced double-digit inflation year after year and even triple digit inflation in some of those years, which had really destroyed the middle class and had made life quite difficult for the lower class. Just before I arrived in Brazil, the first president under the new constitution had allowed a new currency to be established with financial management rules that aimed at drastically reducing inflation. This currency was called the Real and was established at one dollar to 90 centavos of a real. So, it was stronger than the dollar when it was established. It did lose ground while we were there so that it got to be at parity with the dollar and then became worth less than the dollar. Nevertheless, it did bring inflation way down. Within the first few months, it brought inflation down to a single digit and then subsequently to close to zero percent per month. So, let's say five percent annually, which for Brazil is historically very good. That had an enormous, galvanizing impact. The person who had been responsible for that policy was the Finance Minister, Fernando Henrique Cardoso, who subsequently became

President. He was elected in the fall of 1994. Before going down to Brazil, I attended several briefing sessions in the U.S. where academics and others were speculating on whether Cardoso would indeed win the election. It was not certain. His main opponent was a man named Lula, who is a longtime labor leader and has a considerable following, especially in Sao Paulo. He was the head of the Workers' Party. He had never won elected office, but he had always shown well in previous elections. At one time during the summer of 1994, he was actually favored to win based on opinion polls. But the real plan, which actually came into use in July 1994, had shown such success by September and October that it won Cardoso his office as President.

Q: What kind of things were you involved in? Who was the consul general at the time?

DONAHUE: At the time that I arrived, the Consul General was Phil Taylor, who had previously been DCM in Guatemala. I was there for his last year as consul general. About the time I arrived, there was a new ambassador, Melvin Levitsky, who went out in the summer of 1994 and wanted to take advantage of a new President, a better economic basis and so forth to bring about a better relationship with the U.S. It was an important time for the U.S. in Brazil. We had had periods of estrangement in our relationship with the Brazilian government during the period of military rule in the 1970s and 1980s. We had gotten along quite well with some of the generals but not with others. We had everything to gain from developing a cooperative relationship with the civilian government and wanted to make it work. We also saw opportunities for U.S. business investments in Brazil and exports from the U.S. We felt that the establishment of a strong currency that was dependable would benefit both of those aims. I think it did. Sao Paulo is the third largest city in the world, certainly the largest in Brazil. Therefore, it had the most voters and a very substantial number of the deputados and senators in the Brazilian Congress. Brasilia is 30 years old now, but it's still seen as a new city where a lot of people from other parts of Brazil do not want to spend any more time than they have to. So, the deputados and senators from coastal Brazil will be in Brasilia typically Tuesday through Thursday for a session and then hightail it out of there to spend as much time back home as they can. Our ambassador found that when those people were in Brasilia during their very short business session, they were too busy to be seen by diplomats. They had more leisure time and were more accessible back in their homes. So, a lot of times, he would visit Sao Paulo and Rio to carry out federal business as much as to show the flag in the provinces because that was his best opportunity to see these people. For Sao Paulo, that was true even for cabinet members. Fernando Henrique Cardoso is from Sao Paulo and chose for his cabinet many people from Sao Paulo. Many of them had come from state positions, and serving on the cabinet of the Sao Paulo state governor was seen as a stepping-stone to the federal cabinet.

Q: Who was consul general? Who replaced Phil Taylor?

DONAHUE: Ambassador Melissa Wells replaced him. She was in Sao Paulo for several reasons, mostly personal. Apparently, she had been offered an ambassadorship in South America that went to a political appointee. She had a son living in Sao Paulo, married to a Brazilian, and thought that this was a nice thing to do for her final tour. She had every expectation that this would be her final tour and that she would spend time with her son and grandchild. So, it was most unusual for someone as highly ranked as her to accept a non-ambassadorial position, but she was really delighted to be there. She had previously served in Rio, so she knew Brazil, but she had not served in Sao Paulo.

