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

AMBASSADOR JAMES R. LILLEY

Interviewed by: Charles Stuart Kennedy
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INTERVIEW

Q: Today is May 21, 1998. This is an interview with Ambassador James R. Lilley. It is being done on behalf of the Association for Diplomatic Studies and Training. I am Charles Stuart Kennedy.

To start off, Jim, would you tell me when and where you were born and something about your family?

LILLEY: I was born on January 15, 1928, in Tsingtao, China. In modern Chinese, Romanized script it is written as "Qingdao."

Q: Where is Tsingtao in China?

LILLEY: It is in Shandong Province.

Q: That is the peninsula...

LILLEY: Which juts out between the Yellow Sea and Po Hai, or the Gulf of Chihli,

opposite Japan. That is the Shandong Peninsula, and Tsingtao is on the southern side of it. Tsingtao is the best deep water port in China.

Q: Why were you born there?

LILLEY: Well, my father worked for what used to be called the Standard-Vacuum Oil Company [also known as "Stanvac"]. In Chinese it's called "Mei Fu Yang Hang." My father went out to China about 1916 from the company headquarters at 26 Broadway in New York City. Of course, this company was originally broken off from John D. Rockefeller's Standard Oil Company. This was the Standard-Vacuum Oil Company, which was jointly owned by Standard Oil Company of New Jersey and Standard Oil Company of New York. The company used to send out young men called "Classmen" in groups to China. Maybe they would be sent out in groups of 10 or 20 at a time.

These young men would then fan out all over China. They would be trained to speak, read, and write Chinese for about a year. Then they would be sent to work at an "up country" post. As John D. Rockefeller used to convey to these young men: "I want you to sell all of the oil that's sold in your district." Shell Oil Company and Texaco Oil Company were the big competitors of Standard-Vacuum at that time.

Anyway, my father came out to China around 1916 as a young man. The rule was that "classmen" couldn't marry during their first tour of duty in China, a tour of five years. Then my father came back to the U.S. and married my mother, who was from New York State. He took her back to China. They had four children: three born in China and one in Tuxedo Park, New York. I was the youngest of the four children.

Q: How long were you in China after you were born?

LILLEY: I was in China more or less continuously, from 1928 to October, 1940, when all American "dependents" were evacuated from China. I was evacuated from Shanghai, where I was in school.

I also came back to the U.S. in 1930. Every three to five years my parents got six months' leave. In 1935 we returned to the U.S. for six months. In 1938 we went back to the U.S. and stayed there from 1938 to 1939, returning to China in late 1939. So I can say that I lived in China almost continuously from the time I was born to when I was 12 years old. During the period from 1928 to 1940 I spent a total of two years in the United States. During this period, then, I spent roughly 10 years in China.

Q: Can you tell me something of what it was to be a young American boy living in China at that time? Could you describe your life in China?

LILLEY: It was a privileged existence. Tsingtao, where my father was posted for 10 years, was a beautiful port city, built by the Germans. It was then expanded on by the Japanese, with these old, German-type buildings that often looked as if they came right out of Bavaria. The Germans leased Tsingtao from China in 1898, and the Japanese took

over the German leased territory in 1914, at the beginning of World War I. The Japanese constructed their type of buildings in Tsingtao, which was a city built on hills, with numerous wide beaches. It was a beautiful place. Foreign countries did not have a "concession" there, as they did in Tientsin or the International Settlement in Shanghai. The foreigners just lived well in Tsingtao. It was a nice posting.

The U.S. Navy used to come up to Tsingtao from the Philippines every summer. The USS AUGUSTA, a light cruiser, and then the USS CANOPUS, a submarine tender, would come up. These two ships would go up to Chefoo (Yent'ai) on the North coast of the Shandong Peninsula, then come down to Tsingtao and, from there, return to the Philippines.

Q: During this time were you learning Chinese?

LILLEY: We didn't learn Chinese the way that the foreign missionaries learned it. We didn't live with the Chinese. We lived in a foreign enclave and attended American schools, where we were taught in English. However, we picked up "street Chinese" from the servants and people in town. We learned how to swear, how to talk, and how to make our way around. It was very primitive Chinese. After I returned to the U.S., I had to begin again and learn to speak Chinese properly.

Q: During the 1930s what were the events that affected all of you? I can't remember when the Japanese moved into China, but I recall that it was during the 1930s.

LILLEY: Well, let me "walk that process through." The status of Tsingtao was one of the "21 Demands" which the Japanese presented to China in December, 1915. The Japanese wanted to take over the German concession in Tsingtao during World War I. The "21 Demands" led to a furor of Chinese nationalistic demonstrations. The Japanese were talked out of pressing these "demands" by other foreign countries, and eventually they "backed off." However, the Japanese maintained Tsingtao as a "sphere of influence" after the Germans were forced to give it up formally at the end of World War I. The Japanese had lots of businessmen there in Tsingtao.

Then the Japanese moved into Manchuria in 1931. In 1937 they moved into China proper. Up until 1937 Tsingtao was dominated by European Caucasians. The British were the strongest, but there were also the French, the Belgians, and the Dutch. The Germans had lost their settlements in China as a result of World War I. The Russians had given back their concessions under the Karakhan Declaration of 1923, which renounced the Russian share of the "Boxer indemnity," as well as all extraterritorial rights which Russia had gained under earlier treaties. However, there remained the British, French, Japanese, and sometimes the Dutch and Belgian Concessions. Then there was also the Shanghai International Settlement.

We lived a privileged, "foreign" life in China. It wasn't the "real world" in many ways. I think that this all changed in the summer of 1937. On July 7, 1937, an incident occurred at the "Marco Polo Bridge" near Beijing, which many people believe was provoked by

Chiang Kai-shek and the Chinese Nationalists. However, I think it is more likely that the Japanese provoked the incident.

The Japanese attacked Beijing. Then military activity started in Shanghai. The Japanese moved down to Shanghai, bombed it, and then started driving up the Yangtze River. This was followed by the massacre at Nanking [also known as the "Rape of Nanking"]. The Japanese went as far as Wuhan and Hankow on the Yangtze River. They stopped before they got to Szechuan. Meanwhile, Chiang Kai-shek had moved up to Chungking, which was the capital of the Republic of China during most of World War II.

I think that the most important year was 1937, a watershed when life changed for us foreigners. This was because the era of the foreign domination of China by Europeans was coming to an end. The Japanese were moving in to fill the gap with military power. The Chinese were resisting the Japanese, unsuccessfully for the most part. They certainly couldn't put up much initial resistance to them.

We foreigners saw our life change. The British had to begin to accept insults from the Japanese. So did the French. The Americans pulled the 15th Infantry Regiment out of Tientsin. We had kept troops there ever since the Boxer Rebellion at the beginning of the 20th century, when foreigners were slaughtered in Beijing. After we pulled out the 15th Infantry, the Japanese gradually moved in.

These events gave the Japanese a dominant role in China. President Roosevelt imposed sanctions on the Japanese in terms of cutting off scrap metal, oil, and so forth. The ability of foreigners to do business in China was shrinking rapidly, as the Japanese closed them out. The Japanese were going to turn all of China into a Japanese colony, as they had in Manchuria, or Manchukuo, as they called it.

We saw our whole life change in 1937. My two older brothers went back to the United States to go to school. They didn't stay in China. They went to Phillips-Exeter Academy in New England. My sister and I stayed on, but we could see that the situation was going into eclipse.

Q: Did you, as a kid, experience problems with the Japanese?

LILLEY: Not as a child.

Q: You just kept out of their way.

LILLEY: Well, I'll tell you that at this point I was in a place called Jiu Jiang, or "Nine Rivers," up in Kiangsi Province. My father was posted there in 1939. It was somewhat of a backwater. He was instructed to hold onto Standard-Vacuum properties. The company also had an oil installation there. I lived there with my father. I was the only American kid in town. I had nobody to play with. I used to sit in the yard and play ball by myself.

One day a Japanese soldier came over the wall. This Japanese loved baseball. He started

playing with me. We developed a friendship. We couldn't talk to each other, but he was obviously a married man who had children and missed his family. He was a very nice person. We established this close relationship. One day a hard, arrogant Japanese officer whom we knew as liaison to the foreign community and who was wearing thick, horn-rimmed glasses came into our compound. He hit this soldier right across the face and said: "Get out of here and never come back." And that was that. I never saw my friend again.

At that time my father was on a committee, along with a French priest and a British businessman. The committee had been set up to help foreigners to deal with the Japanese occupation forces. This committee tried to deal with the Japanese and to get them to help foreigners and treat Chinese better, but the Japanese were very difficult to work with. Finally, my father sent me down to Shanghai to attend the Shanghai American School [SAS], because there was no school at Jiu Jiang. I was a "boarder" at SAS and was in seventh grade.

