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

JOHN W. HOLMES

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INTERVIEW

Q: John, do you want to tell me a bit about your family and when and where you were born?

HOLMES: Well, I guess my family and my background could be described as WASP, "White, Anglo-Saxon Protestant" but that would be misleading. My family lived in an inner, industrial suburb of Boston. My father was a house painter. We weren't in poverty but we certainly weren't on easy street, nor even middle class, as I would construe the term.

Q: You were born when and where?

HOLMES: I was born in Quincy, which is next door to Boston, in 1935 and spent all of my childhood and adolescence in Quincy and went to one of the two local high schools. I did well enough in high school, and toward the end of my high school time got into the business of trying to get into college with a scholarship. I did fairly well in the game of trying to get somebody to pay for my education. The best offer came from Columbia University and that is where I went.

Q: Talk a little about your high school and all. Was there any interest in Foreign Affairs, economic, anything of that nature?

HOLMES: A little bit. One or two high school teachers took an interest in some of their students and they tended to be people who were active in things like the local UN Association. The UN Association was a more vibrant animal in the 1950's than it has been since. They would invite us to go to meetings and hear lectures about foreign policy. I can't say that it was much more than that but I was exposed a little to these questions thanks to these high school teachers.

Q: How about the Catholic-Protestant thing in Quincy. I mean, were you getting any reflections of that?

HOLMES: Yes, although it wasn't particularly painful. Quincy was then half and half, more or less, Catholic and Protestant. This was still the pre-Vatican II Catholicism...mainly Irish or at least the dominant and rather militant part of it was. I could turn the old phrase to say, "Some of my best friends were Catholic." In fact most of my best friends were Catholic". And I came to realize that even in the 1950's not all Catholics were lock step observers of the rules. Nevertheless, there was a certain atmosphere created by this.

Q: How about the Irish question? Did that...

HOLMES: Yes. I think so. It had one effect. Massachusetts politics were determined then even more than they are now by ethnic questions. So if you were Protestant you were almost certainly Republican and if you were Catholic, you were a Democrat. I sort of rebelled against my family's Protestant Republicanism by being intrigued by Adlai Stevenson in 1952. Stevenson's campaign invited a bunch of high school editors--and I was one of the editors of my high school newspaper--to a talk and press conference given by Stevenson in Boston. I went and the man really impressed me, charmed me and I had a sudden conversion to being a Democrat.

Q: What were the years you were at Columbia?

HOLMES: From 1953 to 1957. People were still talking about General Eisenhower who had been President of Columbia just earlier. It was sort of an in-between period. The World War II veterans had departed. We were a little bit after the "beat" generation which was a very significant group at Columbia, with people like Jack Kerouac and Alan Ginsberg. They were still remembered but had left by the time I got there.

Q: Did the Korean War have any impact on you?

HOLMES: Not directly. But I think the Korean War was one of the first great world events I followed in an adult way. I was in High School during the Korean War. I paid attention to newspaper stories...in a way I had been aware of the second World War but I was really too young to know what was going on. I followed what was going on in the Korean War and had conventional responses on the big issue of the replacement of General MacArthur. I was pro-Truman and anti-MacArthur, I recall.

Q: What were you studying at Columbia?

HOLMES: Columbia was then, as it is now, very much into the general education, great books approach. These courses dominated the first couple of years. I was in the last class at Columbia that didn't have to major in anything. (On the one hand, many courses were required. While you didn't necessarily need to have a major, you could voluntarily major in something and I majored in History. My interest was mainly in European cultural history rather than anything strictly connected to the foreign policy world. But I did take a

course in international politics which was given by a man, Kenneth Waltz--at that time a young, assistant Professor--who went on to write several of the big books of the neo-realist school of International politics. He impressed me...personally and in his thought. He left me with an abiding bias towards a "Realpolitik" view of foreign policy.

Q: You were sitting in a place where the UN was. Did the UN play much of a role...?

HOLMES: No. The UN had been a source of amusement. In previous years, during the Korean War, I do remember, and this is perhaps the thing that mainly impressed me about the Korean War, all the UN debates that were then carried on the brand new television with Gladwyn Jebb, Henry Cabot Lodge, Jacob Malik and all the other prime performers. They were histrionic diplomats of a type you don't see today. Men of, in some cases, great wit and eloquence. Yes, when I got to Columbia, we were dragged off as Freshmen to visit the UN, but more to look at the building from an architectural point of view. The UN, by the middle years of the 1950's after the Korean War had come to an end, had passed into the shadows. In my one course on international politics given the biases of Ken Waltz, the UN was virtually not mentioned. There was no such thing as International Law, there was almost no such thing as International Order. International policy or politics were a matter of power.

Q: What sort of a world were you getting from this...I mean Realpolitik?

HOLMES: I don't know. I wouldn't exaggerate...one course didn't make that much difference. My main intellectual interests at Columbia lay elsewhere, in cultural and intellectual history, the sort of interest that the Columbia general education courses and transitions stimulated. Still, when I did get involved in foreign policy, I found that I had been influenced by Waltz and his ilk, left with an abiding skepticism about a moralistic approach to foreign policy. I should add, however, that there are realists and realists, and I have always been more impressed by the "softer" sort of realist, epitomized by George Kennan. But it wasn't because of Waltz's course that I thought of going into the Foreign Service; my motivations were non-policy ones, such as the lure of seeing and living in foreign countries.

Q: Let's go on to your beginnings in the Foreign Service. How did you find the entrance exam, the questions they were asking?

HOLMES: The questions were actually moderately demanding intellectually. One that sticks in my mind was about policy towards Canada. I think that what they seemed to be getting at, as far as I could tell, is whether or not we were articulate under pressure. And maybe they would get some impression of one's personality, as well.

Q: What got you to join the Foreign Service?

HOLMES: I was getting somewhat tired of college and so I didn't think of going to graduate school or professional school.

Q: Also graduate school wasn't the thing to do in the 1950's.

HOLMES: People didn't think of it as much or in such a "knee-jerk" way as they did later on. I think my parents cornered me into taking the Graduate Record Exam, which I did, but without any intention of going to graduate school. And I already had a job offer from the Foreign Service which sounded interesting and I wasn't sure that I was making a life-time commitment to staying in the Foreign Service but it seemed like the easy thing to do.

Q: You came in, in let's see...1957. Could you talk a little about your entry class and sort of how they dealt with you...and who they were.

HOLMES: It was a fairly large class. The Foreign Service had started bringing in people after a hiatus in the early 1950's. In 1957 in particular lots of people came in...it was an all time record in-take year. The average age of the class was 27. But a half dozen out of a class of 35 were still 21 or just 22. The person in the class who went furthest, I suppose, was Roz Ridgway. She was another one of these 21 or 22 year olds. There were about 5 or 6 women and 29 or 30 men. I think Roz was the only woman who stayed in the Foreign Service more than a few years. For me the class was somewhat new because there was really a broader geographic spread in it than had been the case at Columbia. There were several people from Mississippi, Oklahoma, places like that. In fact, it's a mark of either their provincialism or mine that it took time for me to understand the guys from Oklahoma. I think it's actually possible that regional accents were thicker forty years ago than they are now. The class did not strike me as a stellar group--nor did the results over the years indicate that it was--but it was a congenial bunch of people.

I didn't have the sense, thinking of people who have come in later--one of my bases for judgment is that in subsequent years, I served as one of the non-professional examiners--that people in my class had, in general, a seriously thought-out professional commitment to the Foreign Service. I wasn't the only one in that class who was there because it was an easy, pleasant thing to do and willing to think again about the Foreign Service in another few years. It was a less professionally minded group than I suspect would have been the case a few years later.

Q: What were you learning out of that course?

HOLMES: I learned very little out of the course, which was held in the "old" new FSI in the bowels of what was then the Arlington Towers apartment complex.

Q: It was in a garage?

HOLMES: The space used had originally been intended as a garage, I believe. There was very poor ventilation. I hadn't slept through courses at Columbia but I can remember sleeping through parts of many sessions at FSI, in part because they were boring but also because the air was bad. I don't remember learning very much from the course. I think it

was a waste of time. In fact, most of the people who had gone recently to good colleges, thought it was a waste of time. We didn't learn anything very practical nor were the non-practical lectures very interesting.

Q: When you came to that time when everybody was going to get assigned, where did you get assigned to?

HOLMES: I was assigned, like a lot of other young FSO's at that time, to the education exchange part of the Department-which later moved over to USIA. It was in a building on "K" Street. At that time, the Department was dispersed all over Washington. In fact, I don't think I ever, during that first tour, set foot in the old part of "New State," which was the headquarters of the State Department. The Educational Exchange Program was an agency which had been staffed entirely by civil servants until a little before my time. Then there was a personnel reform program in the Department, the Wriston program, which had shuffled things and forced a lot of civil servants to become Foreign Service Officers, and left a lot of them with the sense of having been pushed around. At the same time, Foreign Service officers were assigned to jobs previously held only by domestic civil servants. I remember that the atmosphere was quite tense during my 18 months to 2 years there. There was far from hidden resentment on the part of some of the supervisors who tended to be civil servants or ex-civil servants, toward the young, perhaps supercilious FSO's.

Q: This was the time...the Eisenhower Administration made quite an effort on the educational exchange.

HOLMES: Actually the work itself was basically paper shuffling to a high degree because the work of the Educational Exchange Program was carried out by a contractor, the Institute for International Education, which I think still functions. We acted, in a sense, as their supervisors, their contract managers, but we also served as intermediaries with posts overseas--usually USIS posts--which selected the candidates. Only occasionally did I see a live educational grantee, although I remember we finally brought some few from Yemen to the United States and I went to Union Station to meet them at the train. They certainly seemed like stunned young men. But yes, to answer your question, I think it was a fairly large, flourishing program.

Q: Did you have any particular regional function?

HOLMES: It shifted around but I seem to recall mainly African and Middle Eastern grantees being in some sense under my wing.

Q: Did you get any feel for the caliber of people selected?

HOLMES: A little. I have noticed in the 35-40 years since then that some of the Africans in particular, who were chosen before the great wave of national independence in Africa, became members of governments, even, maybe, a Prime Minister or two.

Q: You left there in 1959?

HOLMES: I left there and in the gap until my time to go overseas took French training. I had taken French in school and college and was one of the last candidates for the Foreign Service to take a written language exam, in my case in French, and I got a good score on it. But I had never spoken much French. So I took French at FSI. Then a bunch of us at FSI were told what our next onward assignments were. I remember that the personnel officers called me aside, gave me special treatment, and sought to reassure me that my assignment was meant kindly and not as a signal that I should leave the Foreign Service. All this because I was assigned, to what was then one of the worst posts in the Foreign Service, a consulate in Iran in the town of Khorramshahr. This was, mind you, before we opened a lot of worse places. I had never heard of Khorramshahr until that moment and very few people have heard of it since.

Q: You were in Khorramshahr from when to when?

HOLMES: I arrived there in October 1959 and stayed there until 1961.
Q: We probably talked to each other. I was with the Dhahran Liaison group down in Dhahran. We used to try to raise each other by radio at one time or another. I was there from '58-'60.

HOLMES: We used to have emergency drills involving single side band radios and all that sort of stuff. I remember that but what I remember even better about the area was that we were very close to the Iraqi border. In fact you looked across the river and that was Iraq. By land, Iraq was only a few miles away. And we were not many miles from Basra, the second largest city in Iraq. But, relations with Iraq, both between Iran and Iraq and the United States and Iraq, were extremely bad. This was about a year or two after the revolution in Iraq.

Q: July 14, 1958.

HOLMES: We never set foot in Iraq. The few times we tried to make telephone calls to Basra, the phone would get disconnected after a while.

Q: We talked about life in the Khorramshahr, and then what our policy was, as you saw it, in Iran at that time?

HOLMES: Iran had passed through its first time of troubles under Mossadegh in the early 1950's. When I arrived in Iran, the Shah had been re-established on his throne for a few years. The price of oil was still pretty low although Middle Easterners were starting to rattle their cages about that. One of the interesting things about Khorramshahr was the presence of a Italian oil exploratory group from Agip. Agip--the Italian state oil company led by Enrico Mattei--was seeking to break into, or break up, the oligopoly of the Seven Sisters by offering much bigger shares of revenue to Middle East countries. The

Khorramshahr consulate really should have been in Abadan, the nearby, very much bigger city which was the site of what was once the biggest oil refinery in the world. It was the traditional capital of the Iranian oil industry. In my time there, the newly created Iranian oil consortium--essentially a consortium of the Seven Sisters--was running the oil business which prior to Mossadegh had been the sole possession of the Anglo-Persian Oil Company, which was later renamed British Petroleum. The Italians at Agip regarded us American officials as inextricably linked to the Seven Sisters, as, in effect, the agents of their commercial enemies. (This attitude was not limited to Agip. Officials of Standard Oil of Indiana, not part of the Consortium, regarded us as essentially under the control of, if not in the pay of, Esso, then the dominant company among the Consortium group.)

Q: Well, were you catching from the Iranians or the non-Iranian oil people any reflections of the Mossadegh period and the nationalization of the oil company and all that?

HOLMES: Yes. Although it was guarded. There certainly were people around who had been Mossadegh supporters. But they were careful about what they said because the Shah had the lid on. Also, I think they probably suspected Americans of being in the same camp, indistinguishable from the Iranian government or from Sadak, the Iranian secret police. But yes, there were certain guarded expressions of nationalist feeling; you could hear things that were less political. Like...our oil is being exploited, we should be getting a bigger share...a milder version of the Mossadegh line.

Q: Were there any feelings that you were getting towards Irredentism as far as Bahrain and the Persian/Arabian Gulf or anything like that?

HOLMES: A little bit. Bahrain was sort of a forbidden place. As a practical detail, we used to import liquor, canned goods and so forth from Grey MacKenzie, an old company operating in the gulf area. It had its warehouse in Bahrain. But we had to make sure the invoices said that these were direct shipments from the UK, because Bahrain was claimed as part of Iran. The Iranians and the consortium were starting to exploit places within the Gulf like Kharg Island where an oil loading dock and facilities were built during my time. But I don't think that irredentism was a big issue. I think the Shah had too recently come back from the brink for that. There was trouble of a different sort with Iraq. There was one period when the Iranians moved military forces to the border, and the Iraqis did likewise. And we were on the border. Nobody thought that either side would actually go to war but they came close; it was a situation in which a mistake might be made.

Q: Also, did you get any feel about the Embassy? At least at other times, one got a very definite (it wasn't an impression) but basically a fact that the Embassy did not want ill of the Shah's government reported. This was maybe a later period. Did you have any feel about the Embassy and reporting and all?

HOLMES: I think you're probably right about that. You know it's clear that the United States was responsible for the Shah being back in Iran and having accomplished that we

weren't about to see him thrown out. I think there were people, I think there were a few people in the Embassy who had fair wide ranging contacts and who would occasionally write things that would show people who weren't completely satisfied with the new status quo in Iran. There was a man named John Bowling, I remember from that time, who had good contacts, though I'm not sure what use he made of them. There usually was or were two or three people like this in the Embassy. Only a few, only a handful. Otherwise I think you're probably right that the Embassy was there in really a more pro-consular role than in as a diplomatic mission.

Q: Did you ever find yourself being "sat-on"? Saying that we don't want to talk about this or report of this or that or anything?

HOLMES: No. But I'm not sure that aside from occasionally expressing skepticism on some of the economic development projects and alluding to the corruption of local officials--and people weren't blind to these things--I doubt if I tested the limits of freedom.

Q: Sometimes you know it's an interesting dynamic in the Foreign Service, officers come in and particularly in out-lying posts not as cynical or world weary or whatever it is and injustice as they see it gets played up and the Embassy doesn't want to have that.

HOLMES: There were a couple of people who did things like that in my time. One who was older and not so junior was Bill Eagleton who was the Consul in Tabriz and who was perhaps the world's greatest expert on the Kurds. He wrote immensely long dispatches about his travels in the Kurdish country and even retrospective, historical pieces about the Kurdish Independence- Democracy movement of the 1940s. This was implicitly a bit heretical. There was a much younger fellow, a vice consul in Isfahan named Miller who got to know many bazaar merchants--"bazaari." They were particularly significant in Isfahan and their class later played an important role in the Islamic revolution. Miller wrote some interesting reports, more sociological than political, that gave one a different sense of what people were thinking than did the mainstream Embassy reporting.

Khorramshahr was sort of the end of the line even from the Iranian standpoint. It was not a political center. Most of the Iranians there were not from the area because Khorramshahr was historically inhabited by Arabs. Although theoretically part of the Persian state It was run by the Sheikh of Mohammerah until the 1920's when Reza Shah managed to take it over and rename it Khorramshahr. It wasn't a very typical spot. Not a very good place from which to generalize about Iran. The neighboring city of Abadan had been a center of nationalist agitation during the Mossadegh period, but those involved were not local people, and that sort of agitation was kept under tight control in my time.

Q: You left there in 1961?

HOLMES: Yes, the end of 1961. I went back to the States on home leave. I was assigned to Italy. First I was assigned to Rome, but then suddenly, as I understood later, some

wheeler-dealing took place in the Embassy in Rome and somebody else got the job and I went to Naples.

Q: So you were in Naples from when to when?

HOLMES: I went to Naples in February 1962 and stayed there for two years.

Q: Could you describe the Consulate General at that time and sort of Naples as you saw it.

HOLMES: The Consulate General was not quite at its peak size but it was very large. It had well over 100 employees. There were over 100 Italians and there were about 30 American employees, very large multiple of its size now. The main function of the Consulate was what it had been for generations, issuing immigrant visas to Italians. More people were doing that than any other work. Naples. I arrived on a ship. People still took ships in those days. It was raining, it was a grey, February, Sunday afternoon. The city didn't make a great first impression but it grew on me. Naples was very poor then, much poorer than it is now. But not crime ridden. There has been a tremendous degradation of Naples in terms of criminality in the last 30-odd years. I came to be, in a certain way, charmed by the place. At any rate, it's in a wonderful area, a place where you can take an easy Sunday excursion to Capri.

While my being in Naples was a bit of an accident, I began to take an interest in the Mezzogiorno--the Italian south. And I got to know some of the Italians like Francesco Compagne, who were experts on the south, and tried to get an idea of what was happening in a broader sense than who got elected to the Naples City Council. Nobody held this against me but nobody really pushed me into it either, and I'm not sure anybody cared about what ever results there were of my doing it. But it was in effect a hobby, rather than something there was an official demand for. And I'm not sure. I think that one can argue that although we had a tendency in Italy, to act as if it were our country to run, basically we are interested in a relatively small number of things in the country. Lots of issues that are of importance to Italians--vital importance perhaps--don't matter very much to the United States. Where I think the south finally managed to gain some attention other than for playing host to our military bases, was when the Mafia really acted up and the United States started taking an interest in what it was doing, mainly because the Mafia also operates in the United States. For several years, anyway, Palermo, not Naples, was a place in whose reporting Washington and Rome took a great interest. But that was a special case.

Q: That was later on?

HOLMES: Later on.