Q: During the military time and maybe before, there was a strong wave of "Let's produce everything we can in Brazil." It very much imitated what happened in India. How was that when you arrived there?

DONAHUE: You've asked about Brazil's industrial and labor policy. It has quite a history. In America, for some reason, Argentina's president, Juan Peron, is better known as having been a strongman who emerged in the '40s and '50s and held sway over Argentina for a number of years. However, there was an equivalent in Brazil, Getulio Vargas. The federal capital was in Rio at the time, so he was more closely associated with Rio than with Sao Paulo. But he had an incredible impact on the entire country. He fostered a pattern interlinking government, industry, and various social institutions, including labor unions, connecting them together in much the same way that Mussolini did in fascist Italy. There was a kind of French intellectual underpinning to this. Brazilian academics and the Foreign Ministry have a close association with France, with French academic institutions, and with French intellectuals. So, they resisted communism of the Soviet type, but they had a strong affinity for this state-sponsored socialism. There were quite a few rules that were very vigorous, and similar rules had been applied in other parts of Latin America. Nevertheless, I think the Brazilian situation was quite unusual. Partly because of the large size of the country and the need to mobilize substantial capital for its development in some areas, large state enterprises were formed. That included Petrobras, the primary producer and supplier of petroleum in Brazil. However, even now Brazil can produce only about a third of its needs, so it continues to be an oil importer. Nevertheless, Petrobras was a government monopoly, in that sector. Brazil has incredible mineral wealth and there were several large state companies established to oversee extraction of the minerals and the development of infrastructure needed to get to those minerals, which are often in far-flung places. The major company in that sector was the Companhia do Vale do Rio Doce. Virtually all of the railroads had been nationalized and were running as either federal or state corporations. The largest federal one was Fepasa. Brazil had an aviation industry, which still exists but operates more like a private sector company, the main company being Embraer. Then Brazil in the 1970s and '80s realized what was taking place in computers and wanted to develop its own homegrown IBM, a computer-making enterprise that would compete in every way with IBM. By the time I arrived in Brazil, that latter enterprise had already died. Its strength had been in small mainframe computers. The Brazilians eventually realized they could

not compete in the PC computer world with the IBM system. So, IBM and other computer companies had already been welcomed back into Brazil by the time I got there. The other major areas where government had strong control were power and communications utilities.

During the period I was in Sao Paulo, efforts were taken to allow private sector competition in wireless communications and then finally the sale of state companies. So, utilities, telecommunications, telephone servicing, railroads, even toll highways and mineral enterprises were being privatized while I was in Brazil. The next big thing was the privatization of the banking sector. Part of the problem was, a lot of face was involved. Brazilians aged 60 and up, and even some younger members of the major families, felt that Brazil derived a great deal of prestige from having large industries of its own in many of these sectors. They resisted sale to foreigners. But they also resisted sweetheart deal sales to other Brazilians.

Many of the small and medium sized companies that had operated under some degree of trade protection, but were not national companies and did not have national or state financial contributions, found it very difficult to continue to operate. During the period of inflation, many wealthy Brazilians and companies as well had been able to stay afloat by playing financial games in their accounts. They would try to collect their bills from creditors as early as they could and delay payment of debts as late as they could. The normal pattern during that period was, an exchange rate would remain fixed for about a month and then would change. So, if you had a foreign purchase, you would try to pay it when your Brazilian funds would buy the most dollars and so forth. You would try to maintain your cash flow at a high level. This was the primary way that many of Brazil's banks made their profits during that period. What happened under the real plan when inflation was brought down very low was they could no longer play that game. They had to learn to operate their business on the basis of true costs that they could project over time. In other words, when you are dealing with five percent inflation, you probably could project your cost for the next year. This had been impossible under an inflation level of several hundred percent inflation per month. So, they really had to revalue their assets, determine what their true costs were, whether they could afford the payroll, important things like that. Many of the smaller and medium sized companies were quite hard pressed and either went belly up or had to sell out. Many of them did sell to foreign enterprises or entered into a joint venture with foreign enterprises.