Q: Was life different in Shanghai?

LILLEY: Yes. I was a "boarder" on a secondary school campus. It looked like and was an imitation of Phillips-Exeter or Andover Academies. It had red brick buildings with a cupola on the main administration building. In fact, it was a poor imitation of Exeter or Andover. It also looked something like Williams College, with its red brick, Georgian style buildings.

SAS was very heavily dominated by religious groups. My brothers had gone there in 1937. I went there in 1940. My parents had originally sent my brothers to Pyongyang School in Korea, but that was too "fundamentalist" a Presbyterian school. So they moved my brothers to Shanghai, which was more "secular," although it was still subject to heavy, religious influences.

However, academically, SAS was a good school. David Tappan, who later became Chief Executive Officer at the Fluor Corporation, attended the SAS. He was the valedictorian of his class of 1940. There were not too many others in the class. Paul Bordwell also attended the SAS and did well afterwards. It was a good and well disciplined school. The teachers made you work. Well, I was just a seventh grade kid and was very unhappy, being away from home for the first time and at an early age.

Q: I'm sure you were. Were developments in China at that time discussed, or were you just kids attending school?

LILLEY: Initially, developments in China didn't have that much impact on us. However, certainly, by the summer of 1937, the impact increased. We saw Japanese bombers roaring over Bei Dai He, near Tientsin, where we spent the summer of 1937. This was perhaps 50 miles from Tientsin. The bombers were going to bomb Tientsin. The railroads were blocked, and the Japanese were obviously in charge. We saw the refugees and heard some of the gunfire. We saw the 15th U.S. infantry leave and saw the Japanese move in

and take over. We saw the Japanese slapping the British around. We saw the Chinese taking refuge in the foreign concessions to get away from the Japanese. There was all of this going on around us, but we were insulated from much of it as foreigners.

Q: So you left China in 1940. Did your father and mother leave with you?

LILLEY: My mother went with us, and my father stayed behind in China. Generally, the men stayed, and the women left. My father then came back to the U.S. on leave in 1941. He was just getting ready to return to China when the company held him up in the U.S.

Q: A good time to be held up.

LILLEY: Had he gone back to China, he would have been "interned" by the Japanese. However, the company held him up, and then everything changed on December 7, 1941.

Q: When you came back to the U.S. in 1940, what did you do?

LILLEY: Well, we lived in Ridgewood, New Jersey. I went to an American school for eighth grade. I was very well prepared by the Shanghai American School. I was either first or second in my eighth grade class. However, I didn't know how to play any of the sports. I didn't know how to play football, baseball, or basketball. I could play soccer and swim. So I was kind of a "fish out of water."

Seeing American society almost as if I were an alien dropped from a planet in outer space had an impact on me. I remember the people I met then vividly. I remember the attractive young girls and the social structure, based on athletics and camaraderie. It was not "snobbishness." It was like the class structure in the United States as described in one of the novels of John P. Marquand, involving the upper, upper middle, lower middle, rich, and poor classes. Basically, I found that society was democratic, in the sense that a poor boy could be President of his class if he were an athlete and had an attractive personality. This school in New Jersey asked me back to attend their 50th class reunion in 1995 - a unique experience, how parochial they were - how far I was distanced from them and yet fascinated by them.

Q: What was the name of this school?

LILLEY: Ridgewood Junior High School. The people who graduated from that junior high school went on and graduated from Ridgewood Senior High School in 1945. Somehow, the school "ferreted" me out as a person who had attended the school and knew them. They asked me if I would come back and attend the class reunion. I said that I would and did. I saw the faces of these people whom I had known 52 years before in Ridgewood, New Jersey, and recognized many of them, as I told them. I don't think that they ever "got" it. I said: "You know, I looked at you people as an outsider. I'm telling you what I observed of you. I tried very hard, at that time, to be 100 percent American, but you had a slightly different accent from mine, you approached things somewhat differently, and you were 'strangers' to me. You never could quite figure me out."

I attended ninth grade at Ridgewood Junior High School for a year and a half and graduated. Then my family sent me off to Phillips-Exeter Academy, because they moved to New York City. My two brothers had gone to Phillips-Exeter.

Q: Tell me about Phillips-Exeter Academy at that time. You were there from...

LILLEY: 1942 to 1945.

Q: What was it like at the time?

LILLEY: Phillips-Exeter was much more cosmopolitan and international than Ridgewood High School. It had a different brand of students. They were much brighter and were very much a select group. My brothers had both gone there and been athletes. My elder brother had been President of his class, so our family name was well known. They played sports I was familiar with. I immediately became a soccer player and a swimmer. I regained my athletic skills after losing them at Ridgewood Junior High School.

I never particularly liked Exeter. It was all male. I think that this was a mistake. I know that this was considered a part of discipline. This developed some unusual attitudes toward girls. We didn't have a sort of "natural" feeling toward girls. We looked at them as "sex objects."

Q: Oh, yes. I attended Kent School for four years. It was operated by Episcopalian monks.

LILLEY: When I was attending Exeter, if you were caught associating with girls, you would be "kicked out" of the school. I don't know if Kent School was that bad.

Q: At Kent we just didn't have the opportunity to associate with girls.

LILLEY: We just sort of looked at the "townies" [local girls] sideways. However, going out with girls and drinking alcohol were grounds for immediate expulsion from Exeter. I think that was a mistake. Briefly, Exeter was all about sports. Academic achievement was important, and there were social clubs. It was a much better school than Ridgewood Junior High School had been. In Ridgewood, I had become acquainted with the local society, but Exeter was a real institution that stood on its own. Just about everybody who graduated from Exeter went on to Harvard, Yale, or Princeton University in those days. A couple of people went to Dartmouth, Williams College, or Stanford University. Exeter was dominated by the so-called "Big Three" universities [Harvard, Yale, and Princeton].

Q: So you attended Exeter during World War II. How did that work out in terms of your own, personal development, interests, and so forth?

LILLEY: I think that, in some ways, it was the kind of experience that Art Hummel had,

when he went to the University of Chicago later on. We had a reaction against China. We really didn't want to hear too much about China. We wanted to be 100% Americans. The war in Europe was often more interesting to us than the war in East Asia. We participated in picking apples and doing other things for the war effort. We were oriented toward our sports programs, our friends, and graduating with good marks. Those were the driving forces affecting us.

Getting into college at that time wasn't much of a problem. A "C" average and a reasonable score on your college entry exams were enough.

Q: Particularly if you came from a good high school.

LILLEY: The situation was so different from what it is now. Very different. In my class at Exeter something like 50 out of a class of 200 went to Harvard, and perhaps 40 each went to Yale or Princeton. This was the "mix," The students at Exeter came from all over the country. There were many scholarship boys there, perhaps 25%. It wasn't like St. Paul's or Groton, which were more for the rich kids. Exeter and Andover always said: "We are 'populist' schools. We want people from all walks of society." They gave scholarships on a liberal basis to encourage this. I think in that sense, Exeter and Andover were a step ahead of some of the other and more "closed" college preparatory schools, like Hotchkiss and others.

Q: Well, some of our schools were like that. I know that my school, Cantalius, was like that. Technically, you paid what your family could afford.

LILLEY: I had a scholarship at Exeter during the whole time I was there.

Q: Thinking about you and your future career, did events in Europe during World War II give you a sense about world geography and provide you with an interest in such things?

LILLEY: Yes, it did, but we were "trapped" at Exeter. We felt that we were in a sort of "time warp," a kind of "bubble." Every Christmas we would come out like caged animals. We would go down to New York, "hit" Boston and so on, attend the gawdy shows, and be "naughty."

Q: Oh, yes, Scollay Square in Boston.

LILLEY: Yes. We were "innocent." Our pursuits were basically innocent. We tried to be "naughty," but it took a deliberate effort.

Q: You talked a big "game."

LILLEY: I "accelerated" at Exeter to get out of it sooner. I had to go back a year when I moved from Ridgewood Junior High School, because Exeter was so far ahead of Ridgewood. Then I went to one summer session, made up the difference, and graduated in three years. So I was only 17 when I graduated from Exeter.

Q: That was in 1945?

LILLEY: Right. And then everybody joined the armed services. I joined what they called the "Enlisted Reserve Corps," which led to my later assignment to the Army Specialized Training Reserve Program [ASTRP].

Q: ASTRP, yes.