Q: Were you watching (I'm not sure of the dates), was there much investment by the Central Government to build up Alfa Romeo, Sud, and plastic factories and so on?

HOLMES: Yes, the Alfa Sud project started during that period. I don't know the actual dates but I know the project--at least as a concept--dated from then. The Italian government wasn't quite as corrupt then as it later became and people thought that some of these projects would pay off. But most of the more mastodonic projects came somewhat later. Some of them never came off. Like the idea of a massive industrial complex at Gioia Tauro. The port was built and then abandoned.

Q: That was built in Calabria, wasn't it?

HOLMES: Right. The south was pretty quiet then. The main thing that was happening in the south was the immigration to the north, which was still going on to Germany, France and Belgium. But, I traveled quite a bit. I went not only to places within the Naples Consular district but I traveled quite a bit in Sicily. To me the places...I really couldn't tell...but things seemingly hadn't changed very much since the Second World War in a lot of the places I visited.

Q: Did you get a feeling then...you later became pretty much at least partly an Italian hand, of dismissal, or disdain from people in our Embassy in Rome towards the Mezzogiorno or not?

HOLMES: That's right. This is a traditional attitude of Americans and not just Foreign Service Officers in the Embassy in Rome. Even in the 19th century, rich and cultured Americans almost never penetrated south of Rome. Yes. I think that the image that the people in Rome had was that Naples was a place from where immigrants got on the steerage class of Italian line steamers and went to the United States. I think that that is a fair judgement.

Q: Did you get involved at all with immigration at that point?

HOLMES: Yes. My first job in Naples was to act as an Immigrant Visa Officer. It was one of these crazy situations that the Department got itself into. I was sent to Naples without having any language training and I was supposed to interview Italians, southern Italians who barely spoke Italian and in some cases didn't speak Italian at all. But anyway, we were supposed to interview them in Italian; the staffing pattern didn't include interpreters. I will say for the powers that were in the Consulate in Naples that they realized, if the State Department didn't, that there was a problem. So, for a long period I spent the first two hours of every day being tutored, alone, in Italian and then I would descend to the upper levels of the Consulate and practice what I had learned on the unfortunate immigrants. I learned very fast, maybe not well, but fast. After that, I was moved off the firing line because we had such a volume of work that one person handled all the difficult cases, all the refusal cases, all the requests for advisory opinions and I was that person. So, I sat in the back room and saw a relatively small number of people but did a lot of writing looked at the police records and the Carabinieri reports. In effect was the "bad guy" of the visa operation.

Q: Did you get any impression about the Italians in that period going to the United States? About the type of support by looking at the affidavits of support from their people in the United States, a picture of migration from any country. Did you?

HOLMES: Most of the immigrants were rural. And that may seem obvious, but actually not all of southern Italy is rural. Relatively few of the immigrants were from Naples itself.

Q: When everybody, when people say they came from Naples, what they meant is that they came from the interior. Neapolitans didn't really go anywhere.

HOLMES: That's right. These people were for the most part, relatives of previous immigrants. There were very few skilled people. A small trickle of women that had married US Navy personnel. They were country people and being one who saw the security reports, I could at least get an idea of what happened in these little towns where a family would sort of split up. If there were five brothers each of them would support a different party, trying to hedge all bets. The one who supported the Communist Party, of course, was refused a Visa. What I didn't question then, but in retrospect find somewhat surprising, is the amount of political information which the Italian authorities turned over to us. On plain paper without letterhead or watermark, saying things like "it appears that so and so is known to frequent Leftist circles." The reports might also say things like "it appears that she is a prostitute." And we refused a lot of people on those two grounds. The impression I got was of very poor people who frequently did not speak Italian. Frequently when we interviewed people we would ask questions in Italian and some so-called "travel agent" would translate them into Calabrian or some other dialect and then the answers would come. Usually one could understand the answer without further translation. But really these were people at the bottom of the economic heap and the United States was just one of several places to which they were going.

Q: You left there in what, 1963-ish?

HOLMES: 1964.

Q: Where did you go then?

HOLMES: I went back to Washington and was assigned to the Economic Bureau of State. By then, about that time, I finally got promoted to FSO 6, having lingered long years as an 8 and 7. Somehow at the same time, I go the idea that this was my chance to get somewhere. The Naples Consulate had fringe benefits of a touristic and cultural sort. But if you were among the large staff of Vice Consuls there, you got the sense of being in a place which led nowhere. Naples was sort of a depressed area within the Foreign Service. So going into the Economic Bureau seemed like a step up to where it might be possible to do something, and I did my best to take advantage of the opportunity.

Q: You were there from when to when?

HOLMES: I was there, not a long time, from the Spring of 1964 until August of 1965.

Q: What was your concentration?

HOLMES: This was not long after the State Department had handed over the captaincy, so to speak, of trade negotiations to STR (Special Trade Representatives Office) which had been created by the Trade Expansion Act of 1962. STR was still not the power-house that it has turned out to be in recent years and the State Department had a much bigger role in trade matters. It hadn't shed all its responsibilities despite the legal shift. I worked in the Special Trade Activities Division which really should have been called "Special Problems." We handled problems and cases that arose from trade laws and practices, for example from the Anti-Dumping Law. I got onto the question of the Buy American Act and US preferences for US goods, and the corresponding foreign buy national laws and practices. Fortunately for me, there was an international negotiation regarding government procurement practices going on in the OECD and I learned fast and I got to be the US expert who went to Paris for these talks. I also got to have a certain role in the government in Washington because I was the only one who spent his time working on this subject within the State Department.

Q: What were the issues?

HOLMES: We wanted other countries to cease giving preference to their domestic products and the response was from the other governments was "Oh, you have this Buy American Act which dates from the 1930's and do it too; there's no difference. The pot is calling the kettle black. My job was to try to say that your pot is blacker than ours. But also to try to push within the US government when protectionist government procurement legislation came along to try to block it, try to get it knocked back. I spent some time on the Hill going around lobbying people. Usually my division chief would come with me so there would be somebody who looked older. I particularly remember seeing Senator Tower who was then a new member of the Senate, from Texas. This was the end of a long liberal era and Tower was viewed as being some sort of a troglodyte. He wasn't that bad...but he was an odd character. But he wasn't that bad. At any rate my job was fun. I had a little subject, one that was fairly active at that point because of the international negotiations and where as long as I worked at it, I could be the person who was in charge within the State Department...write my own memos to the 7th floor...things like that.
Q: When you were dealing with this were there certain countries that from your perspective caused more problems than others?

HOLMES: Well, this was before the rise of Japan and the East Asian countries as big league players in international trade and as prime targets for our complaints. That came later. So our focus was mostly on the Western European countries. And France was the perennial "bete-noire." It was economically nationalist and tended to exhibit, rather than hide, its actions.

Q: This was high De Gaulle time, wasn't it?

HOLMES: Yes. US relations with France were not very good in general, to put it mildly. Certainly one lost no points by kicking the French as we and I tried to do. Still, I'd like to stress that the State Department had a fairly strong free trade tradition which has died out now. It was the agency of government which had started the reciprocal trade agreements program and there was almost an ideological fervor still present within EB which certainly no longer exists. We tried to clean up the American act as well as accusing foreigners.

Q: How about dealing with the French? How did you find dealing with them?

HOLMES: Well, I found two things. One is that if an animal is jabbed at it will respond and I can remember arousing angry responses at OEC meetings. I'd read texts of reports about what the French were doing and they simply objected to having their behavior depicted in public. But, I suppose that is what they had to do. They were angry that I would use sources such as the "Economist," but it was very hard to get information. The European tradition in government and government procurement in particular was not to state things overtly, in black and white, but to exercise discretion in the right sort of way; the French did this more than anybody else. So, they were irritated. On the other hand, since I was getting the benefit of going to Paris frequently and eating well at the expense of the tax payers, I didn't mind getting into fights with the French.

Q: How about the Canadians? The French and the Canadians always seem to be the two that sometimes call for trade and business negotiations and sometimes seem to be the hardest "nuts" for America.

HOLMES: I think that can be although it's partly because we are so close to the Canadians that while government procurement didn't give rise to a particular problem with the Canadians, I occasionally got involved in other trade things. I can remember having trouble with the Canadians. I was struck by how much surface friction there was between the two sides. However, the Canadians would simply come down and talk to their counterparts in various US government agencies and eventually they'd hash things out, usually. Maybe things were calmer in the 1960's than later but what I really recall of the Canadians was this network of direct contacts. The Canadian Post Office knew its counterparts in the US Post Office and so on.

Q: What about, was there any businesses in the US that seemed to be more difficult or used greater pressure to get their way and essentially, I suppose, protectionist...or anything like this? Did you have...?

HOLMES: Well, I remember that one of the things I got involved with in US legislation was that the US government was just getting into the business of subsidizing urban mass transportation. There was a big urban mass transportation act about 1965 and I'm sure it was the American makers of mass transportation products that tried to turn this into a

source of funds by restricting procurement under that act to American products. There were other interests I suppose, that were buzzing around, but that's the one that sticks in my mind.

Q: Who was sort of the leader of the Economic Bureau at that time?

HOLMES: Well, there were a series of Assistant Secretaries. There was the two in my time, I think, a period of less than a year and a half. The first was a man named G. Griffith Johnson, about whom I can't remember anything except that he got involved in some sort of automobile accident in Italy and needed to have the legal documents translated from Italian and I was tasked with doing that. I suppose that wouldn't happen these days. But, then he was succeeded by Tony Soloman, who became more famous later in other jobs. But, there were some strong Deputy Assistant Secretaries, this was the beginning of the efflorescence of the position of Deputy Assistant Secretary. People like Joe Greenwald and Julius Katz were the ones who worked on trade things during my time. They were certainly extremely strong officials who knew what they were doing and knew how to get things done in Washington. I thought they were both amiable personally, honest, nice, and honorable people--but extremely harsh judges of the work one did for them. Which is not a bad combination.

Q: You left there in what?

HOLMES: August of 1965 to go to Vietnam. Most of this period from 1964-1965 I had spent being assigned to Vietnam and then having assignments quashed. The first two times I was supposed to become one of what were then called Assistant Prov Reps (Provincial Representatives). It didn't happen the first time because the Economic Bureau's executive director, a formidable woman, managed to stand in the way of it. Another time the Aid Director in Vietnam decided not to expand the program in the provinces. The third time I was assigned to the Embassy Economic Section in Saigon and I was advised that I might as well go, at least this was better than going to Soc Trang. And the choice then was between going or resigning. So, I went.

Q: You were in Vietnam from when to when?

HOLMES: From August of 1965 until June of 1968.

Q: Can you describe our embassy when you went in 1965 and how it operated? You were sort of the new boy and not an area you knew particularly...first of all, did you get any training before you went out there?

HOLMES: There was some area training. If I had got one of those jobs which I didn't want, as a Prov Rep, I probably would have gotten Vietnamese language training. I still remember that somewhere in the course of the assignment process I was given the Modern Language Aptitude Test (MLAT) and I got a score which was high enough to qualify for language training, but not a very high score. It was noted that I had 3's or

better in both French and Italian by that time. And I got a call from somebody in Personnel accusing me of trying to throw the exam. That wasn't true, I just found the sort of abstract approach of the MLAT Exam frustrating. I had a little bit of area training but that's all. I didn't have any Vietnamese. I found that insofar as I was dealing with the Vietnamese government and I was...and even with Vietnamese businessmen and agriculturists, French was very useful and in fact I probably used French more in Vietnam than anywhere else.

Q: In the first place, what was the situation in 1965 when you got out there?

HOLMES: Well, I find it a little bit hard to separate what I remember and what I've read in recent years--because occasionally I'll read a book about Vietnam, though for a long time I took a vow not to think about it. My memory of some things may be weakened by shutting off my mind regarding Vietnam for awhile. Ngo Dinh Diem had been assassinated in November of 1963. There were still people around the Embassy who had been there at that time. At least the ones I talked to thought the United States had erred in its role. In any event Diem had been succeeded by a bunch of laughable of successors like General Khanh. By the time I arrived, the unlikely duo of Nguyen Cao Ky and Nguyen Van Thieu had arrived on the scene and seemed to be running things as a duo. The Embassy was still in its old building, not the one that was attacked in 1968 and evacuated in 1975. It was a rather crummy old building down near the waterfront.

Q: Near a big market area or something...

HOLMES: Not too far. A totally unimpressive structure. By then I had been in the Foreign Service enough to think that DCM's were sort of important but it was one of the few Embassies of the post war period that did not have a DCM. It didn't during any of the last years we were involved in Vietnam. It had lots of high powered people around with various Ambassadorial titles--U. Alexis Johnson at that point, for example, was Deputy Ambassador (and temporarily Chargé). The biggest impression I got was of the similarities to what I'd heard about the Second World War. Places with huge staffs, sort of clumsily coordinating with each other, with a big military presence, with the civilians having a hard time staying on top of the military--or even along side the military. It was not just a matter of State and the military. There were divisions within the military and there were all sorts of civilian agencies.

Another interesting aspect was provided by an active American press corps. They came around to see us: relations with the Press were better by 1965 than they had been in 1963. So, we saw quite a bit of them.

I was personally a dove before my time. I still remember in Washington, I think it was in 1964, listening on the radio to a public discussion of what should we do in Vietnam, held here in Washington. I was impressed by George Kennan saying "Well, we should get out," that we had no interest in that place. Which I think reawakened my "Realpolitik" views. And I was never shaken in the view that didn't matter a goddamn what happened

there, that we were wasting our time and our lives as the well as those of the Vietnamese by being involved. But, that being said, I found the situation fascinating. Here I was, involved in something that I'd only read about before. And the attention that Washington gave almost anything that went on in Vietnam, made it, even if it wasn't intrinsically important, seem important.

Q: What was the, as you saw it, let's start with 1965 when you arrived, the Vietnam government, the War, the country?

HOLMES: What struck me first was that Saigon was sort of a besieged city. You couldn't safely, or even moderately unsafely, drive from Saigon to almost anywhere. If you were nuts you could drive to My Tho, the next provincial capital south of Saigon. But our part of Vietnam was really a bunch of little safe areas and the communications between them, at least for Americans, were almost all by airplane or helicopter. Around Saigon, you didn't have to go very far to get to an unsafe area; cross a bridge or two and you had it.

The place was booming. It took me a little to realize it, but Saigon was enjoying a sort of war time boom, with a lot of cruddy construction going on, a lot of inflation, usually the signs of a boom. The American forces had started arriving in an overtly combat mode, real fighting types as opposed to real or alleged trainers or technical advisors, not very long before I arrived. Just a few months before I arrived. They weren't so obvious in Saigon. The first large contingents went to Central Vietnam. It took time for them to be so obvious in Saigon.

What I got involved in pretty quickly was the rice situation in the country. Vietnam had been a big exporter of rice before the Second World War and even after the Second World War. But, a combination of things, the disruption of the countryside and the new opportunities for the Vietnamese to do something else, a combination of bad and good, had reduced rice production to below the subsistence level. So, we began pumping in huge amounts of rice. The peak reached during my period of responsibility was something like 700,000 tons [in one year]--which is a lot of rice. So, I wound up traveling a lot around the country, to talk to rice merchants, farmers, officials, basically with a focus on the agricultural economy, but picking up other things as well. I traveled mostly to the South of Saigon, although eventually I saw most of the country. Charming place. Unlike in Iran, I didn't think the people were anti-foreign in a dogmatic sort of way. Obviously a lot of them wanted the United States to get out but it wasn't based on thinking that foreigners were monsters.

Pretty obviously to me, the South Vietnamese government had turned over and was progressively turning over more of the fighting of the war to the United States, and that continued during the most of the time I was in Vietnam. There was a constantly used cant phrase about how we have to get the Vietnamese more involved but in the years of the middle 1960's the movement was in the other direction with the fighting but not necessarily the dying) being carried out by the Americans. An interesting place.

Q: What...did you have any meetings with the Vietnamese government?

HOLMES: Yes. I had my own contacts who were pretty high level officials usually from the Economic Ministry and places like that. The Embassy Economic Section shortly after I arrived got folded into AID's Economic Office. We--AID--we eventually had a joint commission with the Vietnamese government that was supposed to run the economy of the country for the Vietnamese, and I took part in it. I saw a lot of Vietnamese civilian ministers and civilian officials, but I didn't see so many military officers except in the provinces when I would always see the local military officials. I didn't see so many of the Vietnamese military rulers, although I encountered them to some degree.

Q: You had come from Khorramshahr and then Naples, not exactly two hotbeds of pristine government. How did you find, particularly dealing with the commodities such as rice, which I mean, is a staple, pushing it in...how did you see the distribution system?

HOLMES: The Vietnamese government had a rationing system for rice. It was full of opportunities for corruption and rice merchants had their own interest in hoarding and speculating although their hoarding was exaggerated. We became more and more free marketish in our efforts, finally deciding that details didn't matter. We would simply pump the rice in and eventually there would be so damned much that it would force the prices down. And we succeeded. The rice was available at a reasonable price. Then we began to worry, and I began doing some of the tiny amount of semi-abstract, semi-theoretical economics I'd done in my life. We became conscious of the need to avoid going to far and to avoid crushing production by having too low a price. I did analyses for the Mission Council on the supply response to rice prices. One thing led to another and I came to realize how, as in lots of less developed countries, local government only cared about the urban dwellers. We Americans wound up being spokesman for the peasants in a certain abstract way.

But the corruption was obvious. I remember one occasion when a ship came from Thailand. We were paying for imports from Thailand. I think in this case it was corn that was on board rather than rice but we couldn't get the ship unloaded. I knew the Vietnamese in authority and I finally told the American commercial types who were involved that (unofficially, of course, and choosing my words carefully) I strongly suspected that the only way they were going to get that corn unloaded was by administering a bribe and probably if they talked to so and so he would not be reticent about telling them how much. They would have to decide whether it was worth it. It was a matter of a few thousand dollars, which they no doubt could afford. I've been conscious of corruption in several places, but that was one of the few times I've been so close to it.

Q: What was your impression of the American business community there?

HOLMES: It wasn't very strong in numbers at that time. There were some rather fishy types who may have been, for all I know, undercover types who means of income were not entirely clear but there weren't very many American business men there. It was

considered too dangerous and not very profitable, I think, for most of them. There were a few...very few.

Q: What about your local staff? Did you find them useful...the Vietnamese who worked for the Embassy?

HOLMES: They were very competent, at least the ones I dealt with myself. You know, very pleasant personally usually, very competent at doing their work, not very imaginative. Good clerical types but this may have been because of the way we used them, I don't know. Yes. They were better by far than one would expect in a Third World country.

Q: When you were there, who were the Ambassadors?

HOLMES: We shuffled Ambassadors frequently. Maxwell Taylor left about the time I arrived, I believe. Henry Cabot Lodge then came for his second round as Ambassador. Finally, there was Ellsworth Bunker.

Q: Did you have any impression of their interests or were you so removed...?