Q: In this 1994-1997 period, I've always thought of Brazil being more oriented towards Europe and maybe Japan than towards the U.S. trade wise and maybe intellectual wise. Was that true or not?

DONAHUE: I think that has historically been true. Certainly, there has been a clear orientation toward Europe. Also, historically, there was a very strong competition with, and probably mutual hatred, of Argentina, the largest neighbor.

Both countries have tended to deride each other. There were several significant changes during the early 1990s that affected those relationships. For a number of reasons, Brazil and Argentina found it useful to try to foster and establish their own common market. This is called in Spanish Mercosur. In Brazil, it's Mercosul. It's the same organization. The original four members were Brazil, Argentina, Uruguay, and Paraguay. Subsequently, they've added as either full members or associates Bolivia and Chile. The idea was that they saw the growing importance of the EU as a trade block. They saw the establishment of NAFTA. They saw what was taking place in Southeast Asia with ASEAN, APEC, and so forth. They realized that they would gain greater strength as a trading union, if for no other reason than the bargaining power in the GATT context. However, the two countries also saw benefit in eliminating trade barriers with each other. The strong members of this particular arrangement are Brazil and Argentina. The other countries essentially will take whatever scraps these two countries provide them. Most of the trade was between Brazil and Argentina. Argentina was already several years ahead of Brazil in its process of economic reform. It established a link between its currency, the peso, and the U.S. dollar, and had succeeded in curbing inflation. Argentina had already privatized a number of state enterprises. Brazil saw that as a model. The Brazilian politicians used a positive public regard for Argentina's policy as a means of selling politically what they felt was needed in Brazil. It became useful politically as well as economically to have this arrangement with Mercosur. As a result, southern Brazil and northern Argentina developed a very close, cooperative economic relationship. Major corporations have factories in both countries where they sell the product in either country and many of their suppliers are the same, especially in the auto industry. Argentine production may be supplied from Brazil and vice versa. That was previously not possible. That has allowed their production to become more efficient and to withstand pressure of the international market. The galvanizing force for this was the Uruguay Round with the recognition that all tariffs on products would be dropping towards zero and the previous kind of high tariff wall that many of these countries had maintained in order to foster their own national industries was not going to remain; it just could not be kept.

Q: What was your main occupation?

DONAHUE: My job was equivalent of a DCM in an embassy. Sao Paulo was a large post with maybe 35-40 American officers and 200 or so Foreign Service national employees. We had a large consular district when I got there that grew even more. During the period that I was there, we closed our consulate in Porto Alegre, the capital of Rio Grande do Sul, the southernmost state in Brazil. So, our consular district went all the way down to the Argentine border. A lot of time was spent in traveling the consular district, making sure that we had good relations with the states and principal cities, that we knew what was going on. There was substantial interest on the part of American business in many of those states, even the landlocked ones where a lot of agricultural production was taking place. I managed consulate operations from the standpoint of making sure the needs of the

various sections were maintained. I was also the principal interface with the American Chamber of Commerce, and served on the trade and investment committee. Amcham was the only organization that could support us when we had high-level visitors, and we relied a great deal on the Chamber to put together programs or provide a venue for our ambassador when he came to visit businesspeople, and when Secretary of State Christopher made a visit.