LILLEY: Yes. I was in that. We all signed up. The war was still going on. That program didn't start until September, 1945, so I went into the Merchant Marine and served during the summer of 1945 on oil tankers. I was just a young ordinary seaman. Most of the adult men had gone to war, so they had to take us younger men. As I said, my father worked for Standard Oil, and he arranged for me to be hired. I went on a tanker for the summer of 1945.

Then I started Clemson College in the fall of 1945 in the ASTRP, the Army Specialized Training Reserve Program. We all put on uniforms, and it was like being in the ROTC. We were supposed to go to college for a couple of years and then become officers. At that time they tried to recruit me for Japanese language training at the University of Minnesota, since I had a high language aptitude score on the exams they gave us. However, I turned this down. World War II had ended, I had been accepted at Yale, and I thought: "What am I doing here at Clemson?" The Army gave us an option of getting out of the ASTRP. We could drop out of the ASTRP any time we wanted, go into the infantry, serve a year, and then get out of the Army, with 2 ½ years of "GI Bill" credit. It was a very good deal.

Q: Oh, absolutely!

LILLEY: So I got out of the Army. I remember that at Clemson this was the only time in my life when I got straight "As." I got out of Clemson in January, 1946. I was taken into the Army in February, 1946, and was sent down to Fort McClellan [Georgia] for basic training. I never went overseas. My older brother died in the Service in May 1946. I obviously wanted to get out of the service in a year. I served at Brooklyn Army Base Terminal, Fort Dix, and Fort Monmouth. I got out of the Army in February, 1947, and went straight into Yale.

Q: When were you at Yale?

LILLEY: From 1947 to 1951. I was in the last of the wartime classes. I entered Yale halfway through the scholastic year in February, 1947, and then graduated in February, 1951.

Q: When you went to Yale, what did you want to become?

LILLEY: I put in my Exeter yearbook that I wanted to be a diplomat. I really didn't know what a diplomat was. I thought that it was like Ambassador Nelson Johnson, sailing on a

U.S. Navy warship on the Yangtze River, or Sam Sokobin, the Consul I had known in Tsingtao. I knew that Consuls had something to do with issuing visas for people to go to the United States, getting people out of trouble, and taking care of the U.S. Navy when it came into town. However, the whole idea of a diplomatic career was appealing to me.

Q: By the way, for the record, Nelson Johnson was Ambassador to the Republic of China for a long time [in the 1930s and 1940s].

LILLEY: He was Ambassador to China when I was in China in 1940. I traveled on a Yangtze River steamer with him. He was a very nice man, rather short and sort of balding. He was an "old China hand."

Q: Yes.

LILLEY: Admiral Glassford was also on that ship. Another personality on that ship was a Marine, Major McHugh, who later became famous during controversies which took place in Chungking. Another figure I remember meeting, a young officer who later became Admiral Overesch. At the time he was a Commander in the U.S. Navy. As a young boy I saw these men who later became prominent.

After I entered Yale, I used to say that I wanted to have very little to do with East Asia. I studied Russian and majored in the Russian language. I also studied the history and culture of Russia. In addition I also took the usual English Literature and Political Science courses. The direction of my studies was Russia.

Q: Russia in 1951, when you graduated from Yale, was the great adversary of the United States.

LILLEY: Yes. I remember that my life changed because, when I was at Yale, I tried to swim and play soccer, but I had skinny legs. You can't both swim and play soccer if you have skinny legs. My brother did all three, including lacrosse, soccer, and swimming. He was an extraordinary athlete. I wasn't as extraordinary an athlete. I tried soccer and swimming and banged the hell out of my knees. I used to train all summer by swimming. In the fall I would resume playing soccer. One fall I played against the West Point [U.S. Military Academy] soccer team, whose members were "hard as nails." I was soft from swimming and twice hurt my knees badly. So I had to readjust my college activity, keeping in mind that condition.

At that time my great focus was Dostoevsky and Tolstoy, Russian literature, and the Russian language. I also studied Gogol, Turgenev, and other Russian writers.

Then, during the summer of 1950, to help my legs recover from the injuries I had suffered, I went to work on a farm in Minnesota. I remember that I was weeding in the cornfields. My employer came by in a tractor and said: "War has started in Korea." That was on June 25, 1950. It didn't really register on me at that time. I was in the ROTC [Reserve Officers Training Corps] at Yale, from which I graduated in 1951. I learned that

everybody in the ROTC was going to be called up to active duty to serve in Korea. Everybody expected that we were going to go to war.

Then, who should come to the Yale campus but CIA [Central Intelligence Agency] recruiters. Yale was a sort of "cloak and gown" university. You remember Robin Winkler...

Q: I remember about three guys in my fraternity from the Class of 1930 or so. They went into the CIA.

LILLEY: What Class were you in?

Q: I was in the Class of 1950 at Williams.

LILLEY: Don Gregg was also in the Class of 1950 at Williams.

Q: Gregg was in the Class of 1951, along with Peter Ganyer, and my roommate, whose name I can't even remember now. Anyway, he went into the CIA.

LILLEY: It was exciting. We didn't know what the CIA really was. We had strange visions of what this would be. We thought that it would be mostly like what the OSS [Office of Strategic Services] had been during World War II. OSS people parachuted into enemy territory, and all of that kind of thing. In fact, a lot of my friends went into the CIA.

I also signed up for the CIA. Of course, if CIA recruited you, the armed services wouldn't take you. At the time the Air Force was preparing to call me up, and I had to balance the two services for a short while. However, the CIA had priority at that time.

That really changed my whole orientation. I had majored in Russian studies. I thought that I was going to be involved in Russia. I was also considering going into the U.S. Foreign Service. Then the Korean War broke out. The CIA recruiters looked at my card and said: "You were born in China? You're going to the Far East." I said: "I'm going to Korea, where the war is going on, right?" They said: "No, not with your knees. You're going to Taiwan." So I went down to Taiwan as a young man. I thought that the work I was assigned to was very interesting.

Q: Obviously, at a certain point we will have to "skate over" some of the details, because this is an UNCLASSIFIED interview. I'm trying to capture the spirit of the times. The CIA was pretty new at that time, and it still had the spirit of the OSS [Office of Strategic Services], which was pretty much of an amateur organization. As you look back on it, did you think of the CIA as being very professional, or was it primarily "action oriented?"

LILLEY: I think that somebody who has captured that very well is Evan Thomas, who wrote a book called, "The Very Best Men." In the book he follows the career experiences of four CIA people: Desmond Fitzgerald, Tracy Barnes, Richard Bissell, and Frank

Wisner. Two of them had gone to Yale, one to Harvard, and one to the University of Virginia. They all came out of elite institutions. They had all been in the OSS.

Dick Bissell was a brilliant and extraordinary man and actually one of the crafters of the Marshall Plan. He had a Ph.D. in Economics from Yale. I think that Tracy Barnes was a lawyer who had graduated from Harvard Law School. Des Fitzgerald had attended Harvard Law School. They all went into the OSS and came back to civilian life. They went to work on Wall Street and they were "bored out of their minds."

Then who should appear on the scene but Allen Welsh Dulles, a member of the "establishment" personified. Dulles went to these guys and said: "Get back into the fray." They all came back to intelligence work at high positions in the CIA. To make a long story short, they resisted the takeover of intelligence by the U.S. military. The military sent their crack men to take over the agency. These included Dick Stilwell, Bill Depuy, and Ray Peers, all of whom had had very distinguished records during World War II. They came into CIA and lost the battle to take over the agency. The CIA became a civilian agency, under this elite group that had come out of the OSS.

The problem was that that formula did not fit Asia, or really any place in the 1950s. The whole situation had changed. The things that they had done during World War II were not relevant. There was a great "push" to train people, push them out into the field, and place them under people 29 and 30 years old who had come out of World War II. These people were about five years older than the new recruits. They had gone through World War II, and that was the break.

Q: And they were thinking in different terms. I was talking to Bob Dillon in an office one building down from here.

LILLEY: He was in CIA and then joined the Foreign Service.

Q: Yes. Bob was talking about doing "hit and run" raids against the coast of Mainland China and all of that. It really sounded like stirring up something that wasn't going to go anywhere.

LILLEY: They had massive funds, they had a lot of people, and little or no oversight. Operations were being run by people who had limited experience in the area. They concocted extensive plans about a so-called "Third Force" which would be set between Mao Tse-tung and Chiang Kai-shek. This "Third Force" was to represent the "new" China, non-communist and non-Kuomintang [Chinese Nationalists]. After a lot of money was spent on this effort, it turned out to be a "bust." The CIA then terminated it and got rid of this program.