HOLMES: I can't say anything about Taylor. Lodge? I can't say too much about his operations but he impressed me as being very shrewd fellow in what encounters I had with him. I was also aware from the times that I was Embassy Duty Officer of his enormous telegraphic reports to Lyndon Johnson. He used to dictate these things on the old fashioned big dictaphone reels and they were massively long. Ellsworth Bunker I had more contact with, partly because after the Tet attacks in February 1968, Bunker got worried because there was a big rethink going on in Washington on what to do about Vietnam. It had something to do about Lyndon Johnson's eventual decision not to run for reelection.

Q: This was the assembling of the wise men...it was called...

HOLMES: Yes. But rethinking went on elsewhere. Bunker decided he wanted his own process on Vietnam. So a group was organized and I became one of the members of this. I remember being really shocked by one suggestion of dropping a nuclear weapon or weapons on Haiphong and I wrote a memorandum to Bunker saying that from what I knew about the Nuremberg Trials, etc., to allow this sort of thing, such an incommensurate act, even to be suggested, would be hard to justify as legitimate under international law. Anyway, Bunker called me up very quickly and I think it was expunged from the documents. But, I liked Bunker. It seemed to me that he was a really nice man. I don't know what I would say about him in terms of policy. I don't know how much influence he had on policy. The policy in Vietnam was usually made in Washington. Even though there were lots of high ranking people in Saigon, they didn't have a great deal to say about it. I don't think that he was against the policy, I'm just implying I don't know how significant he was. On the other hand, when Henry Cabot Lodge was

Ambassador the first time, he certainly bore a fair amount of the responsibility for the conniving in the assassination of Ngo Dinh Diem. Yes, Lodge had some distinct influence. And later Lodge--and we heard echoes of this in Saigon--did start putting out feelers to the Poles and others in order to try to come to a peaceful settlement of things in Vietnam. But this was one of the rare exceptions so far as I recall or no to the rule that policy was made in Washington, and that Saigon mainly implemented it.

Q. Were you in Vietnam during the Tet attack of February 1968 which had so much to do with Johnson's eventual decision not to run for reelection?
HOLMES: I wouldn't claim that I have or had powers of prophecy. But I was always nervous about the possibilities of a Communist attack at Tet. Our South Vietnamese allies took those holidays very seriously--they let down their guard, while everyone celebrated. So, I arranged to be out of the country two out of the three Tet seasons that occurred during my tour in Vietnam. I was in Indonesia in February 1968; I learned of the attack the day before I was supposed to return to Saigon. I decided to go ahead and take the UTA (French) plane I had a ticket for. It overflew Saigon and landed in Phnom Penh. We didn't then have relations with Cambodia but I talked my way into the country. After a few days it was clear that Saigon was still not cleared of Communists, and I managed to get Royal Air Cambodge to accept a personal check and flew to Angkor Wat. After a few dazzling days there, my money was running out, and with some Italians I rented a Land Rover and drove to the Thai border, where we caught a steam-propelled train to Bangkok. There I got in touch with U.S. authorities. After a few days I was told I was on a priority list to return to Saigon, which I did on an Air America C-46.

Well, I came back and the city was still under siege. A colleague from my office--Allan Wendt--had been the Embassy Duty Officer the night of the Tet attack. He told us about what happened as seen from within the Embassy, as well as writing his thoughts down in a report which got picked up by Peter Kann and published in the Wall Street Journal. From him I got a pretty good idea of what had gone on.

A lot of people had become quite optimistic during 1967. I had become somewhat more optimistic myself. At least, I thought, things were going better. The Tet attack, although I believe military historians think that the Viet Cong lost more than they gained militarily from the attack, had a sudden and tremendous impression on the morale of everybody in the US government, perhaps especially on those who had become quite optimistic. As I mentioned, we shortly thereafter plunged into an examination of whether the US should stay in Vietnam.

That time soon after Tet was an odd period in another sense in that the U.S. Mission was functioning, but the Vietnamese employees were generally not coming to the office anymore. Things that we normally did in our office, a mundane example being doing a cost of living survey, became difficult. It was hard for a foreigner to get a real price in an Asian market. Fortunately we had a Japanese-American whom we sent down to the market; he was able to do somewhat better than the rest of us.

I think clearly the Tet attack shook everybody and shook the US government. Whatever the military result, the political result was a disaster.

Q: One question on this and then we'll wrap this up. Did Miracle Rice enter your calculations at all while you were there?

HOLMES: A little bit. I made a couple of trips to Los Banos to...

Q: Los Banos was in the Philippines?

HOLMES: Yes, the Rockefeller-financed International Rice Research Institute. In fact, we got into importing a little bit of it in Vietnam. The Vietnamese were very resistant to eating it. The Vietnamese traditional rice varieties were long grain. Although a lot of it breaks up in milling, it is still a rather superior rice. And the Los Banos rice was a somewhat stubbier sort of grain and the Vietnamese claimed it had a different odor as well. In lots of Oriental countries, there is a highly developed connoisseurship about rice that was violated by the Miracle rice. I don't know what has happened since but this had not got very far in my time.

Q: Next time we'll pick this up...is there anything else we should cover in Vietnam? So where did you go, just so we'll have this...?

HOLMES: After Vietnam, I got a sort of reward of spending a year at the University of California, Berkeley, doing Atlantic studies.

Q: So next time we'll pick up Berkeley, which was another war zone.

HOLMES: Yes, it was. 1968-69 was the peak year for troubles at Berkeley.

The other things are about Vietnam. As I mentioned, I haven't thought much or talked much about Vietnam in the last 25 years or 30 years, so things escaped my mind. This is a series of random observations.

One is that there was one area in working on the economic side occasionally gave one some insights. One case I drag out of my memory is recorded in Stanley Karnow's book "Vietnam: A History." I remember my own slight role in it. In 1966 the Vietnamese government in one of its fake anti-corruption campaigns decided to execute one Chinese merchant for being corrupt.

Q: I recall that.

HOLMES: Yes. Ta Vinh was his name. I wouldn't have remembered the name--Karnow's book reminded me of it--but I remembered the incident. Some of us in the Economic Office, I among them, who had contacts in the merchant class, were bombarded with angry complaints that this action a) was inherently hypocritical on the part of a corrupt

government and b) that the economy couldn't get along without these "wretched middle men"--the merchants. We fed this into the Mission Council through our bosses. I don't think it had any particular policy impact but it seemed to come as a surprise to the upper levels of the Mission people that General Nguyen Cao Ky was viewed as the most corrupt person in Vietnam and that his ostensible anti-corruption campaign wasn't winning hearts and minds.

Q: Was he Vice President at that time?

HOLMES: He was the Prime Minister under Thieu at that time. It was sort of an uncomfortable duumvirate at that point. Later Ky got shoved out.

The second thing is that I've been reading Prochnau's book, "Once Upon a Distant War." I was in Vietnam in a later period but some of the same characters he writes about in that book had come back or had remained there--like Neil Sheehan, who was back on his second tour. I think things had eased somewhat in the relationship between the American mission and the journalistic community in the few years between 1963 and 1965. We used to provide multiple press briefings, there was such a large press corps that they would attend briefings on any subject. And they actually showed up. I also remember Barry Zorthian who was the Public Affairs Officer in my time in Vietnam, holding evening drinks and food parties at which a few selected correspondents and a few relatively opened minded members of the mission would talk fairly freely; I attended some of these sessions. It was a different atmosphere at any rate from the trench warfare that existed during 1962-63. Ironically so, because it was during my period in Vietnam, from 1965-68 that some journalists, as well as other people, actually started questioning the premises of the Vietnam War, whereas in 1962-63 the argument was about the tactics being followed. Anyway the atmosphere had cleared up a little bit. That was true within the Embassy as well. I used to go to the political section's weekly staff meetings as the economic office's representative. These meetings were great fun. Phil Habib, who was the Political Counselor, was a natural born (I'm tempted to say) cynic. At any rate he refused to be blinded to reality and at least within that room people would say things that were fairly objective about how things were going in Vietnam. Aided, I must say, by some of the participants. The one I remember best was Bob Oakley who was somewhat older than most of the officers, although he was hardly very old at that time, and who also had an independent streak. He and Habib would fight, but the fights were friendly. I thought it was quite different from the "lock step" atmosphere that at times prevailed at the Embassy. Unfortunately, I think that such free thinking and objectivity later declined within the Political Section, not to speak of the impact still later of Graham Martin on the internal processes of the Embassy.

One reason I stayed on as long as I did in Vietnam, was that after my normal year and a half assignment was over I thought I was going to be able to slip off to a delightful assignment on a US secondment to the OECD International Staff in Paris. But the State Department's Vietnam working group decided it needed me as a replacement. I acquired a fair amount of bureaucratic sense while I was in Vietnam and realized that the Vietnam

Working Group was at that point a dreadful place to work. It had lots of work but almost no influence. I didn't feel like doing that so I signed up for another year in Vietnam...as a better fate, doing something significant than doing something invisible back in Washington on the same subject. Also, if I can say so, more pleasurable.

Q: You went to Berkeley. In the first place, having gotten out of Vietnam, I imagine by the time you got assigned to Berkeley, Berkeley had a reputation, it and Columbia, as being the hotbeds of student unrest...or had it?

HOLMES: Yes, it had. The Professor of Italian History at Berkeley--we became friends after I had been in effect his only graduate student--lamented that most of his academic career had gone in the wrong direction. He had gone to Harvard as an undergraduate, then got his Ph.D. from Columbia and then went to Berkeley as a professor. Both Columbia and Berkeley had gone to the dogs. In fact, the student troubles at Berkeley had started long before anywhere else in the United States or in the world.
People associate Berkeley with the wave of 1968 but the student movement had started there in 1964-65 and hadn't ever really died out. But it became more political and less a movement complaining about the education delivered by the University than it had been in 1964-65. in 1968-69, there was a somewhat Marxist, radical group that dominated the students and some of the faculty at Berkeley. There was clash built in because Ronald Reagan had become Governor of California and just as he later demonstrated during the Air Traffic Controllers' strike, showed that he might be a nice guy but he was also very tough. So Berkeley was dogged during the 1968-69 academic year by riots. The one advantage I drew from having been in Vietnam is that I had been in riots and I had smelled tear gas before and had some idea of what you did when it started being used. During that time, if asked, and only if asked, I would admit that I was an employee of the State Department, a Foreign Service Officer. If asked twice, I'd say that I had been in Vietnam. But I certainly did not go around advertising that.

Q: Did you get any feel for...I mean, was there a rationale behind what was happening or were these kids being given their head and having a great time?

HOLMES: I think almost always there was a mixture of motives. Most of the kids were simply followers. There were some leaders who had their own agenda. The agenda, even the leaders, started off at one point and kept on moving leftward, not so much because they thought it out in advance, but because that was the way quasi-revolutionary movements go.

I remember one time when Joan Robinson, the then famous English economist, came to Berkeley, and addressed a forum for the graduate students in economics. I went. She was filled with voluble enthusiasm for the way the students at Berkeley and elsewhere were challenging the system. She thought that something wonderful would come of this. (One has to note that Joan Robinson was an admirer of Mao at this point.) One of the older, senior Professors in the Department, Abba Lerner, who had known Robinson when they were both members of Keynes' circle, and who was a good old fashioned Social

Democrat, said, "Joan, these people aren't revolutionaries, they are simply silly, young people." And I think he was far more right about most of them than she was. I thought it also was a classic case of how liberal administrators, like most of the administrators of the University of California just didn't know how to deal with a situation where people were disorderly and somewhat riotous. Their vision of normality did not span that far.

Q: Did you have any problems yourself? I mean, were you ever singled out or having experiences of trying to explain...?

HOLMES: No, I had no problems. I do remember, since I had at one point, back in college, read a certain amount of Marx, getting into long discussions in one or two of the classes with what I would take to be the radical intellectual leaders of the movement. They seemed mainly surprised that someone had actually read the stuff. I don't remember being singled out but Berkeley was a big enough place so that in the midst of what was a somewhat radical atmosphere there was settings like a seminar in National Security Policy which I took where the majority of the class actually seemed to military officers assigned to University training. (They never wore their uniforms.)

Q: What were you doing there?

HOLMES: I was in the last year, I think, of what the Department called Atlantic Community Training. I think it came to an end with that year's group. Berkeley was not an ideal place for such studies because its orientation is not, wasn't and probably isn't, towards Europe. It has a slightly more Asiatic twist to its interest. I had to be enrolled in a department so I was in the Economics Department, but I only took about half of my courses there. I revived my interest in Italian History and spent a couple of quarters writing a long paper on some of the precursors of Fascism. I took a course in National Security Policy, which was the first time since I'd taken International Politics back in College that I bumped into that subject matter in an academic setting. And I found it quite interesting. I remember writing a long paper on MacNamara's attempts to get away from MAD, the mutual assured destruction strategy of his predecessors and adopt a flexible response policy. I wound up being rather critical of MacNamara, I recall. I was writing almost contemporaneously with his policy. In another, less interesting political science course, I wrote a paper on regionalism in Europe (in France and Italy, to be specific), a subject I still follow. I took some Economics courses which were in any case good mental exercise. A mixed up bunch of courses, but rather interesting. Berkeley was, and is, I'm pretty sure, a rather good University.

Q: Well, you got out of there in...?

HOLMES: 1969. Then I went back to Washington and I became the Assistant Chief to what was called the Trade Agreements Division. An old division in EB--the Economic Bureau--of State. The Trade Agreements Division dated back to the 1930's and could be regarded as the...

Q: Cordell Hull's?

HOLMES: Yes, in a sense it was the grandfather of STR of our day. It obviously had shrunk into a more peripheral role by late 1960's. I spent all in all, five years in that division. I eventually became Chief of the Division.

Q: You were there from 1969 until 1974?

HOLMES: It was not an exciting or promising period for trade policy. It was after the Kennedy round and it was a period as always, when there were trade problems and some preparatory work for trade negotiations but it wasn't one of the peak seasons for trade work. Partly to fill up time, I got involved in doing some econometric work. I had brushed up against it when I was at Berkeley and there were two or three other people there who had some relevant background in that part of EB and we started doing estimates of what enlargement of the European Common Market to include the UK, Denmark and Ireland would do to American trade. And then what Spanish entry might do. Things like that. What sort of revaluation Japan would have to undertake to eliminate its bilateral trade surplus with the United States. I remember those things, not because they were earthshaking, but because they were early cases of trying to do some quasi-scientific work in the trade field in State.

Aside from that, I used to go to Geneva quite a bit. There were preparatory meetings which eventually led on to a round of trade negotiations but not during my time. I also occasionally attended OECD meetings in Paris.

Q: You were there sort of at the beginning of the Nixon Administration, the first part of the Nixon Administration. Did you feel any change in this field towards trade policy as opposed to what had been under Kennedy/Johnson?

HOLMES: I think there certainly was, towards international economic policy in general. The big event of those years in international economic policy was certainly the destruction or the abandonment, depending upon your point of view, of the Bretton Woods fixed exchange rate system by the United States in 1971. At the same time we temporarily put on unilateral tariffs, something that went against the free trade ideology.

Also, it was a period when John Connolly, who was very influential in the first part of the Nixon Administration became quite a voice in international affairs.

Q: He was Secretary of the Treasury?

HOLMES: Yes, Secretary of the Treasury. He became quite aggressive in demanding that the imbalance of obligations between the United States and Europe, putting together the military and the economic spheres, be redressed in some way. If we were going to bear the burden of defending Europe, then Europe should be more forthcoming to us in trade matters. At that point Europe was perceived as more of a clear and present trade problem

than Japan, although there was a bit of Japan bashing rolled in. And finally it was the period when Kissinger, who ironically thought he was reaching out to Europe, managed in fact to irritate the Europeans with the "Year of Europe" in 1973.

Summing it all up, the Nixon Administration was less committed to the transatlantic relationships than either its predecessor Democratic Administrations or the Eisenhower Administration before it, and it shook up that rather close relationship. There was a real shift. Not one that really changed the basic order of things in the final analysis. But it was a change in attitude.

There was also a change in atmosphere in Washington. The Nixon Administration, especially in its early years, seemed to be intensely suspicious of the bureaucracy it had inherited. It's the only time that I can recall that inter-agency meetings would be lectured by somebody from the White House about how we had better watch our "P's and Q's" because the White House was in turn watching us to see that we weren't just reiterating the old policies of the Democratic administrations.

Q: How about problems in the Trade field where you were? I always think of some of the perennial ones, such as Japan, and France? Were there any of those?

HOLMES: Yes, but I find it hard to think that there was anything serious. Since the early 1960's there had been worries about America's running a balance of trade and a balance of payment deficit. Kennedy had tried various palliative measures to deal with the problem. Connolly's effort was to right the balance by something more startling, without great result, I'd say. I think that problem was finally dealt with, in a sense, by forgetting about it. And you can read the abandonment of the fixed exchange rate system as just that. Yes, there was a growing sense that after all it was twenty years or more since the end of the Second World War and that we were paying too much to maintain our troops in Europe and that we needed to be helped on that by the Europeans. There was the sense that the Common Agricultural Policy was developing into a monster that we hadn't fully foreseen when the European Community was first developed in the late 1950's. There was a kind of warfare on all of these fronts at once. It wasn't so much that the Europeans had suddenly done something new or the Japanese had suddenly achieved their trade surplus but that suddenly we were more worried about it.

Q: Did abandoning the fixed exchange, how did that hit the Economic Bureau and all that?

HOLMES: Well, for one thing this was decided up at Camp David with nobody at the State Department participating, or perhaps even knowing about it. Which was embarrassing when the foreign screams began. I remember a flurry of activity a) trying to describe the possible impact of our actions and b) suggesting how we answer the foreign complaints. And also, certainly, the embarrassment about the status of the State Department, about its being excluded from what was, among other things, an important foreign policy decision.

This was the period when Bill Rogers was still Secretary of State. Everybody knew he was a "weak sister" in the bureaucratic competition in Washington. There were other reasons why State was excluded, but that was part of it. Speaking of Rogers, I can remember going to brief him for testimony he was to give and I remember how short his attention span was. The contrast with somebody like Kissinger who was thoroughly disagreeable but who obviously was very quick on the intellectual uptake, and could pay attention, was startling.

It was an unhappy period--that period of Rogers--to be working in State. That was a period, I recall, of the first of the waves of young "Turkism" among FSO's, with a lot of people who thought they didn't have anything important to do in their offices in State deciding to turn their hands to labor union activism. We were put in a position of being explainers of policy in whose development we had had no role. That was the great embarrassment.

The other thing that I was much further away from, but not completely out of, another big economic issue of the period, the ruckus between the United States and most of the world that was produced by the Yom Kippur War and the Arab oil embargo.

Q: The Yom Kippur War was October 1973?

HOLMES: Yes. Thereafter there was a World Energy Conference held in Washington at which a tremendous spat developed between Kissinger and the French Foreign Minister, Jobert. Whereas just now I have been discussing cases of the US taking the lead and distancing itself from Europe, you could read the response to the Yom Kippur War as the Europeans and Japan collectively trying to avoid dangers posed by being to close to the United States, trying to separate themselves a bit from us in hopes of getting better treatment by the Arab oil producing countries.