I also spent a lot of time with people in the financial community. Just before I arrived in Brazil, the Department of Treasury had pulled its Treasury attaché out of Brasilia. I guess they had had one or two local people, FSNs, in that office. The office was closed. They really did it without any prior notice to the State Department. Ambassador Levitsky was quite unhappy with that decision. State did not increase the staffing of the Economic Section in Brasilia nor did the Embassy have someone with the same kind of background and credentials as the Treasury person. So, I worked very closely with my counterpart in our embassy in Brasilia to make sure that there was enough financial reporting. There was certainly a need for it. There was a close interest in following what was going on with inflation, whether the other reform policies that the government needed to take place were going to be done, what the impact on the financial markets would be, and so forth. The main commercial banking center for Brazil was Sao Paulo. The main stock market, the futures market, all of that was in Sao Paulo. So, we spent a lot of time following those markets. Sao Paulo was also the major center for agricultural trade. In fact, the Cargill representative for all of Brazil was in Sao Paulo. Cargill is a major grain buyer in the world and provider of seeds for farmers that cooperate with it. Sao Paulo and Santos, its port, were also the primary centers for the trade of coffee and cocoa, the principal Brazilian commodities sold in the world market. Sao Paulo state was the largest producer of sugar. In the U.S. Department of Agriculture and other parts of the government, they followed the sugar prices on a regular basis. So, there was a lot of activity of the economic type.

I also oversaw political and labor reporting. We had a Labor attaché. There may have been only one other Labor attaché on the continent of South America. That would have been in Buenos Aires. Our Labor attaché spent a lot of time with the major unions that were headquartered in Sao Paulo and he reported on union activity. That would include safety of workers; child labor, which became a big issue; and human rights related to labor. With the political officer, we worked closely together on the issue of human rights. Back when I first arrived in Sao Paulo, I drafted our contribution to the Embassy's Human Rights Report. We sponsored a number of nascent or developing civil society organizations, NGOs, operating in the area of civil rights, children's rights, women's rights, improving race relations, the whole panoply of social/political issues. On many occasions, I backstopped our political officer in those efforts and helped expand the consulate's contacts.

Q: How did you find dealing with the Brazilian government and business

community?

DONAHUE: At the personal level, I think Brazilians are very approachable and easy to get to know and nice. Depending on what we wanted to do, we did find either ideology played a role or some old gripe against the U.S. There had been times in our history since WWII when the U.S. and Brazil had been closer or more distant. During WWII, Brazil was our ally and was the only Latin American country that actually supplied troops to the war effort in Europe.

Q: To Italy.

DONAHUE: That's right, under General Mark Clark, the Brazilian Expeditionary Force. So, there were times for our national holidays when Brazilians would show up and they'd be delighted to be there. We usually had a Brazilian veterans contingent at the American Fourth of July celebration. We also had several different groups of Brazilian alumni of American academic institutions. Most of them were delighted to be of support and were still actively trying to improve academic exchanges between the U.S. and Brazil. That having been said, the University of Sao Paulo had a kind of left-leaning heritage. Although we never were frozen out of the university, and several of us went to speak there, including myself, there were clear limits to our access and influence there. I spoke to several graduate level classes on comparisons and contrast between the U.S. and Brazil and the importance of technology and also globalization. It was well received. Nevertheless, when we were looking in our planning process for the visit of President Clinton and we were searching for a place for him to speak, the university did not seem really thrilled to offer itself. We decided not to push. We had thought this would have been a great opportunity for the university. Its leadership didn't see it that way. The University of Sao Paulo has a center for North American studies, which is headed by a very gifted and brilliant Brazilian woman, married to a Scot. I think her understanding and knowledge of the U.S. is extensive, but she had a very conservative, anti-communist, anti-socialist orientation that made her not necessarily work well with some other members of the university. So, sometimes we found that our association with her colored our overall involvement with the university. We felt that maybe new people would have to come to the scene before we could establish the kind of relationship we needed.

Q: Did you run into something that has gotten bigger now in Europe and the U.S., a resentment about globalization and too many foreign firms coming in, like McDonalds, American movies, and that sort of thing?