They were devoted to a "quick fix" on Chinese intelligence, and they ran into intelligence fabricators. These were people who "manufactured" intelligence in Hong Kong, allegedly from large, mainland China networks. They were involved in a "quick fix" operation, which could cost $100,000 a year. The intelligence fabricators produced information that

was wanted. The Army got "stung" on that for a while.

This situation lasted until roughly the late 1950s in early 1960. Then the CIA people in the Far East began to mature. At that time a couple of things happened. First, there was the great crusade against Russia, or the Soviet Union. Then there was the Cuban fiasco at the "Bay of Pigs" in 1961. That was probably the biggest "black eye" that the agency got. Dick Bissell, a brilliant man who had been involved in the development of the U-2 [strategic reconnaissance aircraft] and the Marshall Plan, took over the Operations Directorate. It was tragic. This man should not have been assigned to this work.

Q: He was the wrong man for the job.

LILLEY: The people that they recruited were "soldiers of fortune." In short, it was wrong.

Q: How did this affect you? You can see this today, in 1998. I won't say that you were "part of the problem," but what were you doing there?

LILLEY: I would say that on my first tour of duty with the Chinese, we developed a healthy cynicism about the Chinese we worked with. I developed this attitude within the first two years I worked there. I was able to detach myself from the "official" part of the agency and went on my own as a student at Hong Kong University. Then I went to Columbia University and worked alone, more or less under "deep cover." So during this period I was somewhat outside the "main stream" of the agency.

Then I went to Japan in the late 1950s. At that time, I think, I began to see a process of maturing in the clandestine service. We had gotten rid of the "big fabricators" of intelligence and the big, para-military programs. Programs in Taiwan such as "Western Enterprises" had failed. Ray Peers had headed it. He had been a big hero of the Burma campaign against the Japanese during World War II in "Detachment 101." Almost none of the guerrilla operations which he ran against the China Mainland were successful. We were told that there were a million, anti-communist guerrillas in China. As Peers said: "If I ever find a Chinese guerrilla, I'm going to stuff him and put him in the Smithsonian Institution." People were getting disillusioned.

During this experience I developed considerable skepticism about big programs. I myself had "nailed" one or two fabricators of intelligence. I went out on my own and saw the duplicity of some of the people I was working with. However, it was interesting to me. Communist China was the enemy, and we worked against it. We had a sense of frustration that we couldn't crack it. Our partners were not up to it then.

In Japan we got a sense that we were beginning to get on the right track. We were beginning to focus our energies on getting things done. I had a very brilliant chief that ran the China operation in Japan and I became very interested in the agency at that time. The work was interesting. It was actually much more interesting than what our colleagues in the Foreign Service were doing. They were issuing visas and handling low level, political

reporting jobs. We felt that we were doing much more relevant and interesting work.

Q: What was the official view toward China? A couple of things happened. One thing was the "disintegration" of China or whatever you want to call it. There was the "Great Leap Forward" and that sort of thing, which was first played up as, "Well, they may be on to something." Then the split developed between the Soviet Union and Communist China, beginning in about 1959. How did you look at it?

LILLEY: That's when the situation became interesting, and we began to become relevant. My assignment to Japan had involved strictly well-focused foreign intelligence objectives, such as trying to recruit Japanese to go into China. We began to do that. They came back with real information on what was happening in mainland China. It wasn't critical information, but we were beginning to get into the collection process realistically. We were also working on the Chinese Communist community, we were getting people to go to Mainland China, come back, and tell us what was happening.

We were beginning to look at "audio" operations against the Chinese, breaking away from this business of "intelligence fabrication" and getting "authentic" information. There was great pressure on "authenticity."

Then, in 1958 the agency sent me to the Philippines to take over one of its big Chinese operations. I was dually assigned as Chinese Affairs officer in the Political Section of the Embassy, and I did agency work on the side. That was interesting because I dealt with many of the influential Chinese leaders who ran the economy of the Philippines. And they still do. I, as a young guy, 30 years old, was dealing with these men about Philippine politics, about what was happening, who was being "bought off," and all of these types of operations.

Q: What was your impression of the role of the Chinese community in the Philippines? We never heard much about it. We heard about its role in Indonesia, Malaysia, and other places in Southeast Asia, but not in the Philippines.

LILLEY: I became very much involved in that. I did research at Yale on it, I went to Chinese language school at Yale, and I took a course focused on the overseas Chinese in Indonesia, Malaysia, and the Philippines.

In the Philippines the numbers of Chinese are relatively smaller than in Indonesia or Malaysia. Obviously so. However, the Chinese controlled the market for copra, manufacturing, a lot of hotels, and retail outlets. All of these things were under the control of the big Chinese families. They were also the "money bags" for Filipino politicians. I was in the middle of all this and I thought that it was interesting.

Then we had the Taiwan Strait crisis in 1958, over Quemoy and Matsu [two island archipelagos near Amoy on the mainland of China]. I was very much "gung ho" with the Taiwanese. That is, I enthusiastically supported them. We brought down several Chinese Nationalist Air Force aces who altogether had shot down about 30 Chinese Communist

planes. They had flown F-86s, using "Sidewinder" missiles. They were treated well, and I really found that their visit to Taiwan was exciting.

After the visit of these Taiwan pilots to the Philippines, we began to get reports from people whom we had sent into Mainland China. They were overseas Chinese who came out and said that the situation was ghastly. This situation was not being reflected in the Philippine media. We were picking up some of the earlier indications about this Great Leap Forward disaster. We were also receiving reports about the overseas Chinese community and its power over the Philippine economy and politicians. Then there was this question about what was happening in China. We really sensed that something was going wrong in development in China.

Q: Could you tell us a little about the Chinese community in the Philippines? Was Ramon Magsaysay President of the Philippines at that time?

LILLEY: He was killed in an aircraft accident in 1957.
Q: So that was really before you arrived in the Philippines?

LILLEY: Yes. I was in the Philippines when Carlos Garcia was President. We had traditional ties in the Chinese community which went very deep. There was a charismatic guy in the CIA staff in the Philippines called Schultheis who was born and raised in China and educated at Tong Zhou school outside of Beijing. He spoke excellent Chinese. He was a man with a sense of destiny. The Agency had in the Philippines two giants, Schultheis and Ed Lansdale.

Q: You're referring to Colonel Ed Lansdale who became renowned as the inspiration for a character in the book, "The Ugly American," and was...

LILLEY: He was considered to be the power behind President Magsaysay. He represented the success of American covert policy. Lansdale worked to halt the insurrection of the Hukbalahap [communist insurgent group] and helped get Ramon Magsaysay, a charismatic Filipino, elected President of the Philippines. People were saying that we had now started to win the war in Asia. Schultheis had made all kinds of contacts in the Chinese community in the Philippines. He had fled China and had gone to Hong Kong. He was asked to leave Hong Kong by the British and was in the Philippines with his agents.

Q: Was Schultheis an American?

LILLEY: Yes. He had been a Colonel, I believe, in the U.S. Army and then he transferred to the CIA. He and Lansdale were very important men. Their cables made impressive reading. They considered themselves to be men of destiny. Nothing could stop them, and they had virtual carte blanche from their institutions.

Q: Was this rubbing off on you?
LILLEY: Well, we sort of looked at them as "big men." Lansdale was fascinating. I was

skeptical about Schultheis, because he seemed to be "taken in" by intelligence fabricators. However, he certainly went through the Chinese community and lined them all up. He took advantage of a trend, because the Filipinos were Catholic, anti-communist, pro-American. He went through that situation with "Seven League Boots." Lansdale had little sense of the clandestine approach to operations. He operated like an advertising man, although some of the things he did were rather well conceived. He certainly inspired Lederer and Burdick who actually wrote the book, "The Ugly American." They referred to Lansdale as "Colonel Hillandale," who played the harmonica and...

Q: The book doesn't hold up very well, but at the time it had an impact like "Uncle Tom's Cabin." In the diplomatic community it encouraged foreign language training and other subjects.

LILLEY: It also encouraged cultural sensitivity. Of course, Lansdale later went to South Viet-Nam and worked in support of President Ngo Dinh Diem.

Q: Lansdale wanted to make Diem his Vietnamese "Magsaysay." He was the wrong guy in the wrong place.

LILLEY: At any rate, those two men impressed me. I had an interesting job in the Philippines. It was an interesting post. Then I got restless, and the action was moving over to Southeast Asia. That's when I went to Cambodia, which was another, interesting experience.

Q: Before we begin discussing Cambodia, I would like to know whether Ferdinand Marcos ever crossed your line of fire in the Philippines?