This whole period struck someone who was working in a part of the State Department which had been dedicated to close transatlantic relations as basically a period of retreat on several fronts.

Q: Well, you left in 1974.

HOLMES: Yes. I'd spent five years in Washington, which is a long stretch. I went to the Mission to the European Communities in Brussels . Before I went and before he became the Ambassador to the EC, Joe Greenwald, who had been in the EB as a Deputy Assistant Secretary and various things as well, said to me that nothing much was really happening on the international trade front or in the European Community, but somebody had to go to Brussels and I'd better do it. I went, and I was the Trade Policy Officer in our Mission to the European Communities.

Q: From when to when?

HOLMES: Less than a couple of years. From April of 1974 to January of 1976. It wasn't a very productive period within the Community, and it wasn't a warm period either in US-European Community relations. As Trade Policy Officer I had a lot of the bread and butter issues between the US and Europe as part of my bailiwick. But it wasn't a period when big things were happening. It tended to be one damned thing after another rather than anything earth shaking. Brussels was a good vantage point to get to know something about the European Community. It was also a good vantage point for European developments in general. One of the more amusing things I did, although one that made Joe Greenwald (who was by then the Ambassador) a little bit nervous, was to, at the request of the then STR, to write a couple of papers, on how the French and later on how the Italians arrived at their trade policy and why they took the positions they did. The STR couldn't our Embassies in Paris and Rome to do such an analysis. It was an interesting case. I think their unwillingness or inability had a number of causes, Including the tendency towards clientitis that most of our Embassies suffer from to some degree or another. One doesn't like to say nasty things about the host government. It also reflects a widespread weakness in both synthesis and analysis; our Foreign Service too often restricted itself simply to reporting the facts.

Q: Did you find that being where you were you didn't, perhaps the OECD Mission took a little bit more objective point of view? You were closer to American interests and you didn't have a single client or not?

HOLMES: Well, I wasn't ever assigned to the OECD Mission (though I visited the OECD many times) but I certainly I spent a lot of my career in the Mission to the European Communities, or overseeing its work from Washington. The Mission to the EC is not like a mission to a multilateral organization. We were advancing American interests vis-a-vis the European Community. Still, the fact is that there wasn't a real, live, national government there that we were dealing with, but a strange collection of forces, the bureaucracy of the European Commission and then the member state governments, all of which had their representations in Brussels. It created some of the atmosphere of a multilateral organization. Fortunately for us because it is easier to pick up information when you have ten potential sources rather than one. So, yes, we probably escaped from the clientitis of a straightforward, bilateral mission. And another point. To me at least, the European Community and the European Commission was such an irritating and artificial construct that it was hard to develop any emotional identification with it, even though I was and am a believer in some form of European unity. I viewed the EC just as a lawyer would view the people on the other side of the courtroom.

Q: How did you view, and maybe, how did the members of the Mission view the principal players? I'm thinking of France, Germany and Great Britain.

HOLMES: Well, this was fairly recently after the entry of the UK into the European Community. The British there were the new boys on the scene. I guess my answer is the one most people would give, that the French seemed to be the dominant force within the

Community but less dominant than they had been at the inception of the Community and less dominant than they now are within the Community. This was so because more recently because under De Gaulle, the French had halfway backed out of the European Community. Not quite as far out as they did from NATO but they for a while adopted a very "stand-off-ish" empty seat approach cost them some influence, just as it did in NATO. But they were clearly the strongest force and the most difficult for Americans to deal with. They made themselves our adversary. More than the others, they wanted the European Community define itself by its difference from the United States. The Germans wanted to be friendly. But at that time they always seemed to be neither terribly well organized or not quite as sharp as the French. The British were quite intelligent and were good sources but were still sort of outsiders. 20-odd years later they still are outsiders. I think one thing that has changed is that the Germans have shaped up in terms of turning their inherent, evident power into more effective power within the Community than was the case in the mid-1970's. Aside from that things have stayed more or less the way they were.

Q: What was the role of the United States in this? I mean, were you just observers or were you sort of hustling around saying, "God, if you do this, it will mean this..."

HOLMES: It depended. A lot of things did not matter very much, as far we could tell, to Washington. We were observers on some things. Where there was a specific US interest, we would hustle around and we'd try to get them to change what they were doing, once in a while with success. What we had ceased to be, by the time I was there, was cheerleaders. The US had, I think, through the 1960's been cheerleader for the European Community but by the mid-1970's that had ceased to be the case.

Q: When you left there, whither the unity of Europe did you see? This would be 1976 when you left.

HOLMES: I think, the years I was there were among the "trough" years. There have been several "trough" periods for the European Community but this was certainly one of the deepest troughs. There were the Presidents of the Commission--even though I was there for a short time, there were a couple in my time--whose names would not be recognized by anybody today. And as I said, the French had been taking a quasi-NATO position. They were less evident than usual. The Community came to life right after I left, at least for awhile. About the time I was leaving they started talking about the European Monetary System. Roy Jenkins came as President of the Commission. Giscard and Schmidt started taking an interest in the latter part of the 1970's. But in the early to mid 1970's, while it didn't seem as if the Community was going to come apart, I would have said it might stay forever in this sort of half baked form. But in fact, despite the fact that it hasn't developed into anything like a Federal Europe or the United States of Europe, it has made progress, it has moved in ways that weren't evident in 1974-75.

Q: Did the Soviet Union represent, sort of, the pressure from the outside that kept the whole thing going, or not? Or was the Soviet Union much of a factor at all?

HOLMES: I think that by then the Soviet Union had ceased to be worried about at least in Europe, that detente kept on being a good word in Europe. Certainly there had been worries about the Soviet Union in the 1960's, particularly during the time of the Berlin Crisis. The Prague events of 1968 had some impact but whereas the Nixon period in America was one of ambivalence about detente, so that the word was almost "verboten" even though in a way you could say that Kissinger practiced it...

Q: He invented it.

HOLMES: But, in Europe there wasn't any ambivalence. There was no feeling that the Cold War in the sense of the division of Europe was over. Nobody then ever thought that the division of Europe would come to an end. But that the danger from the East had ceased to exist. And Europe was mainly intent on getting richer and what they were really concentrating on was the fact that with the Oil Crisis of 1973 and other less evident developments of the 1970's, suddenly the European economic miracle of the Post War period had come to an end. But their focus was on their own economic concerns at that point. I agree that the movement toward European unity had had as one of its causes a fear of the Soviet Union. But by 1974-76 I think that had largely evaporated.

Q: Then in 1976 you were off to where?

HOLMES: I went to London as the Economic Counselor, which was the number two position on the economic side of the Embassy. There was an Economic Minister above me. That was a welcome change for a number of reasons but especially because London is a much nicer place, a much more interesting place than Brussels.

Q: You were there from when to when?

HOLMES: Just about precisely 3 years, from January of 1976 to January of 1979.

Q: Who was the Ambassador when you were there?

HOLMES: There were two. First there was Anne Armstrong. And then there was Kingman Brewster.

Q: At least from your perspective in the economic field, how did they...did they take much interest in economics?

HOLMES: Anne Armstrong took a certain amount of interest but not a great deal. She was a very nice woman, about whom I have nothing bad to say. But she was always conscious of not being a professional in the job. It's better, certainly, to have doubts about your grasp of things than to think you know things you don't know. But she tended to be something of an absentee landlord--not in terms of showing up in the office and doing her

duty, but she didn't get involved in the nuts and bolts of what the Embassy was doing in any great degree.

I would have to go on to say that I don't think it mattered very much because at least at that time and I suspect at most times most of the business between the United States and the UK is done in Washington. It was something we lamented throughout the time I was there but it's generally continued through most periods and was true before my time. It derives in part from the fact that the British put so much more weight on their relationship with the United States than we do on our relationship with the UK. They try their best and frequently succeed in having direct connections with the powers that be in Washington and that's how the more important business gets done.

The balance changed a little bit when Kingman Brewster took over because he was a personal friend of Cy Vance and they seemed to be in close contact. Even then I don't think it had much influence on the work of the Embassy but Brewster seemed to spend a lot of his time sitting in his office at his manual typewriter writing long letters to Cy Vance. He let the Embassy do its own thing. He was more conscious of what was going on and he certainly knew what was "up" more in the UK than Armstrong did but he and the Embassy were like two generally parallel tracks that rarely crossed.

It wasn't that we had a hell of a lot of business to deal with. Any big Embassy in a fairly big country has a certain amount of work to do but we didn't have many big bilateral problems with the UK. On things like civil air rights periodically there would be. But the most interesting thing was to talk to the Brits and get their views on international issues. It was a good place to report from because the British are great at formulating things and giving avuncular advice of a sort that Washington used to have an appetite for receiving.

What was going on within the UK itself was interesting, too, because the great social democrat experiment was coming to an end in the UK. Mrs. Thatcher was flapping her wings and preparing to take off. Clearly the Labor Party was running out of steam. Its relationship to the labor movement was a handicap to it. The British economy needed to be shaken up. Without being a Thatcherite, it was evident that something had to be done and she certainly responded to the situation.

Q: As you were looking at the British scene, did you, having come from the European Community, did you see major problems particularly on the Labor field but I mean, just, one has the impression that things weren't working very well. Machinery was getting old and worn and the people that were doing it were doing it to make sure they had long weekends and it was just seemed unimpressive at the time.

HOLMES: I remember a trip. I kept a finger in international economics. I remember going off to Geneva at one point to visit the negotiations there and a bunch of us traveled together and somehow our plane couldn't land in Geneva but landed in Basel instead, but the Swiss Railways managed to put on a special train to convey us to Geneva. Various other things happened which were in contrast with the "do it tomorrow or don't do it at

all" attitude that seemed to be prevalent in the UK. And I remember coming back to London and saying "I've seen the past and it works."
I thought I saw, what other observers saw, that the British got used to a set of habits, of sort of "featherbedding" almost every job and having deeply entrenched rules about how you did things that rendered them basically uncompetitive in a world that was increasingly open to competition. British industry was clearly, in most categories, falling behind its continental competitors not to speak of the United States or Japan. The British government, or more accurately local government, even seemed to be incapable of doing things like getting garbage collected efficiently. The Labor Movement did seem to have a grip on things that made it difficult to shift some of these practices. British management seemed to be largely inhabited by people who wanted an easy life, who wanted to get up late in the morning and go home early after having had a three gin and tonic lunch. I went around enough and saw enough people in British management to get the feeling that the stereotype was correct, that this was a bunch of idlers who thought that they could keep on living that way forever.

Q: Did you see the class system as an influence on the economics?

HOLMES: I think it was although I think that can be exaggerated. Certainly I was struck when I was in the UK by the obsession with the class system, by how people as well as the media spent a lot of time discussing the class system and its problems. I think the only rival for a strange obsession on the part of the British was their obsession with World War Two. The second obsession, I think, was almost as much of a handicap. Dwelling on the past says something about where your interest lies. Maybe it was a more glorious past but it was still the past.

I'm not sure that the class system, though significant in a social-cultural way, was really as important a problem for the British economy as many people thought. It was one of the forces that underlay the particular attitudes of the British labor movement, which tended to view the class system as a permanent thing: it was "us" against "them" and the "us" would always be the same and the "them" would always be the same. Yes, in that sense I think it was significant. But, in reality, there was some flexibility in the British class system and it has become evident in more recent years. One reads about the boy from a poor working class suburb of London who was able to wreck Barings Bank.

Q: We're talking about a Hong Kong stock broker who quite young, who ...

HOLMES: Yes (but he was working in Singapore for Barings). The city of London was increasingly taking in people from non-traditional social backgrounds, and in the 1970s the city of London was the one part of the British economy that seemed to be functioning. By the "city of London" is meant is the financial sector; saying that is like referring to "Wall Street." The relative success of the "City," and its relative openness to talent, whatever that talent's social origin, are facts true not so much as the ordinary commercial banks as the stock brokers and investment bankers. In those firms, I think even by the mid-1970's careers were open to talents. Yes, maybe the stuffy, alcoholized chairmen of

these institutions would be out of Eton and Oxford or maybe Sandhurst, but the people on the staff would often be from very modest social backgrounds--even cockneys, like Barings' unfortunate employee--and often from immigrant groups...Jewish, Indian, whatever. England was already in the 1970's ceasing to be, perhaps had ceased to be, as homogeneous a place as before.

Q: How did you find the British civil servants that you dealt with?

HOLMES: Well, I thought that they were very good. They were almost uniformly of a high intellectual caliber, at least at the middle and upper levels. What was striking to me though was the fantastic--for an American trying to do business with them, fantastically and frustratingly good--coordination that existed between British government Ministries and Departments. I realized after awhile that, whereas in Washington, one could by wandering around, get different points of view from the State Department, the Pentagon, STR, Treasury--that was also true in Brussels, by going around to different country mission or different parts of the European Commission one could get some differences--that was by no means the case in London. There was an almost Leninist quality to the British government. On almost in all issues, if I made the effort to tap opinion in several places, I would encounter the same opinion, sometimes expressed in identical words. It was fantastic--frustrating as well--but I thought the British bureaucracy was a tremendous machine. I also thought its excellence represented a misuse of obviously very skilled people who might very well have been more usefully employed in the private sector. Britain, after all, had been for years a second rate power. It had, at least in some parts of the government, the parts I dealt with, had a first rate bureaucracy. But, maybe it could have got along with a second rate bureaucracy. I have to add that the excellence of that bureaucracy, and its self-consciousness of excellence, together with its traditions of prestige, gave the British upper civil servants an admirable self confidence. They very much resembled a ruling class, in the sense Mosca gives to that phrase. Of course they had to defer to their political masters, but they managed to retain very real power--and they remained, while politicians came and went.

Q: You left there in 1976. Where to?

HOLMES: I went to Rome as the Economic Minister of the Embassy. In other words I went up a notch in terms of the position I held.

Q: You were in Rome from 1979 to when?

HOLMES: 1982. I left in the Summer of 1982. I was there about 3 ½ years that time.

Q: So you were there basically during the Carter years.

HOLMES: Kingman Brewster had come to London during the Carter years and then I went to Rome and the Ambassador was Richard Gardner, another Carter appointment.

But, I lasted long enough into the Reagan period so that I switched Ambassadors in Rome also and Max Rabb came as the second Ambassador I served under in Rome.

Q: Let's talk a little bit about Richard Gardner who is presently back in as Ambassador to Spain. But, he was a political economist who prided himself on knowing Italy and he would have been a professor and spoke Italian. How did you find him? I mean from your vantage point of the Economic Minister?

HOLMES: He had written a book which began as his Ph. D. dissertation, called "Sterling-Dollar Diplomacy" which is a classic description of the creation of the Bretton Woods System in effect. And occasionally he would give a talk on international economics and he was, on that subject, extremely lucid and interesting. I certainly wouldn't question his expertise in that field. He explained that he hadn't really stuck with it because economics had turned increasingly mathematical. He also was a lawyer and he had drifted more in the direction of legal and political questions. He was very intelligent and very well educated.

His connection with Italy came from his wife. His wife was from a Jewish-Italian family which had emigrated to the United States when Mussolini had introduced anti-Semitic laws in 1938. She had grow up basically in the United States, but had grown up speaking Italian like a native and had connections in Italy. And he eventually had learned Italian. His Italian was pretty good by the time I encountered him in 1979, which was a couple of years into his time as Ambassador.

He was an extremely diligent Ambassador who tried to see everybody significant and do everything correctly. I thought he was a bit square for an Italian situation. He seemed as somebody who knew all the facts but couldn't detect the undertones and nuances that are so important in Italy.

Q: Didn't have rhythm, right?

HOLMES: That's right. His temperament was ill-tuned to Italy. This gets into national stereotypes but he certainly had an "un-Italian", cool, reserved, and not very perceptive nature. In a country where things are said by nuance and inflection, where, I always thought, the first rule about politicians' utterances was to believe the opposite, his sort of approach, which you might call straightforward but which I would describe as choosing to take appearances for reality, was not optimum. I have to add that I think that Gardner had a quotient of deviousness, and that sometimes his obtusely square statements were masks for hidden actions or thoughts of a less conformist nature. Nevertheless, I stand by my overall judgment that he did not, a profound level, understand the Italians.

I think he had had an impact but maybe not the best impact. His Ambassadorship was given a certain negative twist at the very beginning when, for reasons which are not entirely clear to me even now, he cooperated with or maybe even instigated--depending upon the story one believes (and one could get both stories from Gardner, depending on

what he judged his audience wished to hear) in a new and more public pronouncement of the US opposition to participation by the Communist Party in Italian Government.

Certainly the United States had since 1947 been opposed to the participation of the Communists in the Italian Government. But this was something that went without saying. In fact, it went (for a very long period) without being said; it was understood. In 1977, the United States came out with a very explicit public statement from Washington, which everyone knew Gardner had a hand in drafting, to the effect that every country including Italy had the right to choose its own government but the United States certainly had a right to its opinions and its opinion was that the Communists should not participate. The issue of Communist participation had come alive for two reasons, it seems to me. The Christian Democrats were talking about initiating some sort of "compromesso storico," historic compromise, with the Communists, and the Communists under Berlinguer were eager for a marriage with the Christian Democrats. Secondly, Gardner was apparently nervous about a supposed feeling in Italy that the arrival of the Carter Administration meant that the US was changing its attitude towards such a development and he thought this perception had to be headed off at the pass.

Q: A Democratic government that was more amenable to the left than the Republican government or something?

HOLMES: Yes. But I still think issuing this statement was an unnecessary gesture. I'm not saying that we necessarily should have changed our implicit position but maybe it was better to keep it implicit rather than to draw the criticism for interference in Italian affairs that the statement provoked. I should note that the statement was issued before my arrival in Gardner's embassy, but the echoes of it continued throughout his time as Ambassador, and indeed afterward.

Another remark I'd like to make is that I recently read a little book by Sergio Romano, an Italian ex-diplomat who now seems to write for every Italian publication. He was their Ambassador to Moscow and NATO etc. He happens to have an American wife (which may affect his attitude), it's about US-Italian relations and its title can be translated as "The Unequal Exchange" or perhaps "The Unequal Relationship." In it, inter alia, he judges the Ambassadors of the last 35 years. He notes that the American Ambassador in Rome really was, for rather understandable reasons, something of a potentate in the early post-war period when we had a special sort of relationship with Italy. This has been somewhat less true in the last 35 years. The Italians, more than any other advanced people I know, still treat the American Ambassador as if he were really a potentate. But these Ambassadors don't necessarily have that much clout in Washington. Nor is the United States any longer so intimately involved in Italian politics, although the Italians tend to think so. Romano judges that the two best Ambassadors in this post-1960 period were probably Fred Reinhardt and Max Rabb. And he attributes that at least in part it to the fact to the fact that they had no Italian connections--especially no ethnic connections. That they were completely detached, without any emotional links with Italy. In any case, I agree with Romano on Gardner. I can't fault Gardner on his devotion to duty but I'm not

sure that he always quite understood what was going on or always chose wisely what to do. And I don't think his position was helped by having a very active wife of Italian background who cut her own swath in Italian affairs.