DONAHUE: It was beginning to become apparent. In an effort to head it off, I was trying to address the issue of globalization with the group of people who would have been able to understand or take on board what I was trying to get across. It is not clear what the impact of globalization will be on anybody. However, by eliminating barriers and making things more efficient, it's going to

have an impact, and people will not be able to either be as passive or as laid back as they have in the past. Without a doubt, and I think Brazilians realized it, globalization was going to affect their way of life. They saw a number of Brazilian industries that had been household names in Brazil be bought out by foreigners or go bankrupt. On the other hand, they also saw some opportunities for them. During the period that I was there, there were pretty good jobs available for all graduates of Brazilian universities, especially in economics, accounting, law, or technologies, certainly engineering, computer work. Brazilian young people recognized that many of these opportunities came from increased trade opportunities. From the standpoint of their lifestyle, they were able to get products in Brazil that their parents could not even dream of. They saw that there was a clear connection between market reform in their marketplace, lower trade barriers, and improved lifestyle. They also saw that workers were going to be displaced. I think it was the students who would have been more left-leaning and more sympathetic towards the workers that would have been more resistant towards globalization. Students who were the stars and the ones for whom there would be opportunities in almost any industry, either Brazilian or foreign or even international, they clearly saw that they were going to have a great opportunity under globalization.

Q: What about labor unions?

DONAHUE: The labor unions were the most resistant. It was a challenge for us because historically, while we had not shared the same ideological cast of the Brazilian unions, which was decidedly leftist, nevertheless, our union-to-union relations had been good. There had been about a 20-year period when the AFL-CIO maintained a field office in Sao Paulo with someone from the AFL-CIO. The person who had held that position for 20 years left Brazil about the time I arrived. A person who stayed only a few months replaced him. I don't know why. It doesn't make sense. That individual after the hiatus of a few months was replaced by someone who really thought he was there to stay. He was a young person in his 30s from a family with a strong labor association in the U.S. He was going great guns ahead. He was pulled out after about a year because of political machinations within the AFL-CIO here. It had nothing to do with what he was doing in Brazil. I think the AFL-CIO here said, "We can't afford that office. We're going to close it" and they closed it. The Labor attaché and I spent a lot of time on this issue. I think that he ended up picking up a lot of the work, although it's a different kind of work. Nevertheless, the interface with unions had to be maintained by somebody and it ended up being done by our Labor attaché. There were a number of reasons why this relationship was important.

Many large Fortune 500 companies had key investments in Brazil and they were being beefed up with new capital during the period that I was there. They needed to do this because – and this is how globalization was affecting their industry – as a result of the GATT Uruguay Round trade barriers were dropping to zero. The original basis for which many of those industries were in Brazil was no longer

tenable. They could not operate behind a high tariff barrier. Some of the car makers like GM and Ford were producing cars with 1950s or '60s technology. However, at that time, a car retailer could import a brand new car from Detroit for not much more than what an individual would pay for a Brazil-made car. That situation was not going to last. So, they had to find a way to produce a current model car at a cost that would be reasonable and would enable production to remain in Brazil. To do this, they had to bring in a lot of capital equipment to improve the quality of their production lines. They had to enter into a different kind of relationship with their suppliers. Part of that was true under globalization anywhere that the auto companies operated. They were trying to reduce the number of suppliers, gain greater control over them, and have just-in-time production to avoid large inventories. This required major shifts in Brazil, from improving customs handling at ports to developing more efficient and more secure transportation. It meant trying to get a better deal for power supply. All kinds of things that they had to work out.

All of this affected government as well. Changes needed to take place like the privatization of utilities. Education had to be universalized and improved. During the period I was there, Ford established a goal that by the end of 1996, 100% of their workers would be literate. When you think about it, that's amazing. The workers had a rather low level of literacy. The trade unions were also very interested in this process. Previously, many workers in the auto industry were originally from farm areas. They had moved from rural areas inland to the coast to work in the auto industry, or they had come from the impoverished northeastern part of Brazil. Many of them had been illiterates. They had not had educational opportunities before they arrived there, but as long as all they needed to do was to hammer something, they could do that. However, it was necessary to operate computers to make a quality car. Workers had to make decisions as to whether something was being done right or wrong on the assembly line. Much of the more difficult or dangerous work was already being done by robotic equipment, so the actual work that a worker was being asked to do involved less brawn and more brain. The labor unions became concerned that the auto industry would not always be able to employ the same number of workers as at present. Many of the people who had worked for a company that was going out of business would go nowhere. There would be nothing for them. This was also an inevitable result of the process of the privatization of state enterprises because for the purchaser of the ailing enterprise, one of the initial things was to let go about half of the workers. So, there was a lot of labor dislocation in the Sao Paulo area, some of it at the white collar level.