LILLEY: Yes. He was then the most popular politician in the Philippines. He was the leading Senator in the Liberal Party. He was just emerging from the pack of other Liberal Party leaders as a sort of Sino-Filipino. He was seen as a new, clean generation of war heroes. That's the way he was seen at the time.

At that time Marcos had very little to do with Americans, or at least with me. We were more involved with people like President Diosdado Macapagal, Raul Manglapus, who later became Foreign Minister, "Manny" Manahan, who was a Senator, and others. We had a very strong Chief of Station [senior CIA representative] called John C. Richardson, who had come to the Philippines from Greece. He was determined to be a "king maker." Charles "Chip" Bohlen was the Ambassador when I arrived in the Philippines.

Q: Would you say that it was almost the ethos of the CIA at that time to look for and make somebody a king? I mean, there was the example of Ramon Magsaysay. This was what the CIA seemed to be trying to do. That is, to bring up local leaders, rather than build up institutions.

LILLEY: I would say that there was a big drive on at that time, along the lines of: "We want you to guide these guys to do the hard work." (End of tape)

Q: You were saying that your job was intelligence collection. In CIA parlance, what did that mean at the time?

LILLEY: There were two branches in CIA Stations abroad at that time. In Manila one of them was called "Foreign Intelligence" or "FI." The other was called "PP," or "Political/Psychological Operations." The first group collected intelligence. The second group acted on it, by influencing the press, politicians, and policy. The "PP" people used what were known as "agents of influence." The "FI" people collected intelligence. That was the basic concept. The Agency was organized into these two components.

Q: At the time did you find yourself "tripping over" people from USIA [United States Information Agency] or the Political Section of the Embassy?

LILLEY: Actually, the relationships were fairly compatible. Henry T. ("Barney") Koren was the Political Counselor when Ambassador Bohlen was in the Philippines. Bohlen was really interested in China, in intellectual terms. He had a tremendous mind. I found him a very intimidating person. Koren was a good friend and a good friend of my father-in-law. He would say to me: "Jim, why don't you get out of this intelligence game and get into the Foreign Service?" He was the first one to throw this idea at me. He said: "I used to be in the intelligence game but I got out of it."

I had been thinking about this. After the "Bay of Pigs" disaster [abortive CIA-led attempt in 1961 to overthrow Fidel Castro in Cuba], I became really rather disillusioned. This occurred when I was on home leave in 1961. Then the CIA personnel people said: "Look, there's this job in Cambodia which is just 'made for you.' You have access to China. For the first time in your career you will be working against a Chinese Communist Embassy there. There are a lot of good people you can work with. Come back."

Q: This was at a time when you had the President of the United States studying maps of Laos and giving lectures to various people.

LILLEY: He called this country "Lay-os." That is true. I remember that vividly. I remember that friends of mine were up in Laos then. We had a paramilitary operation going on. It was just developing. That was when we all thought that, "America can do it." We were working with Montagnards, minorities who lived in the mountains, who would fight the Vietnamese communists and actually kill them. We thought that we could do it with six "Case Officers." This was conceptually very attractive, and we were just getting into that. We had radios all over Laos. We had people working with us who wanted to fight the Vietnamese. They hated them. The Montagnards weren't like the lowland Laos. These hill people were tough. They were led by Vang Pao and company. We then had a very modest effort.

At that time I went to Cambodia, Prince Sihanouk was turning hostile to the U.S. He was an arrogant, difficult, shrewd, cunning leader. He was the head of what the western press called the "peaceful paradox." He sat there in Cambodia and played the Vietnamese off

against the Chinese, the Americans against the Chinese, and the Russians against the Vietnamese. He played games like this and was pretty good at it. He maintained the fragile neutrality of his country.

So we went to Cambodia. Again, I was in the Embassy. We got into some really interesting operations running up into communist China, at the beginning of the collapse of the "Great Leap Forward" [in the late 1960s]. We knew that we could talk, often directly, to the people that we sent into Southeast China. We were able to read letters from relatives inside China which the Chinese in Cambodia received from them. We began to put out reports about the real disasters of the "Great Leap Forward," including starvation and organization. We reported these events from Cambodia. We were outstripping Hong Kong in terms of intelligence collection. In fact, we were outstripping almost everybody, because we had a nucleus of agents who worked against China.

Then, of course, Sihanouk turned very hostile to the United States. He caught CIA in an attempted coup d'etat against him. This was set up by a Japanese-American guy attached to our Station there. This was the so-called "Dap Chhuon" plot centered in Siem Reap. The Cambodian authorities exposed the operation. In this operation we were working with the South Vietnamese. Then, when Liu Shao Qi [Chinese Communist leader] came through Cambodia in the spring of 1963, the Cambodian authorities rounded up all of the members of the Chinese community who were not pro-communist and temporarily put them in concentration camps. The Chinese communists went to the Cambodians and said: "These guys worked for the Americans. Deport them to China." The Cambodians did that to some of them.

That really hurt our operation. We went over to the "stay behind" mode [reduced level of activity]. Then I was moved to Thailand.

Q: Didn't Sihanouk sever diplomatic relations with the United States at one point because of the CIA activities?

LILLEY: That came later. That wasn't so much because of the CIA. The CIA involvement in Cambodia started back in about 1959, with this "Dap Chhuon Affair" in Siem Reap. A Japanese-American, was the Case Officer for this operation. His name became the word for "spy" in Cambodian. When the uproar over this incident died down, Sihanouk turned also against the DCM in the U.S. Embassy.

Q: Who was this?

LILLEY: I don't recall his name. He was a big, tall guy who used to row for Harvard and had a big, gaunt face. He scared the hell out of the Cambodians, so they "picked on him." They publicly attacked him but couldn't do anything to him. Then Phillip Sprouse came to Cambodia as Ambassador. He was an "old China hand." He spoke excellent French and was a bachelor. In Washington they said: "This is the man to deal with Sihanouk. He is European trained and a 'China hand.' Sihanouk is pro-Chinese." Sprouse was hit by one of the exposed CIA operations. As a result, he virtually shut down the CIA Station in the

Embassy, but some of us were able to stay on and continued to work.

Sihanouk was becoming steadily more hostile to the United States. In fact, he had turned hostile to the U.S. in 1961. This was related to the "Dap Chuuon Affair," but it was more the result of the fact that he had made his decision to turn to the Chinese communists to stave off the South Vietnamese. The MAAG [U.S. Military Assistance and Advisory Group] was still in Cambodia. The Chinese communists let him know that if he wanted to work more closely with them, he had to cut back on relations with the United States, because the Chinese communists, of course, were hostile to the U.S.

Q: For you, as an officer in the CIA Station in Cambodia, had Sihanouk become more or less "the enemy?"

LILLEY: Well, I don't really think so. He was a formidable opponent when he chose to strike out at us. We had to protect ourselves and the people who worked with us. However, I think that there was always a kind of "charm" about Sihanouk.

Q: This was especially the case in the past, and he's still doing things in Cambodia today.

LILLEY: I saw him when I was in Beijing as American Ambassador in the 1989-1991. I used to see him regularly. In the 1960s, he was just a "very strange guy." He was caught in this "vortex." He knew that he was struggling and that his country had been occupied by the Thai and the Vietnamese at one time or another. He felt that his control over the country was slipping away from him. In his view the Thai and the South Vietnamese were his enemies. It's a long story, but at that time, when he was there in Cambodia, he was turning against the South Vietnamese, the Thai, and the Americans. He was leaning increasingly toward Russia, communist China, and North Vietnam.

China was then his first love, because the communist Chinese, and particularly Zhou En-lai, Mao Tse-tung, and others, handled him beautifully. He was "entranced" with Zhou En-lai. In effect, Sihanouk became "their boy." They set up an aid program for him, including a plywood factory, built a railroad for him, and built a textile factory for him in Cambodia.

We were hostile to the Chinese communists then. However, we were getting a real insight into what was happening in communist China. We "survived" the arrests that resulted from Liu Shao-Qi's visit and the deportation of a couple of our agents from Cambodia. We "survived" this and kept most of our network of agents virtually intact.

Then some time in 1962 Ambassador Sprouse left Cambodia, and was scheduled to be replaced by Ambassador Randolph Kidder. Ambassador Kidder was given his "agrement" by the Cambodian Government and presented his credentials to the Cambodian Foreign Minister. However, he was never allowed to present his credentials to Sihanouk. Sihanouk became very unpleasant. He kicked out the MAAG, and you could just see him closing in on the Embassy. This wasn't so much attributable to the CIA. It was a result of the Vietnam War. By 1965 or so Sihanouk had become very hostile to the

U.S.

Q: When did you leave Cambodia?

LILLEY: In 1964.

Q: Where did you go next?