Q: How about Maxwell Rabb? Because it was one of those things where at the time of the appointment that there was feeling of "Oh, God, it's another Reagan reward" for somebody who brought in the Jewish vote or something like that.

HOLMES: It was true that Rabb was being rewarded for his political services to Reagan. But the way Rabb explained it was that he, an old Rockefeller Republican, had switched camps and then, for the first time in his life, got involved in a form of elective politics, getting elected to the New York State Republican Convention and there had helped Reagan get the New York vote at the National Convention.

Rabb had been around Washington for a long time before he went to New York. He came originally from Boston.

Q: He had been sort of a Staff Secretary for Eisenhower, hadn't he?

HOLMES: That's right. After working for a couple of Massachusetts Republican Senators, he became an Assistant to the President, under Eisenhower. Staff Secretary...I don't think I recall his functional title exactly; perhaps Secretary to the Cabinet.

Q: It's not quite the name...

HOLMES: In any event he worked on Eisenhower's team and in those days the White House staff was much smaller than it is now. He had several responsibilities but his main responsibility, the one that gets recorded in history and in Max's own memory, was for minorities: not just the Jewish minority but minorities in general including the Black minority. He was a savvy old guy. He was already quite elderly by the time he became Ambassador and he was a much less diligent and dutiful Ambassador than Gardner. He never learned very much Italian; he had a good time. But I think he had more inherent political sense than Gardner. He sometimes could be wrong and some of his American political instincts could be misleading in the Italian setting, but at least he had some instincts.

I thought he could be both amusing and frustrating but I also think he was not a bad Ambassador. In places like Rome, one usually has political Ambassadors. Gardner acted more like a classic, career Ambassador. But I think there is a case in a place like that for a pure political Ambassador as long as he has as much sense as Rabb had.

Q: Just for this tape here, during part of this time, I had never served in Italy but I ended up as Consul General down in Naples from 1979-81. It always seemed to me that not being an Italian hand that tremendous efforts were being made to find out what was going on in the Italian political scene where it seemed to be about as static a situation as

one might think. There might be elections...this was up to this time. Christian Democrats were in power; there would be elections and minor changes. It just seems like our political reporting was on numbers of angels dancing on pins up in Rome. But this was an outsider's viewpoint.

HOLMES: No, I think that's right. The Embassy was caught in a time warp. There had been a time when the United States took quite a lot of interest in Italian politics. The 1948 elections are the classic instance of what we did when it really mattered to the United States...

Q: And we paid for it...

HOLMES: We paid for it. We bought the elections fair and square (laughing). But certainly, I think 30 years later things had changed. But periodically something would happen in Italy that would cause an atavistic reaction, like the governments of national solidarity that took shape in the late 1970's. Whether or not it was because of our pronouncements about Communist participation in the government, these governments did not include the Communists. But the Communists more or less supported them from the outside in Parliament.

The Communist happened to achieve their highest vote totals ever in the mid 1970's. This was at the same time when the Communists were doing well in the newly democratized Portugal and showing some signs of strength in some other Southern European countries. Kissinger himself seemed to be quite worried that suddenly that there was a new wave of Communism.

Q: It was called "Euro-Communism", wasn't it? Being a different breed of cat than the old one and the French...

HOLMES: "Euro-Communism" was sort of the positive view of it. Communists were still Communists but they had changed and they sought to present themselves as offering a third way between capitalism and Soviet-style communism. Kissinger's view was that they were a danger. Kissinger's attitude added to the already existing desire to keep on doing things the same way we had for the last generation, the spirit that dominated the Embassy. We had a large number of people who watched the Italian political parties and their electoral performance with minute care, even though the variations from election to election were very small. The real things that mattered to us in Italy were decisions like Italy's agreeing to station cruise missiles at Commiso, which was important in both the European and the East-West context.

Q: I mean this was the major, I mean, almost last sort of military confrontation in Europe. The Soviets had put the SS20...

HOLMES: They were developing them and it was known that they would be deploying them eventually. Helmut Schmidt started talking about the need for the West to balance

this--there was plenty of lead time. But when the US came up some balancing equipment--Pershing II's and cruise missiles--the Germans had developed some domestic political problems and they needed cover. The British were prepared to agree to the deployment, but the German government said it needed the cover of a continental European government's saying it was willing to have them stationed on its soil. The Italians, to the surprise of many people, including me, stepped forward without much pressure from the United States and said, "Yes." This was the Cossiga government. It was the first government to be formed after the period of "national solidarity"--in other words it did not, like its immediate predecessors, enjoy Communist support or abstention in Parliament, and the semi-formal consultations with the Communists were ended. I was the acting DCM at the time
(there was a long gap between Allen Holmes, who had been DCM when I arrived, and Bob Paganelli) and I remember going with Richard Gardner to see Cossiga about the Italian Government's willingness to accept the cruise missiles, and Cossiga saying, "Yes, I'll do it, and by the way, don't worry about the Communists...I've talked to them and they'll be against it but it won't matter...it's all squared." That was one of the more interesting diplomatic conversations I've ever attended. The acceptance of the missiles was the big news for Washington, but it was almost equally significant that the Christian Democratic Prime Minister had consulted with the Communists on the issue, even after the end of "national solidarity," and that he was evidently confident that they would not go the wall over the decision. (It helped that Cossiga was a relative of Enrico Berlinguer, the Communist party leader.) And indeed, while the Communists organized large demonstrations against the missile decision, they also kept those demonstrations orderly. And, having given their troops, their "base"--always less open than the leadership--a chance to wave banners, the Communists did not push their opposition any further. This was an interesting concrete demonstration of the growing acquiescence of the Communists to the Western alliance, even if they were not yet ready to be straightforwardly positive about it.

The Embassy was slowly evolved from that microscopic attention to internal Italian politics but at the end of the 1970s it had not. Its attitudes then were certainly out of place, though they were understandable.

Q: As Economic Minister, what did you do? I mean the Italian economy, unlike almost any other isn't quite there to see. It's called the "grey economy" or what have you. How did you go about reporting and what were the interests?

HOLMES: You know there was quite a large number of people and agencies involved doing economic work and some of the people were very good. There were some specifics regarding which we and the Italians had differences; these bilateral strains tended to be in the energy area (though not solely there). The 1970s and the beginning of the 1980s constituted an extended period of worries about energy supplies. Schemes for dealing with that problem were developed and hawked around the world. The Italians had an extremely different point of view than the United States. In fact, this was one of the few areas where there had been a historic clash between the United States and Italy. The

Italians had developed a national oil company, essentially in the 1950's, which went out and competed with the "Seven Sisters" and tried to break up the Seven Sisters' so-called monopoly (really an oligopoly). The Italians developed a softer, friendlier attitude than the U.S. thought appropriate even to the more radical Arab states, which caused us problems throughout my time in Italy. They thought this insured them access to Middle East oil on a preferential basis and also gave them markets in the Middle East. So that energy connected questions were a frequent cause of friction. In such cases it was a matter not just of observing but of arguing, indeed more argument than persuasion.

For the rest, this was one of the few bad periods for the post-war Italian economy. Labor troubles and terrorism, which overlapped but weren't identical, created economic difficulties. This situation created management problems in lots of Italian industries. Many Italian managers were "knee-capped", if not worse. (Knee-capping during this period being shot in the knees by terrorists.) It was a period when American companies were largely pulling out, not necessarily disinvesting from Italy, but withdrawing their American managers. I used to travel to the Po Valley area where industry in Italy traditionally concentrated and it was interesting to note the exodus that had taken place and was taking place among American managers. It was thought safer and more efficient to turn the running of what were still American-owned firms to Italians.

Italy was a country of late and shaky statistics. You couldn't rely on them; but it was also a place where it was easy to get people to talk. Our people, some of whom were quite competent, talked and found out what was happening. I thought we had a pretty good grasp on what was happening. It also was good to focus on business because, as the corruption scandals or the corruption trials in Italy in the 1990's have shown, one of the big underlying truths about Italy is that there is a tremendous interpenetration of business and politics--not always in corrupt form, but it is not a standoffish, Adam Smith, type of situation. And getting to know sources and people on the business-economic side of things was often a useful way to really get an insight on what was really happening.

Q: You mentioned corruption and it was certainly the cancer that really effected, profoundly, present day Italy. I mean, the whole political scene...

HOLMES: The trials, the so-called Tangentopoli trials, of the 1990's have drawn considerable attention even outside of Italy to the extent of corruption there. But there weren't many trials--very few--in the period of 1979-1982 when I was Economic Minister that I've been specifically talking about. But one had to be blind or deaf not to realize the corruption that was around. Now, let me tick off about four illustrative examples.

One that had some impact directly on American attitudes and or actions was the collapse of a company called "CIR", a petrochemical company in Sardinia, to which several American banks had made loans thinking that it would be considered a state-owned company and that the Italian government would come to the rescue if the company got into trouble. This was a sham company that really was run by political looters and the Italian state, to the surprise of some, did not come to the rescue when it went "kerplunk."

This had tremendous impact. For several years American banks would not make further loans to Italy.

A second instance regards straightforward corruption, of which I remember tales...I got to know Gianni De Michelis when he was beginning his career as an Italian government minister. In this period he was Minister of State Participations, then Minister of Labor. People would come and complain that he was raising the kickback percentage on contracts that he had control over. Italian business was used to paying a certain amount to their political masters but he raised it. He was especially rapacious.

A third case, which did make the Italian newspapers, a scandal of some note, was a special deal that ENI the Italian State oil company, had made to buy oil from Saudi Arabia...the so-called ENI-Petromin Deal. Petromin was the Petroleum Ministry of Saudi Arabia. It was revealed eventually that 100-plus million dollars had been channeled by Petromin, not to Ani, but to bank accounts in Switzerland which were the under the control of various Italian political forces, in both the Christian Democratic and Socialist parties. The then head of ENI, Mazzanti was forced out of office but this didn't mean that the practice had ended. The affair was probably was exposed because not everybody got paid off and those who didn't share in the loot exposed it. Or maybe it knowledge of the payoffs was used as political leverage. But it was big money even by current day standards.

The fourth, one that I thought was the most serious in a sense, that it seemed to represent going beyond a certain level of behavior, involved the repercussions of the failure of the Sindona's banks, and the Bank of Italy's inspection of the Calvi bank, the Banco Ambrosiano. The Bank of Italy failed to rescue either Sindona or the Ambrosiano and....

Q: What type of bank was this?

HOLMES: The Ambrosiano was a large bank, but not one of the very largest banks in Italy. It had roots in what in Italy is called "Catholic finance." Most of Italy's big banks had "lay," anti-clerical backgrounds. The Ambrosiano had a Catholic background, and it had connections with the Vatican Bank, the IOR, which happened to have an American Archbishop, Marcinkus, as its president in those days. At any rate, Calvi, like Sindona before him, was a crook who managed to become a banker. He ran all sorts of "Ponzi" type schemes. When the Ambrosiano finally began to crack under the impact of these schemes, and under the Bank of Italy's scrutiny of them, the Bank of Italy refused to rescue it and was ready to let it go into liquidation, just as it had the Sindona banks. The Bank of Italy's failure to rescue the two "Catholic" bankers enraged certain forces, mostly in the Christian Democratic Party. This was a period (one of the many periods) when Guli Angeredi was Prime Minister. A pair of friendly right-wing magistrates arrested the governor of the Bank of Italy, Carlo Baffi, and one of the deputy director generals, Mario Sarcinelli. Baffi, because of his age (he was nearly 70), was only placed under house arrest. But Sarcinelli was kept in Regina Coeli, the Rome jail, for a couple of weeks. Baffi and Sarcinelli were, incredibly, were incredibly accused of lack of proper bank

supervision. Everybody knew that they were being burned for the very reverse...for not having rescued "pet banks" from their just desserts. I remember the period quite well because it seemed to me to cross the line from mere financial corruption to using the judiciary and police to threaten and harm those who stood in the way of illicit behavior. (A few months after the incarceration of Sarcinelli another transgressive action occurred, the assassination of Ambrosoli, the liquidator of the Sindona banks, who had been appointed by the Bank of Italy, and who had begun also to identify illegalities on the part of Calvi. Ambrosoli's killer was an American mafioso evidently engaged by Sindona or his Mafia friends.) It was incredible that anyone short of Andreotti could have pulled this caper against the Bank of Italy. Baffi resigned as governor at the next general meeting. Sarcinelli eventually left the Bank. Sarcinelli, in a sense, lived happily every after; he has gone on to better jobs since; Baffi, not. They certainly were both ruined at the Bank, and their successors had to live with the memory of this "warning" from the politicians.

When Sarcinelli got out of jail, the Treasury Attaché and I made a point of inviting him to lunch at a very public restaurant in Rome. He suggested, I think, in any case we invited him to bring along with him the number 2 at the bank, Carlo Ciampi--who became the next governor of the bank (and who has recently been Prime Minister). It was the right thing to do, but it was also a good way to build up a relationship with Ciampi and Sarcinelli.

That was a case where, unusually, the corruption of the Italian government showed its hand in a really brutal way. There's a small literature about the two crooked bankers, Sindona and Calvi, who had a weird set of connections with parts of the Vatican and the Mafia and with the Christian Democratic Party. I shouldn't say just the Christian Democratic Party, they eventually became tolerant enough to include Socialists in their web.

Surely it was evident to everybody that Italy was filled with corruption at the highest levels. The difference between then and now is that since 1992, some legal action has been taken about it. It is possible and I think it probably is true what many people, including I, observed end of the 1970s and early 1980s) was a significant growth of corruption. Italy has never been a pure country but probably there has been an uptake in corruption that started in the 1970s; corruption kept on growing until the 1990's. And it became beyond what the people were accustomed to and could be accommodated to within the economy, it became not just a political, moral and legal problem, but became an economic problem.

Q: Here you are...in an Embassy of a very friendly country and all. American business goes in there and all and you see this corruption. How do you go about it? One, do you report it to...is it a factor that gets out to the American business community...I mean, how do you deal with it?

HOLMES: Well, the American business community was directly aware of it because of its own activities. It wasn't the sort of thing that you made talks about at Chamber of

Commerce or Rotary Club lunches. Yes, we reported to Washington on what was going on. But, except in the rare, very rare instance, where it impinged significantly on some ascertainable American interests, we didn't make a big thing of it. You were talking about the excessive concentration on the nuts and bolt of the Italian politics that the Embassy had. I think that's true. But the key reason that concentration was excessive was that the concern about the details of Italian life that underlay it did not correspond to our real interests in Italy, which were limited, and to the threats to those interests, which were also limited. After all, Italy and the United States are two different countries. What we wanted of Italy was that it do as we wanted in matters of key importance to the United States. The agreement to station cruise missiles was the key decision of that nature during the three year period I've been discussing. Secondly, we had an interest in preserving our existing interests, political and economic, in Italy. As long as general developments in the country didn't seem so bad or so threatening as to challenge the political-economic order, then they might certainly be regarded as disagreeable phenomena--ones worth knowing and talking about and reporting on--but something that wasn't our business.

Q: What about the role of the Mafia-Camorra, these various things, from the economic point of view?

HOLMES: I think that we began to be aware that the Italian Mafia might be significant for U.S. interests around that time. We were probably running a decade late in paying attention to it because I think that from what I've read or understood since that it probably began to be a problem, not at the beginning of the 1980's but the beginning of the 1970's. By the way, Sindona, in a sense Calvi's "godfather," was certainly a figure with Mafia connections who got into big trouble 10 years before the time I'm talking about. (Lots of Americans in the 1960s and 1970s viewed Sindona with approval--an attitude which, I hope, they came to repent.)

By the end of the 1970s people had ceased saying that the Mafia doesn't exist or it only exists in Palermo. There was a bit more recognition of reality but it can't be said either that the Italian government was very vigorous in pursuit of the Mafia or that we official Americans paid as much attention to it as we should have. Later, just about the time I left in 1982, our Consulate in Palermo started to become a sort of Mafia listening post and the FBI and the Justice Department started taking a great interest in what was going on in Italy. I think, while we weren't oblivious to it around 1979-80, I don't think we realized how significant it was either. Our attitude was a shadow or a reflection to some degree of the approach the Italian government took.

Q: Did you get involved in Embassy or US Mission problems with Italian tax authorities on taxes, was this...?

HOLMES: I remember that as a problem but not one that I can say very much about. I don't have any good anecdotes to recount.

Q: I know it was a looming problem when I left in 1981. It was...our people weren't paying their taxes...along with about every other Italian (laughs) ours were particularly bad because we weren't either taking out taxes or reporting it and many of our employees were doing...I mean we are talking about in the tens of thousands of dollars...in unpaid taxes.

HOLMES: You've refreshed my memory. The biggest part of the problem, one that continued for years and I think eventually got resolved, was employees of the American military not having their incomes reported and not paying taxes. Over a period of years the thing got regularized and was resolved, but yes, it was a problem.

Q: We have you leaving in 1982, is that right, leaving Italy, whither?

HOLMES: I went back to Washington and became Director of EUR/RPE. "RPE" stands for Regional Political Economic. There is a longer title, but it is the office that concerns itself with European regional political economic questions in general, and specifically with relations with the European Community and with the OECD.
Q: How had Europe changed...sort of from an economic view where you were in the Economic Bureau, then when you had been there before although in a different position?

HOLMES: Actually I had switched. RPE is part of the European Bureau so I was looking at it from a different Bureau's point of view. Let me talk about two things, one specific and one more general.

Specific: I came back to Washington at a time when one of the more serious arguments between the US and Europe during the entire post-war period was raging. That was over the building of a gas pipeline from Siberia to Western Europe. It was certainly the big issue for our office. The Reagan Administration was filled with people who thought this was in effect trading with the enemy, and it instituted a unilateral series of boycotts and embargoes to try either to prevent equipment being supplied for this purpose or punish companies that did supply equipment. This was something that started before I left Rome but I wound up in the middle of it back in Washington. In the middle in a strange way because a lot of people in the State Department realized that somehow or another, whatever the intrinsic merits of the issue, it had to be defused or it would have a bad effect on the overall US-European relationship. But, given the ideological commitment of the Reagan Administration, one had to be careful in figuring out how to defuse it. And very secretive. The new Assistant Secretary of State for European Affairs, Richard Burt, had a strong secrecy mania anyway. A handful of us wound up working on the subject but sort of under strict orders not to tell anybody else, including people in other suspect parts of the State Department run by truer believers than we were.

Q: Your concern was that you were working from the side of the professional trying to bring it down rather than...bringing the level down rather than from the side of those who were coming from the White House or the ideological right.