Q: I would imagine this would have meant a certain amount of resentment toward the United States since we were the modernizer.

DONAHUE: That could be understandable, but in fact, many of the foreign investors in Sao Paulo were European companies. Some of the companies that were playing fast and loose with Brazilian regulation were European companies.

For example, American companies (and we worked hard with the American Chamber of Commerce on this theme) wanted to be seen generally as pro-community and meeting a standard that more closely approximated the standard in the U.S. rather than some standard in Brazil. We wanted American companies to really be seen as good corporate citizens in every respect. I think that they generally were. Brazilians liked to work for American companies. There were some companies that they definitely did not like to work for. One Korean automobile company found it hard to attract Brazilian laborers, and certainly did not get the quality of worker that Ford and GM had. Both Ford and GM sponsored educational activities in the communities where the workers lived. To my knowledge, they were the only major corporations that did that. The European companies were the ones that in my view were more likely to engage in corruption or skirt Brazilian law. That was an area where we did try to pay attention. When there were corruption charges, when there was bribery involved, it usually involved a European company. Another thing is how the various chambers of commerce operated, their style and the style of the country's consulate. The American Consulate General in Sao Paulo was the largest and the one with the broadest range of interests, because our interests included drug interdiction, for example. We had an enormous visa operation and there was a very large number of American citizens who had various needs. We also had an important notarial service function because many contracts were being written involving American law. But we also had competition with European countries to have political influence in the community and to provide commercial advocacy for our industries and exports. What set the American Chamber of Commerce apart from the chambers of the French, the British, the German, and the Japanese was its strong welcome for non-Americans to join. Therefore, in many ways, the American Chamber of Commerce became a kind of *de facto* international chamber of commerce. I think there was a more strict requirement to be an American citizen or to be an official for an American company if you wanted to serve on the board of governors. Nevertheless, at the committee level, we had very active participants who represented important Swiss chemical companies or important German industrial enterprises and so forth. I think they found it worthwhile for their commercial intelligence, but they also did make a contribution that benefitted the rest of us as well. Therefore, by attending certain key American Chamber meetings, I had a sense of what all foreign investors were doing to a greater degree than when I attended a meeting of the German Chamber of Commerce, for example.

Q: I would think, too, that by having this, through Congress, we've set stricter standards for our work abroad, that in a de facto manner, we were setting standards for the rest of the community.

DONAHUE: I think that's right. It was important for us to be associated with good citizenship and playing by the rules. When we go into foreign governments, we're always asking them to play by the international rules.

Q: You left Sao Paulo in 1997. Where did you go?

DONAHUE: I returned to Washington to work in the State Department in the International Organizations Bureau [IO] in the office that is involved with international organization development agencies.

Q: And you did that until when?

DONAHUE: I did that for one year, from August 1997 to June 1998 when I retired from the State Department.

Q: Just touching on this, what were you doing?

DONAHUE: I was the Deputy Office Director and was responsible for day-to-day office management. Specifically, I was responsible for the work of the International Fund for Agricultural Development (IFAD), one of the three UN food agencies based in Rome. It operates more like a development bank than the other agencies that we were responsible for. I also supervised officers responsible for the UN Development Program, the UN Family Planning Program, the Food and Agriculture Organization, which is very time consuming and problem prone (at least our relationship with it was), and UNICEF. UNICEF, which is quite well known in the U.S., sort of runs itself, but there is often competition between UNICEF and the UN Development Program and that needed to be sorted out.