LILLEY: I went to Thailand, where I spent a year and tried to get the CIA's China operation going. I think that I had some success in doing that. However, I came down with hepatitis half way through my scheduled tour of duty in Bangkok, and I guess that the agency decided that I had better get out of Thailand. So I went back to the U.S. in 1964.

I was still considering whether I should stay in the agency. I talked to some people in the Foreign Service about what was called "lateral entry" into the Department of State. However, the agency personnel people came to me and said that I had a "big break" coming up and that I was scheduled to go to Laos as Deputy Chief of Station. This was one of our biggest projects at the time, involving an operation of some 40,000 Montagnards. It sounded attractive to me and much more interesting than anything I would have to do in the Department of State. So I went to Laos.

Q: You were in Laos from when to when?

LILLEY: From 1965 to 1968 and it was truly a big operation.

Q: Oh, yes.

LILLEY: It wasn't very "covert." However, in the initial stages some of the things that we did were quite successful. We had small teams "upcountry" in Laos. We had people like Vint Lawrence, Tony Po, and Tom Fusmire, who were really first rate, paramilitary officers.

Then Ted Shackley was assigned as the Chief of Station in July, 1966. He brought in a lot of his old Cuban and German crowd. That changed the complexion of the Laos operation because Ted was a real activist and had been directed to increase efforts to support military operations in Vietnam.

Q: I was just going to say that Shackley also became quite a figure in South Vietnam. He was assigned to Saigon in December, 1968, and served there until January, 1972.

LILLEY: He became known as the "Blond Ghost."

Q: Were you there in Saigon with him?

LILLEY: No. I was in Vientiane, Laos for about a year with Doug Blaufarb and then,

maybe, two years, with Shackley.

Q: How did Shackley operate?

LILLEY: Shackley was a good, personal friend, and our wives are good friends, and that sort of thing. Shackley is a "driven" person. He's a "driver," ambitious, tough-minded, and ruthless. However, there is a very appealing aspect of Ted as a human being, which I always liked. What he was determined to do was to build up the Station in Laos and play a critical role in the Vietnam War by hitting the Ho Chi Minh Trail in Laos. He brought the paramilitary assets that he had to bear on this key target. He didn't just sit around. He wanted to win wars. His inclination was to drive ahead.

He had never served previously in East Asia. He was very new to the area. He caught on very quickly and he mastered facts quickly. He made persuasive presentations. He was a "match" for the U.S. military in Saigon. He was in ways smarter and tougher than they were. He ran these operations against the Ho Chi Minh trail, including sending "trail watchers," paramilitary "strike forces," and Forward Air Controllers to bring in the F-4 fighters, T-28s, B-52 bombers to bomb the trail. He would have his people out there, calling in the air strikes against the trail. I think, again, that he was engaged in building up an empire and developing staff communications facilities to support people assigned up country in Laos. He was appointing Chiefs of Bases, assigning administrative officers, putting in communications, and all of these things. In fact, this was the beginning of the end as the war in Vietnam became increasingly unpopular and support for our operation in Laos was cut back and eventually withdrawn.

Q: I also take it, and I've never been in Laos, that it is difficult to impose all of this system on the Lao. Not so much the Montagnards, but the lowland Lao are a rather gentle people.

LILLEY: Yes, they are. They are "sweet people" in many ways. They love to make love. They love to drink and play. They don't like to work too hard. They think in terms of the "Pi" or the "spirits." Everything is pervaded with a sense of another world. The lowland Lao are Buddhists. They will do much of what you want.

Prince Souvanna Phouma was then the Lao Prime Minister. He was a sophisticated, French educated man, an intellectual. He was a politician, but he was a French style politician. He went along with all of this. He was considered a "neutralist," but then he moved more and more toward the West as he saw his rival, Prince Souphanouvong, the leader of the Pathet Lao, being "turned" by the Vietnamese communists and eventually taken over by them.

The U.S. aid program in Laos was gigantic. It was keeping the whole situation afloat. Laos did produce a little. U.S. aid was pouring into the country.

We had a huge Mission in Laos. In effect, the CIA Station was fighting the war for Prime Minister Souvanna Phouma, much to the frustration of the U.S. Army representatives,

who always wanted to get in and run the war and couldn't stand to see this clandestine war going on and succeeding. I think that what happened was that we were caught in the "Vietnam Syndrome" of building a large, administrative structure and perhaps exaggerating our successes.

Q: I've talked to some of our people who served there. We talked about the bombing of strategic points along the Ho Chi Minh trail. They noticed that if we cut a given point on the trail, everything would just go around it.

LILLEY: We did what we could with B-52 strikes against points in Laos and near the trail. We prepared "after action" reports and picked out areas which had been bombed. If you read the reports prepared by North Vietnamese prisoners, you'll see how "devastated" they were by the bombing of the trail. However, you'll also see how relentless the North Vietnamese were in carrying out their mission. There is a book by a North Vietnamese soldier, I think, who served in a battalion with a nominal strength of 500 men. I think that about 490 of them were killed. They suffered horrendous casualties, but the remaining 10 North Vietnamese from this battalion kept on fighting.

I think that, in many ways, we were often rather successful with our practice of taking these illiterate "Kha," or southern Laotian tribesmen, and equipping them with a little hand device with a picture of a truck, tank, or artillery piece. These devices had the capability of relaying up to an aircraft overhead how many of these items of equipment they had recorded as having seen. The tribesman just punched a button for each item he saw. The location of this tribesman was reported automatically to an aircraft flying overhead. The tribesman would be sitting on a mountain, looking down on the Ho Chi Minh trail. Then they would call in the air strikes. Sometimes we had quite a bit of success. The North Vietnamese had trail watchers, too. They would sense that our planes were coming, and then they would get off the road and take cover. Instead of using jets, we brought in B-25 bombers [World War II, twin-engined aircraft]. They would hover over the Ho Chi Minh trail till the North Vietnamese equipment items came out of hiding. We also used T-28s [single engine, originally advanced training aircraft, which were equipped with machineguns and bombs]. We used them because they could hover over a given area for a long time.

We tried all sorts of things to get at this target. We had advance scouting parties which would pick out a North Vietnamese munitions dump located on a hill. These parties would call in air strikes by planes with missiles which would try to hit the tunnels going into the munitions dump. Once in a while, we would get a "hit," and the whole hill would blow up. More often, we didn't get a "hit."

One of the things that we did in the Nam Bac area in Laos was to try to persuade the Hmong, the Montagnards, to take over a given valley. This didn't work very well. The Hmong couldn't fight well in the lowlands of Laos. Just as they wouldn't fight on the Plaine des Jarres, a plateau area of northern Laos.

We took a "beating" there. Then, when Ambassador Mac Godley and Larry Devlin came

in and replaced us, they did try to take over the Plaine des Jarres. Ambassador Bill Sullivan would never let us try to do that. He was sure that this effort would fail. However, Ambassador Godley was more gung ho [aggressive] than anybody I've ever seen. He loved doing this paramilitary type action.

Q: This was the problem. Obviously, some of you felt that this was fun. Perhaps fun is the wrong term, but when you try to do something, through third parties and using various types of equipment, you get terribly involved in this.

LILLEY: You were in Vietnam.

Q: I was in Vietnam. I remember that we were always looking, not so much for a "gimmick," but to find a way of making a small investment and so end the war.

LILLEY: We accepted the line that this was an honorable war which was worth fighting. We believed we were fighting against a vicious, cruel, communist enemy.

Q: Right.

LILLEY: This situation drove us to do these things, without taking any really long range view of them. So the whole "Meo" or "Hmong" operation became controversial. Then, when we pulled out of Laos, the Hmong were left on their own. Some of the people in U.S. agencies were very disturbed about this. Dr. Jiggs Weldon, a medical doctor who worked for USAID [U.S. Agency for International Development] in Laos, also used to work with us. He was really "tortured" about this whole situation. He would say: "The Laotians can't win. They could have beaten the Pathet Lao, but the North Vietnamese have 70,000 troops in Laos. These Laotians can't fight them." For a while we equalized the situation by bringing air power to bear. Then, I think, the "Fulbright Committee" [Senate Foreign Relations Committee] began to reduce appropriations for Laotian operations, when the war in Laos and Vietnam became unpopular. The North Vietnamese saw that the end was coming for us. The antiwar movement in the U.S. began to get very strong.

We had coups d'etat, floods, and all kinds of things in Laos to deal with. We saw some of our people "crack up" who could no longer "take it." We saw some of our young guys killed in helicopter crashes.

Q: Were you also picking up any antiwar protest activity? I was getting this in Saigon. I was in Saigon from 1969 to 1970.