HOLMES: That's right. Our point of view was that the Administration's actions we were putting US-European relations in general at risk. The US probably wouldn't win the battle over the pipeline itself. We would get no gains and would get costs in terms of the overall relationship. One of the turning points was George Shultz's arrival as Secretary of State. Finally there was somebody who was interested in this sort of subject on the 7th floor, and who was ready at that high level "to play games", if I can put it that way. That was the big issue of my time in RPE. It was resolved, eventually. People are frequently derisive about the papering over of problems but sometimes that's the best you can do and this problem was "papered over" after a while. The phase of the papering over I remember best occurred when we had gotten the Europeans to make vague statements which could be presented to the White House as signs that the Europeans would do better in the future even if they had been terrible bad boys in the past. I wound up writing one of these Saturday afternoon radio broadcasts for Reagan which he delivered, obviously proclaiming victory, which was not exactly true. These were ways of putting the issue to bed. It had certainly threatened to have a serious impact on US-European relations of this sort. A sign of that was the almost endless series of high level meetings that went on here in Washington with all of the Ambassadors from the European countries present and arguing back and forth; I remember them very well.

Q: How...in a way it was resolved...what happened with the pipeline?

HOLMES: The pipeline got built and now is thought of as a being a good alternative to dependence on Algeria and Libya--Western Europe's two main sources of natural gas outside Europe. The former Soviet Union is the main alternative. At times it seems that it is better to import the stuff from Russia than from Algeria. Better to have two sources than one. And besides the Cold War was over and a lot of the things we worried about 15 years ago seem passé. The issue between the U.S. and Western Europe was resolved by agreement by everybody that the OECD should discuss the question of economic relations with the East, which was an interesting subject but the discussion didn't lead to the end of the pipeline deal. The US rescinded its legal actions that were basically punishing the companies involved in the pipeline. That's how it got resolved, but covered over by a lot of verbiage and done over a period of months.

The other more general subject I'd like to talk about is this. The most interesting thing I did personally while I was in that job was to take an interest in and realize the difficulties of the European economies. There was a certain flushed sense in Washington that the United States was getting its economy rolling again after some bad years. These had gone on into the Reagan period--there was a recession at the beginning of the Reagan Administration. But then at the beginning of 1983 we began a long period of strong economic growth. My achievement, if it was one, was to realize, a bit before it was generally perceived, that the European economies were in tough shape and developing surprisingly high rates of unemployment. Historically, during most of the post war period the United States had had higher unemployment rates than Europe. Typically the US rate would be on the 5 percent-plus range where as Europe would have unemployment rates around three percent. But by the early 1980's we still had unemployment at 5 or 6 percent

but Europe was getting into double digits, in fact most European countries were into double digits at that point.

The European economies were clearly becoming ossified, they weren't keeping up technologically. They were falling behind not just Japan but falling behind the United States.

I thought and I still do that a lot of the problem was the rigidity in the European economic systems, the result, perhaps, of too many years of the good life and belief that they would continue eternally. The European labor systems were particularly rigid. I wound up writing a paper or two within the State Department giving an early warning of this and suggesting that the one way out for Europe was to get on a new unification kick. Which indeed, in a sense, it did in the late 1980's with the idea of the single market and the movement to convert the European Monetary System into an economic and monetary union. The single market was desirable but hasn't turned out to be a sufficient answer and the European problems that existed in 1983-84 still exist in 1996 in most countries.

My venture into this field at the least gained me a high level audience. My papers were circulated; they were interesting stuff. George Shultz read...

Q: Really for the first time you didn't have a lawyer at the head of the State Department but a man who was a labor economist.

HOLMES: That's right. And Shultz's Deputy, Ken Dam, was a man with considerable background in international trade questions. So there was an audience for these papers. I'm not sure what their consequences were. They didn't lead to any strong prescriptions for US policy, not much beyond recommendations to be aware of what happens, beware that the Europeans are in a bad period and mood, and, perhaps, encourage them to act on their problems. It was in any event an interesting attempt to say what was happening that I enjoyed, and I had an audience, for once.

Q: Did Margaret Thatcher's change in Great Britain, how did you observe that?

HOLMES: I thought that she was an unattractive person and unnecessarily abrasive. But I thought that what she did in the UK was basically in the right direction. She did reverse the growth of the British government's share of the economy. She did in effect break the obstructive power of the labor movement in the UK. She did open up things and allow what Schumpeter called the "creative processes of destruction" to operate. I think the UK is in better shape, relatively, because of Margaret Thatcher than it was when Harold Wilson and Jim Callaghan were the Prime Ministers, that is, during my time in London. I thought she was on the right track. It was and is interesting that and still is that no other European government has been willing to follow that track, at least not very far. There has been a lot of discussion of what at the OECD gets called the "structural problems of the European economy" and there has been an increasing recognition that the problems the UK faced were not just British problems but European wide and that something like

Mrs. Thatcher's approach to them is the way to go. That much is recognized at an intellectual level. But, it has been very difficult for European governments on a practical policy level to head very far in her direction. When Chirac was elected President and came to power in France not very many months ago, he made some efforts to head in that direction, dismantling to some degree the pension system and things like that. But when there was a strong labor/public response, unlike Mrs. Thatcher, he veered around and gave in. In other cases in Europe, the story is somewhat similar. In Germany, they seem unable even to change store hours. I think Europe is stuck, and still has lessons to learn from Mrs. Thatcher, disagreeable though she may be. She was probably a hard person to take lessons from.

Q: Were there any other issues that you were dealing with?

HOLMES: Yes, though I'd say the East-West trade question, and the question of where, what's happening to the once bright and shining Western Europe were the two main things. There was one thing that wasn't really an international issue, but was an issue within the U.S. Government. It was the charge of the light brigade of the libertarian wing of the Republican Party. There were people like Bill Niskanen, who was then Chairman of the Council of Economic Advisors, and Allen Wallis, who was Under Secretary of State for Economic Affairs, who were basically free traders. On that issue the traditional State Department position and theirs was very similar. But they were libertarians in a more sweeping sense. They were philosophically against government regulation, they wanted government out of things. It was interesting, as an example, to attend meetings where efforts to do something about energy policy which involved any government action such as building up a strategic energy reserve were opposed by these ideological libertarians. Opposed rather ineffectually because they tended to be great at stating their position but understanding how to get them made policy or put into practice. This was, I'd say, unlike the situation in the Nixon Administration. Then there was sort of a threatening big brother approach. These people weren't threatening, they were on a personal level quite engaging, but they were ideologically quite far out.

Q: I would like to ask you about Richard Burt and how you saw him during this period...this was 1982-85. Relations with Congress and were there any problems and then we'll continue on. Today is May 10, 1996. John, let's talk about Richard Burt. How did you see him at that time and how did he operate?

HOLMES: Well, when I arrived in the European Bureau in the Summer of 1982, Richard Burt was and wasn't there. He had been nominated as Assistant Secretary for European Affairs (he had previously been in charge of PM) but he was being held up by Jesse Helms. Somehow or other Senator Helms may have gotten the idea that Burt was soft on something or other, but I couldn't think of anything that Richard Burt was soft on. In fact, I think he, from talking to him occasionally about his past, he had started off thinking and arguing on the conservative side back when he was at college at Cornell at a time when there was not many articulate conservatives. (In retrospect I wonder whether Helms'

holdup of Burt may not have been occasioned by suggestions from Richard Perle, with whom Burt may already have had clashes during his time at PM.)

In any case, Burt was not signing documents and not doing things in public and trying to be as inconspicuous as he could be while still sticking his fingers into or putting his thumb on top of things. His great immediate benefactor, Al Haig, had just been sacked, which was another reason for his being uneasy about his future. He had assembled around him Deputies who tended to be rather praetorian guard types in terms of defending him and warding off anybody who was not part of their inner circle.

Q: He took Dobbins and Blackwill from PM over to his EUR didn't he?

HOLMES: That's right. Blackwill was the principal Deputy; Dobbins was there also. Richard Haas, who was later on the National Security Council was a Deputy for planning. Eventually Blackwill left but his place was taken by John Kelly, who wasn't quite of the inner group but was at least equally tough in his approach to things.

Q: Did you feel that they were taking a different route than you might say the EUR perspective of where things were?

HOLMES: Thinking back on it, they certainly cultivated a tougher style. They were happy to describe their predecessors in the Bureau as a bunch of "wimps." People like George Vest were despised as having been, in their view, basically weak sisters. Since I knew and esteemed several people whom they despised, this was hard to swallow. But I had the advantage in dealing with the Burt crowd of having known both Blackwill and Dobbins from before in the Embassy in London and having gotten along fairly well with them there and I personally didn't have great problems, not compared to some people, with living with the Burt regime in EUR. And, trying to think back to what really mattered, it seems to me that Burt's essential line and that of his Deputies was not all that different from what you might describe as the traditional EUR attitude. They certainly were not about to send torpedoes through the hull of NATO. I think they were trying to cultivate an image of toughness and calculatedness while on the other hand basically having the same policy objectives.

The differences were matters of style. All of these guys have made a fetish over the years of being tougher than their compatriots. I think it was also a tactical decision in the Reagan Administration which had a somewhat suspicious attitude towards the State Department and towards foreigners, and certainly on the lookout for signs of weakness or detente-ish thinking. It was probably advisable to cultivate an image of toughness. But in practice on issues as widely varied as the Siberian pipeline issue that I think I talked about last time and the ongoing clashes between State and Defense, Burt and Perle, on arms control issues, I think that they were on the side of trying to maintain allies in Europe, trying to preserve the Atlantic alliance and not to be as foolishly aggressive as, say, Richard Perle tended to be.

Q: How about with Congress at that time. It was a Democratic, most of the time it was Democratic Congress, they did have a Republican Senate for awhile. Were there any problems you were all encountering dealing with European affairs at that time?

HOLMES: No. I'm sure there were but I think that the real problems in conducting foreign policy were created by the rhetoric and the policy of the Reagan Administration when it first took power. As the years went on the outcomes were not so aggressive, or as dazzling perhaps in terms of changing everything, as the Reagan people had enunciated at the beginning of the Administration. I think the time I arrived back in Washington, the time of the departure of Al Haig, and the arrival of George Shultz, was the point when there was, not exactly a change in the tide, but some calming down. Nevertheless there was still a situation of tension. But I don't think it really involved Congress so much. I think it was within the Administration.

Q: Did you ever find yourself in the position of either wincing or trying to do something of anything that's coming out of the NSC with any of your colleagues?

HOLMES: Well, there were two things that were rather nervous-making. Maybe both examples of the same sort of thing or situation. The first was--and I think I may have touched on this before--that trying to resolve the pipeline controversy with the Allies, a fairly intense controversy though it was settled and is now largely forgotten, involved acting as if we were a little conspiratorial cell, with most people within the Bureau and almost everybody else within the State Department and virtually everyone else in the government being cut out of what we were trying to--and it was pretty effectively done. It became easier and less conspiratorial when George Shultz settled in as Secretary because finally there was someone sensible and weighty at the top of the State Department who could take the line we had been following more conspiratorially.
There was a second sort of embarrassment. Perhaps because they felt beleaguered or maybe because it was their own style, Burt, Blackwill, Dobbins and the others around Burt, tended to put very little trust in anybody else. Almost everything had to be personally approved by one of the inner circle. Fraternizing with outsiders, trying to develop the informal coalitions that often get organized at a lower level within the State Department or within the government, were forbidden activities unless the Burt circle could dictate the terms. So one did get a sense of being isolated from most other people in the Administration, even in the State Department and being treated with very little confidence by Burt and the "Burtlings."

Q: What is the background of Blackwill and Dobbins and anyone else?

HOLMES: Blackwill and Dobbins are both political-military specialists who, up to then, had spent most of their time working on either overall political-military questions or NATO questions; they had a fairly tight focus on that sort of thing. Dobbins, because he stayed in the service longer than Blackwill, has since done other things. They are both extremely bright. Both much more single-minded, I'd say, and more ruthless--maybe usefully so--than is the norm in the State Department. Conspiratorially minded to a degree

although this is true more of Blackwill than Dobbins. They tended to move in lock step. Blackwill was usually a step ahead of Dobbins. One would take the other's job when the first one left.

Q: It seems like the political military place has always been sort of a reservation or something for the...that's not the right term, but the true believers or the people with the strong ideology rather than just the geographic bureaus. Or at least the political military side is an incubator for that. Do you think there is anything to that, or not?

HOLMES: I think there is something to that. I think that while the Burt crew were perhaps extreme cases of this, a certain toughness not only in style but in ideology was characteristic of many of the political-military specialists. I have to say on the other hand that it has always struck me that a large percentage of the best people in the Foreign Service, the "best" meaning those who combined intelligence with aggressiveness, wound up being from the political-military side. If there was an undesignated "elite" track it probably was pol-mil.

Q: Well then is there anything else we should cover during this particular period do you think?

HOLMES: Not a great deal. Again, personally, I didn't find it pleasant working for Burt and company, although I managed to get along fairly well with most of them. But I think that, given the situation that prevailed in the Washington of the first Reagan Administration, they probably fulfilled a useful role. Although sometimes their style was objectionable, they were prepared to fight for the right things.

Q: You left EUR when?

HOLMES: I left EUR and went straight to Rome in March 1985.

Q: You were there from when to when?

HOLMES: I was there from March of 1985 to just about the first of April of 1990, almost exactly 5 years.

Q: What was your job?

HOLMES: I was the DCM in Rome.

Q: I remember Bob Paganelli being the DCM in Rome and being terribly harried. How did you, it's obviously a huge job. How did you look upon this when you...?

HOLMES: It was one of the few jobs in the Foreign Service I really made some effort to get, mainly by staying in touch with Max Rabb who was Ambassador for eight years. I had been there as Economic Minister. Eventually Peter Bridges (Bob Paganelli's

successor) left and Rabb had to choose a new DCM. I was aware of this and made a point of seeing Rabb when he was in Washington. At least he had no doubt that I wanted the job.

Yes, it was a very difficult, time-consuming, energy-consuming job. Maybe the American mission in Italy imbibed some of the atmosphere of the country, which often seems to be the case. Things never seemed to work as smoothly as they had at the Embassy in London.

I also think the DCM's job in Rome was different from what it was in some other places. If he has an active career person as Ambassador, the DCM will generally have a different sort of role from the one Allen Holmes or Bob Paganelli or Peter Bridges or I had in Rome. Max Rabb in particular he tended not to do a lot of things, and that left a vacuum that would either be filled by the DCM or be left unfilled. It made the job more interesting. But it certainly added to the burdens of the job.

Q: During the time, was Maxwell Rabb the Ambassador the whole time you were there?

HOLMES: No. He was the Ambassador for the most of the time I was there but he left and was replaced by Peter Secchia in the summer of 1989.

Q: Did you see...did Maxwell Rabb, was he running still kind of way he had been running or was there a different Maxwell Rabb when you came back?

HOLMES: He had slowed down somewhat, it seems to me. I saw him later, a couple of years after he left Rome, and he seemed to have snapped back somewhat. But without saying that he had become senile or anything like that, he had slowed down a bit. Maybe he had relaxed a bit, but he was after all, by the time I arrived back in Rome in 1985, he around 77 years old or thereabouts. By the time he left he was over 80. And during that stretch when I was his DCM he had a heart bypass operation.

Q: And he had been doing the job for a long time.

HOLMES: That's right. He never had been completely an absentee Ambassador. He was in the Embassy everyday and was active. But, partly because of his extremely poor eyesight, he wasn't interested, or able, to maintain control over the part of the Embassy's work that Foreign Service Officers tend to focus on, written reporting.

Q: You'd been in and out of Rome and had seen it. When you went as DCM and you knew you'd have an Ambassador who would certainly give you some leeway on say at least the normal business things, did you have any agenda saying, "By God, now that I'm DCM I'm going to take care of this or that?"

HOLMES: No. Although I suppose it would be fashionable for me to say that I did. But I didn't. It seemed clear to me that US interests in Italy, while significant, were not all

encompassing. Many sparrows could drop in Italy without the American government caring about it. Nor should it have. And I thought on the other hand that Italy had established itself as an easy ally: that is, it provided the United States with what it mainly wanted without giving the US too much grief. The US government didn't have to pay too much day-to-day attention to Italy. It wasn't a place where the situation had to be rescued or even repaired. It was a maintenance operation. We were not there to build a nation. We were not even there to build a new relationship; we were there to preserve one.

Q: Another thing it seems. I remember reading in a book of Henry Kissinger's White House years, talking about landing in Rome and after having gone to various other countries and feeling that the mere appearance there was about it because there was nobody really talk to. There was no Margaret Thatcher or no Kohl or what-have-you. There was no one who was Mr. Italy or Ms. Italy; it was a collective form of government so that you weren't going to develop, at least for American leaders coming out any particularly personal relationship where you could pick up the phone and talk to Helmut or somebody like that.

HOLMES: That certainly was true. I think there were several aspects to it. Kissinger is correct. For once he is speaking not just for himself but making a generally sound observation about Italy in that part of his memoirs. The other thing which I recall he mentions was that for the Italians too, the main purpose of a visit was achieved when the President or the Secretary of State got off the plane and they shook hands. The Italians rarely, I shouldn't say never, had much to say. It was occasionally irking to some Italians that Italy had such a muted voice and that they were irked about two things. One, that Italy's voice was muted and secondly that it wasn't listened to. There was a connection between the two.

I think Kissinger also makes a comparison with Japan. At any rate, I would. There was a similarity between the political systems of the two countries at least until recently; both of them have gone through important changes. The similarity was that these political systems positively discouraged the development of individuality on the part of leaders. If a politician got too powerful, his colleagues would chop him down.

There is a further point. The Italian leaders of the early post-World War II period, Alcide De Gasperi and Count Sforza, had a well-developed sense of Europe and the world. But most of their successors were extremely provincial men who were devoted to internal concerns. It was not just because the Italian political system discouraged the development of leaders with a capital "L," but because Italian politicians were not very interested in things outside Italy, that they were not very interesting for Americans to deal with. It didn't help that for many years very few of them would speak English.

Things were a bit different in the immediate post-war period, as I've said; there was a spasm of Italian leadership then. And I think it has been slightly different in recent years, in the last four or five years--since I left Italy--because of the changes in Italy's politics and some generational changes. At least some people have risen to the top or close to the

top in Italy who speak English and know about the rest of the world. They still are not world-class figures but they are a little bit easier to deal with.

In the times that I was there, even in the late 1980's although there was some shift in the situation, the Embassy benefitted a little--this may sound odd--from the lack of direct communication between the top dogs in Washington and the Italian leaders. It was the other end of the scale what goes on between the United States and Canada and the United States and the UK where our Embassies in Ottawa or London often find out afterwards about high level direct phone calls between the two governments. Italy's role in the world was a limited one. Nevertheless, we at the Rome Embassy were left with a larger percentage of task of dealing with Italy than was the case for other significant U.S. bilateral relationships.

Q: What was sort of your, were there any Embassy problems that consumed a lot of time or...?

HOLMES: I could go through a long list but since you're not an Inspector and I don't have to give a complete list, I'll just talk about two things.