Q: How did you find your relationship with Rome and the Food and Agriculture Organization? This has been a political plum to some extent.

DONAHUE: I supervised the officer who was dealing with that, and that officer plus a deputy assistant secretary went to those meetings. I did not attend those meetings. Our main concern really was controlling the budget of the UN as a whole, and UN agencies individually, so that we would meet guidelines established by the Senate Foreign Relations Committee and they would see fit to enable us to pay our arrears to the UN. We wanted to remain members in good standing with the various UN bodies and we needed to have certain requirements. There was an overall need for the UN as a whole to meet certain established budgetary levels. One of the problems we faced was, each of the UN organizations is run a little bit differently, came into existence at a different time, and has a different governing board or relationship, and a different way to resolve its budget. For the FAO, we did succeed in bringing its budget within the guidelines, but only with great difficulty. It was a major effort that took several months of preparation and a month-long meeting in Rome to engage in diplomacy with other members to make sure that that happened.

Q: This was a period of time when there had been tremendous pressure from Congress to make the UN more efficient. We had not been paying our dues and part of the reason was because we felt there was inefficiency. There was also a

political isolationist feeling on the part of Senator Helms and others. Did you feel we were making good headway on that?

DONAHUE: The question has to do with whether we were able to square the requirements of the Senate Foreign Relations Committee's Senator Helms and the requirements of the UN agencies themselves to continue to operate. I think we did make a lot of headway. It's not something that can be done in a single year. One of the reasons is, some UN agencies have a three or four-year budget cycle so that you have to wait for the year in which its budget is going to be addressed before you can bring about some change. In general, we were able to get greater efficiency, and have better accountability for funds, which is something that we certainly strove for. We also helped develop a better means to measure effectiveness in the field, and better personnel decisions. All of those are challenges and will probably remain challenges in the UN system because there is a lot of politics. Just as the U.S. Government has had affirmative action, and at times there has been a need to have a certain racial or sexual balance in personnel decisions, the UN has that with the added requirement to balance nationality. So, sometimes either they cannot find the right person for a very important job or someone is brought in who meets all the other requirements but does not have the level of competence. The primary challenge we faced was Africa and the need to develop a continuum between the different parts of the UN system that do not coordinate well. On the one hand, there are the humanitarian relief operations. Sometimes that involves refugees, but UNICEF is also very much involved with that, as is the UN Family Planning Agency. So, they are generally right in there as soon as refugee camps are set up. But when refugees are resettled, they have to have some place to go back to. They have to have input, seeds and so forth, as well as tools and sometimes the building of infrastructure like roads or wells or irrigation canals in order to be able to reestablish themselves. That is the work of the UN Development Program. A lot of times, either there was not sufficient flexibility in the UN Development Program or not enough communication with the humanitarian relief agencies to ensure there would be an adequate refugee resettlement program in place.

Another aspect especially important in Africa is peacekeeping. Although that did not fall in our area, sometimes things needed to be done under the broad rubric of peacekeeping that could not be done by the part of the UN that oversaw peacekeeping. This was the situation in the Balkans. It has also been true in parts of Africa. I think it's true currently in Indonesia and East Timor. In many cases, when a peacekeeping operation has succeeded in bringing about peace – that is, there is no more war, there is no more armed conflict taking place – nevertheless, the previous civil, governmental, and legal institutions are no longer credible and they need to be reformed. In the case of Bosnia, there was a need to actually train law courts to operate. The whole justice system had to be refashioned. People had to be identified to serve as police and be trained as such so that they would not operate as secret police or they would not be composed of a single race. This was also a problem in Haiti as part of the problem of bringing about new political and economic development. This is a role where the UN agencies, especially the UN