LILLEY: Was that when Maxwell Taylor was there as Ambassador?

Q: No, Ellsworth Bunker was Ambassador when I was there.

LILLEY: And Ted Shackley was the Chief of Station.

Q: In the ranks of the Foreign Service we were getting some guys assigned to Saigon who, a couple of months before, had been out in the streets in the U.S., protesting against the war.

LILLEY: John Paul Vann was there at that time, and his efforts are depicted in "Bright Shining Lie" by one of the American correspondents who was also there.

Q: Is it a movie now?

LILLEY: They made a movie out of the book, and they had a pre-showing at the Nixon Center, of all places! Of course, Frank Wisner was one of John Paul Vann's "bright boys," in addition to Tom Barnes, who was in Laos with us, as was Frank Scottey. All of these people were in the Foreign Service. In the early days they worked with John Paul Vann when he was in the MAAG and was actually considered something of a monument.

Q: Oh, yes.

LILLEY: Then, of course, things went wrong. I think that the same thing happened in Laos, too. We had well-known people like Stu Methven, Bill Lair, and people who lived in up country Laos. Then there was also Vint Lawrence, who was a kind of "Lawrence of Arabia." He spent five years in up country Laos. He was a Princeton graduate and was well educated. He spoke French and learned to speak Meo [Hmong]. He was really quite a guy, but he left the agency early. He really couldn't work for the CIA after his experience in Laos. He turned out to be a cartoonist. Bill Colby [former Chief of East Asia Division and later Director of Central Intelligence] wanted to keep Lawrence in the agency. I was assigned the job of talking him into switching to China, which was the most interesting target country at the time. However, Lawrence's experience in Laos had just "drained him."

Q: What about Kong Le [dissident Royal Laotian Army officer]? Was he there in Laos when you were there?

LILLEY: Yeah, he was there.

Q: What was he like?

LILLEY: Kong Le was a short, little ex-paratrooper who, I think, pulled off a coup d'etat against the Lao Government in 1960. He claimed to be a "neutralist," working against the then right-wing Government of Laos under then Prime Minister Phoumi Nosavan. He was a very strange little man with great ideas of what he was. Briefly, he became a "celebrity." People looked to Kong Le, including the Russians and everybody else. I remember that Ambassador Sullivan used to say: "The Russians were trying to play the Laotian game. They started out, trying to pick their people. The first one that they picked was Kong Le." They picked him as a "neutralist" who was supposed to be against the U.S. Sullivan said: "Then they found out that he was a 'nut.' The second guy that the Russians tried was Prince Souvanna Phouma. They found out that he was a bourgeois

Frenchman with a Lao face. The third one that they tried was Phoumi Vonvichit, who turned out to be in the Chinese camp." Sullivan said: "The Russians were not formidable. They made mistake after mistake."

The Americans made mistakes, too. Ambassador Sullivan was in Laos during the whole time I was there. I must say that Sullivan had a pretty good grasp of the limitations on what could be done in Laos. He was determined to keep the U.S. military out of Laos, unless they were conducting air strikes for him. He wanted the CIA to stay in Laos because he thought he could control it and he was pretty good at doing this. For example, every rifle provided to the Lao had to be issued under a memo submitted to him. He was a "take charge" person and very clever in terms of detail. I know that he made a lot of enemies on the way but I always had the greatest admiration for Bill Sullivan.

Q: How did he work with Shackley?

LILLEY: It was a good working relationship. Sullivan respected Shackley's drive, his command of facts, and his ability to lead men. However, he also distrusted Shackley's ambition and what Sullivan thought was his practice of "shading" certain facts. I think that Sullivan liked Doug Blaufarb, who was Shackley's predecessor. Blaufarb had gone to Harvard University and was much more "restrained" than Shackley was.

Shackley was assigned to Laos by Des Fitzgerald [former Assistant Director of CIA for East Asian Affairs] and was told, in effect, "Take that thing over and run it! You're the man who did the Berlin operation. You're the man who handled the Cuban missile crisis and got us out of the 'Bay of Pigs' fiasco. I want you in Laos and I want you to get on top of that situation. You're in charge." I think that Shackley took those instructions seriously. He was Fitzgerald's "fair-haired man."

Q: Were there debates over reporting and evaluations?

LILLEY: Yes, there were. I raised that subject a couple of times. It was very hard to "dent" the trend of the reporting. I thought that our figures on enemy casualties were too high.

Q: I think that this was one of the major problems that everyone felt. This was during the administration of President Johnson. From Johnson on down, including Secretary of Defense McNamara, did you feel pressure to turn out reports showing real progress? Was this part of the situation?

LILLEY: I think that there was another dimension to this which said, in effect, "If you guys can't do it, we're sending in the American Army."

Q: I never thought of that. You mean that you really had the feeling that...

LILLEY: Well, Major Gen Dick Stilwell was a big hero during World War II. And then, I believe, he was in the military group which tried to take over the CIA in the early

1950s. He then got into the MAAG [Military Assistance and Advisory Group]. It was called "MACV" in Vietnam [Military Assistance Command, Vietnam]. In Thailand he called the MAAG "MACTHAI" [Military Assistance Command, Thailand]. He was going to turn the campaign against the communists in Laos into a military operation by questioning the CIA effort. Ambassador Sullivan worked with us to keep the Army out of taking over the military campaign against the communists in Laos. The U.S. military had already had the "White Star" Special Forces teams on the Bolovens Plateau in southern Laos. They had been in there in the early 1960s. The U.S. military had developed a taste for this "exotic" area. The Bolovens Plateau was a beautiful and strategic area at a relatively high altitude, and down to the southeast of it was the "Sihanouk Trail" which traversed Laos south of Pakse.

Then the Special Forces teams were all pulled out when the agreement on Laos was signed with the Pathet Lao [in, I believe, 1962], providing for the neutralization of Laos. As you know, Governor Averill Harriman was the negotiator of this agreement to neutralize Laos that was reached in Geneva. Bill Sullivan was Harriman's principal assistant at this negotiation, and Harriman arranged to have him promoted over others and to become Ambassador. Harriman was Sullivan's "guru" [sponsor]. Sullivan is a terrific "staff man" and a master of detail, which he learned very quickly. I think that Governor Harriman was Assistant Secretary of State for East Asian Affairs at that time.

Q: Yes, but he was more than that. He was THE "powerhouse" in East Asia.

LILLEY: He was former Governor of New York State. He was a "big man" and he "mattered." He was always very nervous about the huge CIA contingent coming into Laos and, in effect, violating the terms of the agreement to neutralize Laos. At that time U.S. military officers weren't in Laos, but CIA was there, carrying out a paramilitary operation. We arranged for our teams to be resupplied by planes from Air America, and Bird and Sons' resupply missions. Of course, the Defense Attache Office in the Embassy in Vientiane had about 30 people in it, engaged in running the Forward Air Controller system. We were sort of "hiding an elephant under a handkerchief."

However, for a while it was like Afghanistan in the future. It was THE big, successful, paramilitary operation, which kept the North Vietnamese "in line." What we couldn't do was to do the things that the Mission in Saigon was calling for, and that was to cut the Ho Chi Minh trail and prevent communist reinforcements from going through Laos into South Vietnam. I think that that is where the distortions took place in the reporting. The Ho Chi Minh trail just wasn't being cut, and we said that it was being severely constrained.

Then the U.S. Air Force brought in B-52 bombers under the "ARC LIGHT" operation. They brought in the bombers because movement along the Ho Chi Minh trail wasn't being stopped. Before they bombed an area under the "ARC LIGHT" operation, we had to send in people to certify that the area had nobody in it. They were bombing wasteland, in effect.

Q: I think that there was one case where we bombed an area, and all of the newspaper people came in to see the results...

LILLEY: It was a very strange time. MACV in Saigon had 7,000 people in its intelligence setup. [Laughter]

Q: I was thinking that we might stop at this point.

LILLEY: Yes, I have someone coming in to see me at 9:00 a.m.

Q: I was thinking that we might pick up the interview the next time at the point when you left Laos. When did you leave Laos?

LILLEY: I left Laos in January, 1968, at the time the "Tet" offensive began in South Vietnam. It was breaking out when I left Laos.

Q: So we'll talk about the "Tet" offensive and your departure from Laos in 1968...

LILLEY: And the massacre at "Site 85."

Q: All right.

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Today is August 28, 1998. Jim, would you talk about why you were still in Laos at about the time when the "Tet" offensive began in South Vietnam?