First, for one reason or another the Rome Embassy has traditionally not had very good morale. I never was entirely sure of the reasons for this. Morale wasn't as bad as in some other places I can think of but year in and year out there seemed to be a fair amount of disgruntlement. This was probably not true of the younger, brighter political officers, but they are after all a tiny percentage of the staff. It may have been because Italy was a country where you almost had to know the language to feel at home and a lot of our people did not speak Italian. Also, many people assigned to Rome, not just from State but from other agencies, had spent a lot of time in less developed countries where, oddly enough, they had enjoyed a cushier life. The US government did more for them at such posts. There was a government swimming pool, a club, things like that. In Italy, in contrast, they were left to entertain themselves. It wasn't an easy place for those who weren't at home in Italian ways and most of them weren't. That was one general problem that I don't say I had any systemic solution to but I did my best to try to deal with on the margins.

The second problem had no connection with the first. It was the question of the relationship with the CIA, which ever since the Second World War had had a strong presence in Italy. In the old days when we interfered strenuously in Italian politics it was a tandem operation with the State Department certainly to some degree, at any rate determining the policy and the CIA handling the implementation of it. There is enough evidence on the record of the amounts that were spent in Italy...

Q: The election of 1948 is of course...

HOLMES: This has been no secret for many years. And particularly since the Pike committee investigations of the 1970's. But the CIA was a large presence in Rome and

there was always the gnawing feeling that we didn't know exactly what they were doing in all cases. Eventually we held more formal meetings in an effort to make sure we knew more of what was going on. It was one of these cases of "what you don't know, you don't know;" or, to use an image, like the proverbial blind man trying to imagine what an elephant was like. Having said that, I can't say that this was a gnawing concern. And I don't know of anything particularly monstrous or significant that went on that we didn't know about.

Q: Were you there when...maybe I've got the name wrong...when the Gladio operation?

HOLMES: No. That came after I left. The Gladio affair started with something that was well documented. Bill Colby died a few days ago, but he had basically set up what's been called Gladio, as far as I can tell given the murkiness of the current accounts and accusations. By the evidence of Colby's own autobiography he had set up what was called the "stay behind" program. The idea of this program was to have a network of people, connected to the U.S. (or to NATO) who would remain in territory if it was occupied by the Soviets and resist the Soviets. Colby had done this before, working in Scandinavia, and then he was transferred to Italy. This was something that the United States did in most countries in Europe (and maybe elsewhere, but the focus was initially in Europe).

What happened though to the Gladio program was that eventually the United States government seems to have lost significant interest in it but it continued, more as an interest to the Italians involved and there are allegations that it was being used as some sort of shadow government or at least a coup-making machine. And Cosiga, the President of the Republic during much of the time that I was there, got into trouble because of accusations that he knew about it and hadn't revealed it. (His response added to the controversy.)

Q: Basically it was stock-piling armament and being ready for...if Italy was overrun that the people that were, certain agents that were left behind could take up and do things or something.

HOLMES: That's right. And as I said, there's no doubt about the beginnings of the program. Where the controversy exists is in regards to its continuance thirty years later.

Q: Were you aware of it at all?

HOLMES: I barely heard of it when I was in Rome. I can't remember all of the detail but somehow or other I was told by the CIA station people about some of it. My impression was that we had basically reduced our interest in the whole project long before my time but that the CIA was aware of its continuing existence and maybe still had some contacts with it. That's about as far as I can go on the basis of my recollection.

Q: When you were, during this period, 1985-1990, what was your impression of the Italian government? Because we are now talking about 10 years later from the time you arrived there and the Italian government's gone through an earthquake.

HOLMES: Yes.

Q: Because of the political corruption and all that. But during the time you were there was it business as usual or what were you seeing?

HOLMES: Business as usual but maybe government was getting a little bit more corrupt and a little bit more dysfunctional. The 1985-90 period was hardly a tragic period for Italy. There had been a real time of troubles in the late 1970's and into the 1980's with terrorism being the main obvious problem, but with tremendous labor unrest and another thing that had really worried people from Kissinger on down in Washington, that is, what seemed to be the unbroken rise, the unstoppable rise of the Communist Party.

Q: You were saying terrorism...?

HOLMES: Internal terrorism, at least, was largely a dead issue by 1985. Middle Eastern terrorism had arisen but that was something essentially external. It was certainly of concern but the Red Brigades were only able, in the mid-1980's, to carry out about one terrorist operation per year. In fact, that's about what they did. But that was down from hundreds before. The labor situation had quieted down. The Communists had actually tailed off substantially from the peaks they reached in 1975-76. Italy was back: Italy's economy was growing quite smartly during the second half of the 1980's. That was the period when, partly by some adjustment of the national income accounts, the Italian government was able to trumpet the fact that Italy's GDP had surpassed that of Great Britain.

So, it was not a terrible period but it was clear even then that things were getting worse in some regards.

First, the Mafia had become a more obvious problem than it had been before. That was a double edged thing because the Italian government finally started backing up and assisting the magistrates in Palermo like Falcone and Borsolino, at least to some degree. The effort against the Mafia was better after 1985 than it had been before. But nevertheless, the Mafia was a clear, big danger. In fact criminality was rising throughout the South. In Naples, in Compania there was probably a worse problem than elsewhere, arguably even worse than in Sicily; and the same was true of Calabria.

The second problem was that corruption was obviously getting worse. The courts didn't pursue it. The Italian judicial system has a well established tradition of paying attention to the political climate and one could even take their campaigns against corruption, starting in 1992, as being permitted, provoked, motivated by the fact that the shrewder minds among the magistrates realized the political situation was changing and they could,

perhaps had to change their behavior. But in the late 1980s, while scandals occasionally made the newspapers and corruption was a clearly growing problem, very little was being done about it.

The government was also failing in terms of dealing with its economic management responsibilities. Italy kept running a high rate of inflation, long after most countries in Europe had got it under control. The public sector deficit kept swelling and Italy accumulated an extremely large debt burden.

Both the corruption and the failure in economic management seem to be products of a political system that had outlived its prime period. The need to satisfy more political forces, the loss of hegemony by the Christian Democrats, the new role of the Socialists who sought to make up for the years of not being part of the ruling class, the fragmentation of the ruling coalition and the need to satisfy everybody and offend nobody meant that there was no discipline on government spending just as there was no discipline on corruption.

I can't say that I predicted the collapse of the system which began in 1992 but the system was clearly functioning less well than it had in previous years, less well than in the 1950's or 1960's to make a comparison. This was reflected in public opinion polls which recorded a good deal of dissatisfaction on the part of the Italian public, and growing dissatisfaction, with the performance of the government.

It wasn't an ideal period but one had to look at it from the perspective of the American Embassy on the Via Veneto--look at it differently from the way an Italian citizen would. Sure, if things were so bad that they would provoke revolt, the collapse of the system, not in a peaceful way but some sort of a take over of an unfriendly sort, then internal developments would matter to the United States. None of these developments were creating problems in US-Italian relations. Italy continued to be a very cooperative ally. Just as a few years before Italy had been the first continental European government to accept the cruise missiles under Cossiga (and then under Spadolini agreed to the actual basing of the missiles), in the late 1980's, when we wanted to find a place to put the F-16's that were expelled from Spain as a result of the collapse of the Spanish base agreements negotiation, the Italians turned out to be quite prepared to have an Air Base built at Crotona in Southern Italy. It never got built but that was because of Congressional unwillingness to put up the money.

Italy continued to be, if I can say it, a docile ally and having a docile ally, so long as that ally remained relatively stable, is what we wanted.

Q: Was there any concern about Italy and maybe some of the countries that we were worried about...Libya for example?

HOLMES: Yes. However, I would divide the period of 1985-90 into two unequal parts. Certainly in 1985-86 relations between the United States and Italy were strained over our

policy towards the Middle East, towards Libya, over the question of Middle East terrorism. There had been a divergence, I'd say, between US and Italian policy towards the Middle East since the 1960's. Maybe it began when Enrico Mattei, the condottiere who created ENI, the Italian state oil company, started competing with the American oil companies in the Middle East at the end of the 1950's. From then on there were strains. Later, not just ENI, but the Italian government began to take a more emollient, soft line towards the more radical, Islamic countries, and to be less friendly to Israel than the United States. I think this was a case of Italy behaving in a way that we usually associate with France. General de Gaulle's attitude, it seemed to me, was that the United States in the final analysis would use its nuclear deterrent to save France no matter what. He was liberated from the need to do what we wanted.

The Italians didn't push too far the independence that our protection gave them. They were never as verbally abrasive or independent as De Gaulle. But in terms of relations with the Soviet Union and Eastern Europe, particularly economic relations, but even more in relations with the Middle East, Italy from the 1960's began to take a somewhat independent, in any event different, line from the United States. And this interacted with the changes in Italian politics that started in the mid-1960's. As the Christian Democrats lost relative dominance, although they were still the leading political force, they began to seek allies on the left, at first the Socialists in the opening to the left. But then the idea of a "compromesso storico," a "historic compromise" with the Communists began to take shape. One of the things which the Italian Christian Democrats could offer to the left was a change in policy towards the Middle East, something which was desired by those parties.

I also think that there was a yearning, as Italy became more prosperous, to seek to advance Italy's national interests internationally. The Middle East was a traditional area of Italian interest, where the Italians thought they had a privileged entree, not having the burden of being an imperial power like the United States or even the memory of recently having been imperial like the UK and France.

I think the Yom Kippur War of 1973 and the cut off of oil to Italy (and to other countries) had an important precipitating effect. Italy had already become less avuncular regarding Israel after the Seven Day War of 1967. The Yom Kippur War was to make Italians think they were suffering from their association with the United States, that they were sharing in the resentment of the United States which the Arab oil producing countries felt. Added to this, the Italians felt they weren't even being given compensation for this from the United States. There was considerable resentment, I recall, as late the 1980s, that supposedly the American oil companies which controlled a lot of crude in the mid-1970's, didn't give Italy its fair share when there was a penury of oil.

In any case, Italy began wheeling and dealing in the Middle East in ways that were slightly provocative to Washington and Italy was friendly to countries like Syria and Libya, that we eventually demonized, with good reason in both cases. Italy also had reached what I'm convinced was an agreement with the PLO after PLO terrorism

developed in the 1970's, that the PLO would not target Italian persons or interests in return for which it would be given the ability to use Italy as a at least a transit zone. So that there was a series of points on which the Italians and the United States were not thinking in the same way. And, this situation was somewhat exacerbated when the Reagan Administration came to power and talked in tougher terms than his predecessors about striking out at international terrorism.

Q: Were you, I can't remember the date of the Achille Lauro, did that happen during your watch?

HOLMES: Yes. That happened in October 1985. It was a significant crisis, in two senses. It was a crisis between the united States and Italy but it also had the effect that crises have in some illnesses. It led to a change in course and subsequent recuperation.

Q: You might explain what it was.

HOLMES: In early October 1985, four Arab terrorists hijacked an Italy cruise liner named the "Achille Lauro" which was on a cruise from Italy to the Middle East. They hijacked it when it left Alexandria on a brief excursion. During the days in which the hijackers were in control of the ship--about four days, I recall; this was a very brief episode--they killed one American passenger, an elderly Jewish American named Leon Klinghoffer.

I've written a fair amount about the Achille Lauro affair so it is hard to come up with a Readers Digest version. But, basically at the beginning of the crisis there was a certain amount of feeling out between the United States and Italy as to what should be done to recover the ship. The United States pressing from the first for a military action to recover the ship from the hijackers. The Italians were even less prepared than the United States was to run such an action. There isn't a great history of carrying out this sort of thing--recapturing a ship from such a hostile force--although it probably could have been done. The Italians played for time, which they used to seek a peaceful settlement of the crisis. They made use of the Egyptians and the PLO to bring the hijacking to an end. And in fact, they succeeded. The ship eventually came into Port Said with everybody on board safe--except for Klinghoffer, who had been murdered.

There had been radio reports during this cruise to the effect that there had been some killings on board. The official word from the Italians at the time of the ending of the hijacking was that nobody had been killed. The hijackers were allowed off the ship as part of the deal which the Egyptians, the PLO and the Italians had worked out. We were certainly not pleased by that but we were even more displeased when a few hours later it was revealed that an American had been killed. We then began pushing the Italians to seek the extradition of the hijackers from Egypt.

Back in Washington, people essentially at the NSC but also at the Pentagon, and with the knowledge of the State Department, began trying to work out a way of capturing the

hijackers. This was done when the hijackers were put aboard an Egyptian airplane which was to fly them to Tunis-the headquarters then of the PLO. The plane was intercepted by some American carrier-based jets and eventually forced down at Sigonella, which is an Italian-American shared air base in Eastern Sicily. We in the Embassy had been deeply involved in earlier stages of the operation but we certainly didn't know about the interception of the plane until we began getting urgent calls from Washington asking how to get in touch with Craxi [the Prime Minister], asking us to get [Foreign Minister] Andreotti on the line, etc.

The effort was, first, to try to get permission for the plane to land at Sigonella and it was granted by Craxi in a telephone conversation between him and the White House. Then the next step was to argue that the hijackers should be turned over to the United States for trial in the United States. Phone calls went out to every member of the Italian government. George Shultz called Andreotti; Ed Meese called the Minister of Interior; Cap Weinberger called the Minister of Defense; and so forth.

Meanwhile, at Sigonella a force of American Special Forces Unit under command of General Steiner had landed via subterfuge after the Egyptian airplane and surrounded that plane. They were in turn surrounded at the orders of the Italian Government by an Italian carabinieri (militarized police). The situation was very tense for several hours. Finally, we tried to persuade Washington that we were getting into an impossible situation. I remember calling up Mike Armacost [Under Secretary of State] and saying the Italians simply couldn't give in to this and that we risked, for the first time in a generation, a breakdown in our relations with Italy if we persisted in this attempt by force to take off the hijackers. And eventually Reagan relented on the basis of some rather cloudy promises by Craxi, the Prime Minister.

Q: Where was Rabb at this point?

HOLMES: Rabb, like most of the rest of us was down at the Embassy. This had been going on during the night in Rome. But I wound up being the one who called Armacost. Rabb didn't disagree in fact, he asked me to call Armacost, but was not sure of himself in terms of talking about this. So I did it. But I certainly made the point that I was speaking for Rabb.

In any case, finally the Special Forces withdrew. We then went into a new phase to make sure the Italians at the very least put the four hijackers on trial. But then Washington began to focus not on the hijackers themselves but on one of the other Palestinians on the plane, a man named Abu Abbas. On the basis of intercepts made largely by the Israelis of communications between Cairo and the ship when the PLO had been trying to bring the affair to an end, Washington decided that Abu Abbas, who was a fairly well known PLO terrorist leader and who had been acting seemingly as the mediator seeking to bring the hijacking to an end, was actually in all probability the mastermind of the affair. So, our focus was on trying to get the Italians not just to keep and try the four hijackers but to

retain Abbas in custody at least until they could examine a U.S. request for his extradition.

The night after its landing at Sigonella, the Italians transferred the Egyptian airplane, which still had Abbas on board, from Sicily to Ciampino, an airport just outside Rome. They told us they were doing this, and I passed the news on. The American military commander, General Stiner--with the support of Admiral Crowe, the Chairman of the Joint Chiefs, I now know--pursued the Egyptian airplane in a T-28, a small American jet trainer, causing a lot of trouble as he did so. This led to my receiving an oral protest from the Secretary General of the Foreign Ministry.

At any rate, the plane was now in Rome. Rabb was very wroth about this and wanted to drive to the airport and demand that Abbas be turned over to him. But I persuaded him that that was not a great idea.
During the course of that night, we got a request from Washington that we present a formal note requesting Abaas's provisional arrest (the first step in seeking extradition). The Federal district court in Washington had provided the necessary basis for this. I rounded up a bilingual Italo-American at the Embassy named Eric Terzuolo and got him to translate into Italian the note that I drafted. I short circuited the usual diplomatic processes and woke up in the middle of the night the Chief of Cabinet of the Ministry of Justice. At 5:30 in the morning, Rabb and I went to his house and gave him this note. We then dropped by the office of the Prime Minister's diplomatic advisor--we had been at the Prime Minister's office almost continuously during the crisis--to provide a copy of the note and say what we were doing.

During the course of that day (Saturday, Oct. 12, 1985) we kept providing more information, hoping to bolster our case. But in the early afternoon we were told that the Ministry of Justice had decided not to accept our request for provisional arrest--a fairly unheard of step by the Italians. Finally, in the early evening, Rabb and I went to the Prime Minister's office and made one more plea to his diplomatic advisor that Abbas be held...and we were told that he had already left the country. He had been conveyed from Champino to Fiumicino (Rome's principal airport)--the Egyptian plane flew actually that short distance, I think--and there he was put on board a Yugoslav airplane and he departed for Belgrade. The news of this caused a great deal of fury in Washington. There was also fury in Rome. Rabb somehow or other offended the Italian sensibilities by saying on TV, immediately after being told that Abaas had been helped to depart, that he wasn't entirely happy with what had happened. This was a phrase I had suggested to him. I thought it was ultra-diplomatic but it seemed somehow or other to evoke resentment. I still don't understand why.

Q: Couldn't the Italians understand the feeling about...

HOLMES: I later talked to somebody who I still will not name because he is still is an active politician and friend. Several weeks later he invited me to have lunch. He had been one of the two or three people deciding things at the Prime Minister's office during this

period. Craxi typically had got sick at the last moment and had not really been in on the final acts although he was certainly responsible. My friend said, "Let's be frank. We had to satisfy or try to satisfy too many people. The Egyptians were being very tough about getting their plane back and not having Abbas taken and we had our relations with the Arab world to consider. We knew that you Americans would be angry but we were confident you would eventually forgive us and so we went ahead." Which was a fairly cold blooded calculation, but then Machiavelli was an Italian.

Reverting to my chronology, the next day (Sunday, October 13), Rabb and I went to see Andreotti, who was the Foreign Minister, and who, when Craxi got sick, had become the top decision maker on this issue in the Italian government, though, as I said, Craxi remained responsible. Rabb became really enraged when Andreotti tried to explain that Italy had taken the actions it did because it had to worry about the situation in Egypt. Rabb said that the United States was in a better position to worry about Egypt than Italy. During the conversation Rabb more than once rose up from his chair and I thought was going to assault Andreotti. I held Rabb by his suit coat to restrain him. It was an extraordinary meeting. It lasted a long time. Andreotti, as anyone who knew him might expect, was icy cool during the entire session.

I could go on and on. The details are still quite clear in my mind. It is the sort of thing that one doesn't forget. It all occurred during the span of about five or six days, although there were obvious sequels to it.

Q: What did this do? Were doors shut, or communications broken on either side?

HOLMES: Well, the next week, Spotollini, the Defense Minister--who had conveniently been in Milan on the crucial day [Oct. 12]; who had been the one arguing within the government for not offending the United States--said he and his [Republican] party were quitting the government. So Craxi said you can't quit first, I'm leaving. Craxi made a powerful speech before the Italian Parliament. It must have been virtually the first time in the post-war history of Italy in which a Prime Minister spoke in nationalist terms of defending the national sovereignty. It was an extremely skillful job.