Development Program, have some track record and they can do it where it's beyond the capability of the area military peacekeeping operation. Nevertheless, it's part of this process, it's a necessary stage that must take place before you can say you really have peace or before you actually have laid the basis of economic development. So, part of our job was to encourage more dialogue across UN agencies at headquarters level and in the field. The UN Development Program played a key role in this. In fact, this was an area where I spent a great deal of time and effort in the International Organization Bureau to make sure that the budget would be flexible enough to accommodate this kind of approach in Africa. For that continent, in particular, you can plan your programs and put some budgetary resources against them for the coming several years, but you can also have some expectation that there may be a civil war, an invasion, or some other problem that will throw those plans off. You have to have some flexibility and also make sure that those needs are met.

My experience in the IO Bureau involved moving heaven and earth to convince the UN organizations to adopt the budgetary guidelines that Congress sought. To make a convincing case at the decision-making meetings of the UN groups, we had to do our homework. That involved making in-depth studies of the organizations' effectiveness in utilizing current resources, making determinations as to which programs might have to be jettisoned in order to stay within the recommended budgetary strictures, and then performing careful and tireless diplomacy to convince both donor and recipient countries of the rightness of our cause. Completing this exercise did help us make our case better, and we usually were able to obtain at least a grudging acknowledgment from other governments of our central point: the UN could do a better job, and a more effective one, through smarter utilization of existing resources.

Similarly, the U.S. Government – especially the State Department – should seriously consider how it could get more bang for its buck. I see two problems in the current budgetary process: decisions are made so far in advance of execution that there is little flexibility when things change, as surely they will; also, the State Department often contributes the smallest share of the overall mission's program budget, since other agencies have independent decision making and their own pots of resources outside the State Department's budget. Somehow, these problems must be surmounted for the overall U.S. Government effort in a country to have the maximum possible impact. There is a role for better coordination, both in Washington and at the post, to ensure that far-reaching decisions are made and appropriate resources are in place to meet the anticipated needs. Also, there must always be an allowance for the unforeseen.

Q: You retired in 1998. Your wife is in the Foreign Service now. When did she come in?

DONAHUE: My wife entered the Foreign Service in summer of 1971, a few months after I did.

One issue that fellow FSOs have often discussed is whether the Foreign Service is really a profession or only a job. Like the major professions – the law, medicine, education – the Foreign Service requires specialized study, application of that knowledge in attempting to resolve problems, and facing challenges at the frontier of human experience. There are even some universities that accord international relations the status of an academic field in its own right. However, unlike the other professions, there is only one employer, the government, or by extension, an international organization. These are the arguments my colleagues have made. The field is evolving, however.

The Foreign Service now involves much more than traditional diplomacy – i.e., maintaining a dialogue between governments, usually at a high level. Potentially, the Foreign Service must deal with other governments on virtually every issue that our own government is concerned about domestically. Furthermore, the Foreign Service has found it has to reach beyond the seniormost government officials to get its message across. To be successful, it must use public diplomacy effectively and involve all possible interest groups in a foreign country. Thus, the natural constituency of the Foreign Service has expanded considerably.

More than ever before, a Foreign Service career calls for the skills of a “renaissance man.” In terms of other professions, the Foreign Service requires the sharp reporting skills of a journalist, the insightful analytical abilities of an academic, the entrepreneurship of an MBA, the strategizing capability of a crack lawyer or general, the patience and encouragement of a cherished teacher – and above all, the superb people skills of the classic diplomat. As our world continues to shrink, and domestic business and other institutions recognize the increasing need to work with their counterparts in other parts of the world, the general public will gain a greater appreciation for the role of the diplomat. Maybe at that time, which has already arrived in some respects, Foreign Service skills will transfer more readily outside government and be recognized by others as providing a special service needed as much as those supplied by the other professions.

Q: So, she is a consular officer.

DONAHUE: That’s right.

Q: I want to thank you very much.

DONAHUE: Thank you.

End of interview