We were warned by Italians who said that they were worried about the relationship, that it wouldn't bode well for the relationship if the United States seemed to be responsible for the collapse of the Italian government. Renato Ruggiero, the MFA Secretary General, was the most effective carrier of this message to us. But what was even more significant was that Reagan was intent on holding a mini-summit preparatory to going to Reykjavik for his meeting with Gorbachev. Mitterrand had already said he wouldn't come and while the Italians may not count for much, for the Italians also to drop out and not attend the meeting would have left Reagan looking good. So, Washington decided that there were more important things than pursuing the Achille Lauro-Abu Abbas business. By that time Washington was also aware that its skirts were not entirely clean. What had gone on in Sigonella was really pretty outré from almost any point of view. So, Washington basically backed off. There was sweetness and light.

I don't mean to be too cynical. In fact, I think the whole affair wound up having some positive effects. The U.S.-Italian relationship did survive. While I'm not sure how deep the realization went, I believe Washington recognized that there were some limits to how far even the Italians could be pushed. The Italians didn't suffer any punishment for their behavior, which was less than we could legitimately expect of an ally (I refer particularly to their precipitous release of Abu Abbas). However, I think this affair was one of the two or three things that led to the decline in the Italian individualism with regard to the Middle East. I think that they realized that they were bumping up against the limits of what they could do without straining the relationship with the United States. I think they also began to see their relations with the PLO were not necessarily a guarantee of immunity to Middle East terrorism.

Q: It was an Italian ship...

HOLMES: Yes.

Q: How about the...was the raid on Libya during the time you were there?

HOLMES: Yes. I might first go back and comment further about the Achille Lauro business. It seems to me that it didn't, in the final analysis, provoke a real crisis in US-Italian relations. But it does seem to me that the Italian behavior, although what they did wasn't entirely wrong at all times, was particularly provoking in Washington or to an American because of the deviousness of their approach. The Italian Ambassador in Egypt, Migliolo, was once quoted as saying that in order to solve the hijacking, an "inghippo," a sort of a sly trick, was needed. There has always been a question as to whether the Italians knew that Klinghoffer was dead when they reached the agreement to end the hijacking and let the four hijackers go.

Secondly, the Italians advanced all sorts of specious arguments for not honoring our request for provisional arrest for Abu Abbas. I think that we had a right to expect better treatment of our request, looked at from a legalistic point of view. But extradition is a political act. The Italians could have been more straightforward and said no, they simply were not going to hold Abu Abbas, that they were going to release him because of their own foreign policy interests. This would have caused problems. There was no painless way of getting out of this mess for anybody but I think that the Italian government displayed the same tendency as Italian governments have at times in the past, for instance, in the period between the armistice, between the fall of Mussolini and the armistice with the Allies in 1943, to be too clever for its own good.

The other thing I'd say is that there was some practical negative impact, though not very great, on US interests in Italy. Italian base commanders in lots of places suddenly became much more sticky about our freedom to use bases like Sigonella, at least for quite awhile thereafter. And I don't think we ever quite got back to the virtual "carte blanche" freedom of operation that we had up until then. But still we were left with a viable situation.

Before moving to the Libyan incident, I should note there was one intermediate development. The Achille Lauro events were in October of 1985. In December of 1985 [Dec. 27] there was a massacre at Fiumicino airport in Rome. A bunch of dissident Arab terrorists shot up the area used for embarking El Al passengers. Many people, including some Americans, were killed in that incident. This was strong proof that the truce with the PLO no longer was effective insurance against Middle East terrorism. In this case it was people not under the control of the PLO who perpetrated the attack. By this time there were lots of groups that were out from under the umbrella of the PLO. So, the old Italian policy of trying to achieve peace by negotiation wasn't working.

Moving to Libya....The Libyan crisis developed in the spring of 1986. Qadhafi had made menacing moves by his aircraft against US ships. Some of the aircraft had been shot down. Occasionally Qadhafi would send out motor patrol boats which would sort of challenge the US fleet. The US (aside from its policy differences with Qadhafi) held that his claim that the Gulf of Sidra was Libyan territorial waters was unjustifiable under international law. So we regularly sent US Navy ships into that Gulf.

Arguments went on between the United States and Italy about how to deal with Libya. The Italians had and have many interests in Libya. They still get a lot of oil and gas out of Libya. The number of Italians still resident in Libya is small but there are historic connections between Italy and Libya. Finally the Italians have always taken a negotiating rather than a confrontational approach to such matters. As Roz Ridgway once put it at a conference on US-Italian relations: the United States tends to be a risk taker in international relations and Italy is a risk avoider.

In the early spring of 1986 (to be precise, at the end of March), when all this was going on, George Shultz came through Rome just before Easter and, mainly to persuade the Italians to adopt a position like ours on Libya, had a series of meetings. One of the meetings was at the Presidential palace; where Cossiga was by then President. It was one of the most extraordinary of such events I've ever attended, a feeling shared by others who had experienced many diplomatic meetings. Shultz and the rest of us arrived at the palace and we were kept waiting for a god-awful length of time, which didn't please Shultz. (We learned later that perhaps one of our own people had been responsible for this. He had been sitting around the Quirinale, the Presidential palace, as a control officer. He noted that Neil Kinnock, then the leader of the British Labor Party, was cooling his heels in one of the waiting rooms. Our man called this to the attention of one of the President's diplomatic advisors, and Cossiga decided that he had to have a little chat with Kinnock although he was due for his meeting with Shultz.) Eventually, Andreotti, the Foreign Minister, arrived and, in Cossiga's absence, belatedly opened the meeting with Shultz. Shultz and Andreotti had a thorny relationship and this conversation didn't go very well; but when Cossiga finally arrived, things got worse. Cossiga lectured the United States about its confrontational policy towards Libya and Shultz, who had turned brick red by that point, told Cossiga almost literally that he was "full of shit;" it came pretty close to

saying that. Shultz did say explicitly that what Cossiga had said was "ridiculous." Fortunately we then had to have lunch and the meeting and discussion ended.

Then there was a successive meeting between Shultz and Andreotti at the villa the Foreign Ministry used for official entertainment (Villa Madama). Andreotti arguing again that the dispute between the United States and Libya over the Gulf of Sidra should be referred to the World Court. Shultz said that was nonsense, that our rights were clear.

A few days later [April 5, 1986] there was a bombing of a discotheque in Berlin in which a couple of Americans were killed. Our intelligence people said on the basis of intercepts that this attack had been carried out at the dictate of Colonel Qadhafi. Washington's tactical response was to send Vernon Walters around Europe to talk up the need to deal severely with Libya with various governments. Partly because Craxi, who was still the Prime Minister, didn't seem very eager to see Walters sooner, it took time to set up a meeting. Walters wound up seeing Craxi at the end of his European swing [on April 14]. At that point, Andreotti was off at a European Foreign Ministers Council meeting discussing the same subject of what to do about Libya. In any case, Walters, Rabb and I went to see Craxi and a few of his advisors. While Walters talked around the point, he made it clear to any intelligent, informed person that the United States was about to do something militarily against Qadhafi. But he didn't say when, and while I think he made it reasonably clear military action would take place, he didn't put it in capital letters and certainly wasn't explicit. Craxi argued for restraint. Washington had great suspicions of Andreotti in particular and found it pleasing that Andreotti had not been present to take part in that meeting. (Andreotti had, as I recall, made attempts to contact Walters, an old friend, earlier in the latter's swing through Europe, but Walters, under pressure from Washington and our embassy, had, with the possible exception of one telephone call, evaded contact.) But Andreotti had meanwhile returned to Rome, and he stayed at Ciampino airport, through which Walters was leaving, and literally intercepted him there. Andreotti told Walters that the European Council of Ministers had decided on some economic sanctions against Libya, to which Walter's answer was that this would have been fine at an earlier point but that it was now too late to matter.

In any case, while Walters was in Rome conducting these talks, the US planes had already, as we learned later, begun flying toward Libya. Some of them started from England and had a long route to Libya. The British knew about this but they had not told their European colleagues. But at any rate, the Italians found out about this the next day [April 15] when Benghazi and Tripoli were both attacked. The Italians registered protests, but the situation changed shortly thereafter because Qadhafi, to punish Italy for its providing bases for American forces, or so he said (although so far as I know none of the planes that attacked Libya came from Italian bases) fired a couple of SCUD missiles at the Italian island of Lampedusa, an island which is not very far from the Libyan coast. The missiles didn't do any damage. (I don't know whether Qadhafi was in any way influenced by the fact there then was a small American LORAN station on Lampedusa.)

Q: Which is purely a navigational station...

HOLMES: Yes....The upshot of Qadhafi's attacking Lampedusa was that the Italians were frightened in a way that played into American hands--even though it could be argued that they were being punished for their alliance with the United States. The Italian reaction, as I recall it, was nervousness that Qadhafi might do something more serious. Who would protect them in that case?. Various high ranking Americans came through Rome in that period. I remember Spadolini, the Defense Minister, claiming that Italy had the right to demand that NATO defend it against Libya on the basis of Article 5 of the NATO treaty: that its territory was under attack, and under the NATO treaty, such an attack should be considered an attack on all NATO members, which should come to Italy's assistance. He didn't push that point too hard, however. I don't think Article 5 has ever actually been made use of, although its a key part of NATO. [There was discussion of this point when Turkey argued it needed protection during the Gulf War against Iraq.]. I remember another conversation, with Craxi, in which the latter talked of his ultimate willingness, if Qadhafi made further attacks, to take some direct military action against Qadhafi as the "ultima ratio."

I thought that the net effect of all this--almost inconceivably given the sequence of events--was to drive the Italians back into the protective arms of the United States. In any case, these events of 1985-86, the Achille Lauro hijacking, the Fiumicino massacre and then the dust up with Libya (that dust up with Libya came to an end with the firing of the SCUDS at Lampedusa; Qadhafi didn't do anything terribly provocative for some time there after--he pulled in his horns), marked the end, I think, of the activist phase of an independent Italian policy in the Middle East. The Italians became much less inclined to take an independent line. And Andreotti tried to build up, in fact to restore relations with Israel, which had become quite bad.

The Italians were quite cooperative in matters like the Iran-Iraq War. I remember the Italians had sold a bunch of warships to Iraq. Under perennial harassment by the Embassy--not so much by Washington--they retained most of them and didn't ship them to Iraq, at considerable cost to themselves. Certainly, there were problems from time to time. There was a problem, I remember, when in November 1988 we refused to give a visa to Yasser Arafat to go to the UN in New York. It was one of the few times I got called in to receive a protest from the Foreign Ministry; on a Sunday, even! But with the Political Director apologizing for the bad manners of his Minister (Andreotti) as he delivered the protest. But basically, what had been a significant although maybe not ultimately serious divergence between the United States and Italy over the Middle East narrowed substantially after 1985-86. In the rest of my time in Italy it was not a serious problem. The Italians became extremely cooperative in combating Middle East terrorism. We used to compare them very favorably to the French and the Greeks during that period, I recall. The Italian performance was pleasing not only to the State Department, but to the Justice Department and the DOD.
I could add more specifics but the point is that these rather small individual crises added up to a big crisis, a real turning point in Italian foreign policy. From then until now, there

has been much less Italian activism in the Middle East than there had been between 1965 and 1985.

Q: You were there in 1989-90, what about the gradual...I guess the Soviet Union didn't dissolve when you were there but the Eastern Bloc dissolved and all. How did we see the Italians seeing this?

HOLMES: The Italians were not monolithic about this. But the main line Italian government position in the period 1985-89 was that the United States was insufficiently appreciative of what Gorbachev was doing in the Soviet Union, that we were too skeptical, that real changes of a desirable nature were taking place in the Soviet Union. This, I think, was not a cause of serious strain between our two countries, but the Italians did their best to make their views known to us. They were quite active in telling us their own experiences, about their contacts in the Soviet Union and about meetings they held there. They certainly sought to influence us to take a more "possibilista," a more open-minded, in their view more realistic, approach towards Gorbachev. And indeed, Washington did move, behind the Italians perhaps, did move to a more positive view of Gorbachev and of Soviet developments.

A more serious problem, though, came chronologically a little bit later when the Eastern Block began to break down and when the unification of Germany began to be a real possibility with the fall the Berlin Wall. I think that influential Italians in the government and outside the government became very nervous a) that the United States was acting over the heads of almost everybody in dealing with the Soviet Union and b) that the United States was insufficiently aware of the problem of reconstituting a united Germany. This was not something peculiar to Italy. People were saying the same thing certainly in Paris and elsewhere. Even a few people in Germany were saying this. Their message was, the world had lived happily for forty years with a divided Germany but it might not live so happily with a united one. And the United States was thought, correctly, to be acting fairly single mindedly to the unification of Germany and, they thought, ignoring the perils, the supposed perils, of what it was doing.

This dispute, played out in private for the most part, was a more serious dispute between Italy and the United States. But to repeat, Italy was certainly not the only place where these arguments were being made.

Q: As a matter of reality there wasn't a hell of a lot that any of us could have done anyway.

HOLMES: I think that is true. Maybe there could have been an influence on the speed with which German unification took place but not about the final result. It did contribute to the Italian view, which is still held very strongly, that the United States, somewhere around that point determined that Germany, a united Germany, would be its main interlocutor in Europe, that the United States was, without perhaps recognizing it itself, was choosing Germany as "the" European power. I can understand why the Italians feel

this way although I think it is a somewhat exaggerated estimate. It's true, from my own point of view, that if the United States in the last few years has behaved as if there is any special relationship with any European country that it is Germany. I think that the Italians pushed their estimate of our link with Germany beyond that.

Q: Looking at things as they were, Britain was not quite a European power...I mean, it was in and out. France was not a power that you could deal with particularly. Italy, as you said...Germany was almost the only game in town. If one wanted to be a little...to play this...I'm not sure we think that way.

HOLMES: I don't think that the United States tends, except very rarely, to think so schematically about these things. But, it simply is a fact that Germany is the biggest power in Europe, at least West of Russia; and Germany has generally taken positions that are pleasing or at least compatible with the American point of view. So that is the second reason for our attitude. I think, anyway, that 1989-90 was the beginning of suspicion in Italy regarding a U.S. choice of Germany as European leader. One doesn't see it discussed so much in the United States but the question of Germany and its potential European dominance is a very lively issue in Italy.

Q: Sort of a very basic question. Although I've served a very short time in Italy, I don't have a feel for it. Is there something in Italian education, the way there is something in the French education which sees everything as, I guess its "Cartesian". I mean everything has a form and there is a result, rather than I think the American way where we think of things as being somewhat erratic and all. Do the Italians see patterns where the Americans wouldn't see patterns?

HOLMES: I think that is right. In its crudest and most common form it's called "dietrologia," the idea that there is something, perhaps some conspiracy, at least a rationale, behind everything. Things don't just happen...there is some sort of scenario that is being worked out. A crude manifestation, as somebody said at a meeting I was at this week, is the idea that "not a sparrow drops in Italy without the CIA having a hand in it." The Italians themselves act this way. Italy is a country with a history of conspiracy. It is also is a country, as one Italian put it, which for fourteen hundred years was divided and largely under foreign subjugation. There is a sense that there's a rationale for things but it's a rationale dictated by others. Italy has to try to figure out what the underlying, occult game is so it can protect its interests. I think it isn't quite the French "Cartesian" approach, but it produces a similar misapprehension I think about the United States, whose approach tends to be much more one of muddling through.

Q: When George Bush became President he put a new Ambassador in, Peter Secchia. Who was initially was quite a controversial person. What was the feeling when you heard about him coming and how did this work out?

HOLMES: As was often the case, we heard more quickly about him through the Italians than from Washington. The Italian newspapers were quickly filled with some of the

cruder things that Secchia had said, sometimes with reference to Italy, in the past. Some Italians started running not very covert campaigns against him. The Secretary General of the Foreign Ministry was the instigator of a lot of the reports about Secchia, evidently hoping that somehow or other the bad publicity would abort his nomination. We were put in a difficult position. One couldn't deny that a lot of these things had been said but had to try to say that it all didn't matter.

I think Secchia was an unwise choice. I think that the Italians basically don't like having an Italo-American in that position. I mentioned earlier a book by Sergio Romano, called the "Unequal Exchange" or "Unequal Relationship," about US-Italian relations over the last 40 or 50 years. Towards the end he talks about American Ambassadors to Italy. There was an initial period when American Ambassadors to Rome--James Dunn, Clare Boothe Luce, Zellerbach, Bunker--had an almost pro-consular role. Some Italian Ambassadors in Washington had a significant role in that period also. It's been different in the last 35 years. Things have been less exciting, more normal. He thought, as I've already stated, that the period beginning in the 1960's the two best Ambassadors had been Fred Reinhardt and Max Rabb, neither of whom had any Italian connections. They didn't lose objectivity or have false ideas about their relationship to Italy because there was nothing Italian about them. I think there is something to that.

Secchia, in my judgement, was not a very good Ambassador. I think he was inferior to Rabb. Not that Rabb was some sort of Apollo of Ambassadors but he knew what not to do, which is sometimes more important sometimes than knowing, and certainly better than doing without knowing. He had a certain restraint which I think was desirable. He had a certain political sense which occasionally would serve him well in Italy, even if it was based on American experience. Secchia was like a hyperactive child who had reached the age of 50 or 55 without changing his personality. He tried to do too much without knowing enough to do the right things. I was there with Secchia for nine months and he treated me well enough. I have no personal complaints. I don't know that he did anything disastrous during his time. I don't think he made a very good impression either. I think he was one of the real examples of the problems with one sort of politically appointed Ambassador. Most of the Ambassadors I've known have been politically appointed but some have been good and some have not. I think that the ones who have been pretty good have been the ones who have come out of a background that at least exposed them to government, to public life in a sense, even if they have not been diplomats.

Q: I understand. Often a politician can understand politicians in a...

HOLMES: But a straightforward businessman, especially one who is an entrepreneurial type who is not used to dealing with bureaucracies of any sort and with no particular knowledge of politics of any kind, is not usually, I would think, a very good choice.

Q: Just to put at the end, when you left Rome, where did you go?

HOLMES: When I left Rome, I came back and I hung around the European Bureau for a year or so. I spent three month of that at the UN. And I then retired. I worked for three to three and a half years for the World Peace Foundation in Boston. And then more recently, I have been fully retired. Although I still write and attend conferences.

Let me in conclusion add one thing. Most of what I've said has been about working in Rome on Italian affairs. One thing I'd say about the State Department in general during recent years is--my focus has been on Italy but I've talked to people like Monty Stearns and others--is that if the State Department has anything it can sell or any uniqueness it can bring to its work, it is knowing about the countries it deals with. And I think Italy is one case, but Sterns says that the same was true of Greece and indeed of other countries and regions, where there is a declining expertise in the State Department. Certain central issues, like political-military issues, do attract a corps of people who do have an in depth knowledge and ability, but the State Department has been increasingly bad at preserving its regional expertise. I think the problem is probably getting worse. I know that in the last few years we've had people as Italian Desk Officer who had never served in Italy, which strikes me as an "outre" way of running a Foreign Ministry. There are several reasons why I'm glad to no longer be in the State Department. And one of the reasons is that I think it is becoming less competent in one of its core responsibilities...of knowing about the countries it's dealing with.

Q: Okay. Well, thanks.

End of interview