LILLEY: Well, the war in Laos was becoming an adjunct of the war in Vietnam. We were more and more being taken away from focusing on what you might call the "Vietnamese occupation of Laos" in favor of obstructing North Vietnamese access to South Vietnam through Laos. We had to mount teams along the Ho Chi Minh and Sihanouk trails. Our teams were spotty in quality. They didn't have enough good people. We tried to set up tribal teams, largely recruited from tribal groups in southern Laos. They would report very high statistics of North Vietnamese killed, which I think were in part fabricated. We eventually broke a number of members of these teams, using the polygraph. The people in the tribal teams thought that the polygraph was "magical," and they were superstitious. Once they got on to the fact that the polygraph was just a human device, they began to "beat it." Even they could eventually "beat it." [Laughter]

For a while the polygraph worked, and they confessed that they had made up statistics to make us "happy." At first these statistics tended to make us look "good" in the eyes of the military commands in South Vietnam and Washington and to indicate that we were being successful. In fact, we weren't. However, as I have said, we developed little, hand-held devices for the Meo [also known as Hmong] tribesmen to use. The devices carried on their faces illustrations of trucks, tanks, artillery pieces, and soldiers. Using this device, they could record what they saw and then punch a "Transmit" button. The report would

go up to one of our planes and come down to our military commands, and then the air strikes would take off to hit their targets.

This method worked reasonably well. Then the Vietnamese communists started to move off the trail, and they were very tough. We also supported what they called "ARC LIGHT" strikes, which were conducted by B-52 bombers. We would designate areas which were allegedly free of civilian villagers but which we believed had Viet Cong cadres present. We would try to hit these targets, minimizing "collateral damage" to civilians, as we say now, while still hitting Viet Cong installations. Unfortunately, the Viet Cong moved into populated areas. I think that the "ARC LIGHT" strikes hurt the Vietnamese communists to a degree. You can see this in books that are being written now by Vietnamese soldiers who operated in these villages. A number of people were killed, perhaps more in Cambodia than in Laos.

We were also supplying information for planes that were hitting Hanoi irregulars up there. We established what we called a "TACAN" [Tactical Information] radar site in the mountains up by the North Vietnamese-Laos border. This was manned by about 12 U.S. Air Force airmen. They supplied information to the bombers which went in to hit Hanoi. We provided protection with Vang Pao's Meo guerrillas.

There was a bizarre story which I may have given you before, but it's probably worth repeating. The Vietnamese communists sent in a pair of AN-2 biplanes which they had obtained from Russia. They looked something like the British-made Sopwith "Camels" of World War I. They sent these in to hit "Phou Pa Ti" in late 1967. We had these old, H-34 helicopters flown by American pilots who often carried carbines. Actually, as the AN-2 planes came in to hit Phou Pa Ti, the H-34s flew above them and American civilian pilots and crew shot them down with hand held weapons. This made Washington go "bananas" as it was an incredible story. It was to some like the cartoons about "Snoopy" the "Red Baron," and everybody jumped on it. We got the bodies of the Vietnamese communist pilots and all of their documents. We moved their bodies down to Vientiane, where we had an exhibition to show that the Vietnamese communists were involved in Laos, which Hanoi of course had denied.

I'm not sure of what the Vietnamese communists intentions were, but we sort of got "lulled" into a sense of complacency. Then, in early, 1968, they hit us with a major attack on the radar site. They went up the side of the mountain, causing the Meo to break away, and they killed the U.S. Air Force personnel assigned there.

This happened just as I left Laos. My boss, Ted Shackley, had sent in a message saying that the Meo can't protect these Air Force people from the Vietnamese communists. The information, however, which this radar site provided was essential to the bombing of Vietnamese communist targets. This meant that the Meo were expendable in terms of our efforts in Vietnam, and I think that this did hurt what we were doing in Laos.

When I first got to Laos in spring 1965, we were conducting a very small, paramilitary operation which was quite successful. We were feeding and training the Meo tribesmen,

giving them weapons, and helping them to defend their homeland. They could do this as long as they were in the mountains. They could when directed go down temporarily and hit the Vietnamese communist trails as they were protecting their own mountain tops. However, when we started to send them into the lowland areas of Laos, like the famous "Nam Bac" episode I mentioned previously, the Meo were clobbered. You couldn't assign them to take the Plaine des Jarres. You might be able to seize one or two positions, and this is what our successors tried to do. However, Ambassador Sullivan never would permit us to do this because of the dangerous situation there. He said that this would bring in a larger force of Vietnamese communists, and the Meo couldn't stand against them. That is precisely what happened. The Meo went in with our encouragement and took most of the Plaine des Jarres and they captured a lot of equipment. Then the Vietnamese communists came in and clobbered them. These were the limits of what we could do in Laos. Then, Congress began to reduce our funding, and the Meo movement gradually fell apart.

Q: While you were there, did you have a visit by Lowenstein and Moose?

LILLEY: Yes, they came out and looked at what we were doing. We cooperated with them as much as we could. They were really quite hostile to our program. When they returned to Washington, they worked with OMB [Office of Management and Budget] and other government institutions to cut our funding. Unfortunately, the Meo had become very dependent on American largesse, more and more so as time went by. Our expenditures rose steadily. When I got to Laos, we didn't even have a budget. Money was just allocated to us. It was a "sacred war," a "good war." Ted Shackley came in as Chief of Station and began to organize our efforts. He tried to find out how much it cost to operate a helicopter and how much money we should ask for. Then we started building communications facilities at upland guerrilla bases like "Site 98". We increased our personnel, doubling or tripling it. We brought in more people, more rice, more clothing and other supplies. The Meo stopped farming and began to believe that rice came from Heaven, not grown in the ground. More and more, the Meo became dependent on us.

The Meo were always pretty good guerrilla fighters, but that was the limit. And, of course, they were fighting for their homeland. Differences emerged between the tribesmen in the hills and the ethnic Lao living in the Mekong Valley lowlands. There was always that kind of friction there.

Q: Did the "old hands," and you were one of them, become concerned about this situation? I'm from the Foreign Service side of the State Department. I'm trying to get an impression of some of the spirit of the CIA at this time. Would you say that there was a difference between the "old breed" of the CIA and the "new breed" coming in and developing at this point, as far as "activism" goes?

LILLEY: I think that most of the CIA officers were committed to what they were doing. They thought that they were doing the "right thing." They thought that we were getting the various aspects of "insurgency" and "counter-insurgency" right. I think that they realized that there were limitations with the human material that they had to work with.

The State Department guys in Laos tended to follow their leader, Ambassador Sullivan, who was always a strong supporter of our program. There were always "dissenters," but dissent was a career-risking activity. The people in the AID mission [Agency for International Development] largely supported our program. I think that there was a difference in concept between Joe Mendenhall, the AID Mission Director, who was a Foreign Service Officer, and our people. However, by and large, the Embassy policymakers came down on the side of the CIA.

I think that, in most instances, we had the support of the Mission as a whole. Of course, I thought that Ambassador Sullivan was a pretty good strategist. He knew Vietnam and had read the earlier history of Indochina. He had been involved with Governor Harriman in the negotiations to neutralize Laos in Geneva in 1962. He had risen very rapidly on the basis of his advice. He was confident of his knowledge of the politics of the situation, his management of the lowland Lao, and his ability to work with CIA to bring our efforts together.

There was a major election in 1967 for the Lao National Assembly. All 59 seats in the National Assembly were at stake and were won by the government side. We helped that process along. However, earlier on, in the 1960s, we had some real activist CIA guys who were highly motivated. They wrote the Lao constitution and carried out other covert actions. They were active and were intellectually "engaged." This gave us a sense of power, but it was somewhat ephemeral, because we still had to deal with the basic issues of land reform, taxation, agricultural initiatives, and other matters of this kind. We tried to handle those matters. We had several model villages, which represented a successful pacification effort, but that was "out of synch" with the rest of Laos. It was kind of a "Potemkin village."

You were asking whether there was a change in the CIA attitude. I think that in the early days there was a great effervescence, a sense that we had finally found people who would fight the communists and occasionally defeat them in guerrilla warfare. Before that, the Vietnam experience had really been rather negative. Ramon Magsaysay in the Philippines had had some success against the Hukbalahap [pro-communist movement of the 1950s], the British had had some success in Malaya against the Malayan Communist Party, but that was largely a Chinese group. It was largely in China and Korea, where the stakes were very high, that our involvement was less successful. Some of the people we worked with in Laos had had experience in southwest China.

There were various legends on this. We had a marvelous young man, called Vint Lawrence, who later became a cartoonist in Washington. He was a talented young man who had studied at Princeton University. He made a classified movie on Laos, and he was compared to Lawrence of Arabia [British leader of the Arabs during World War I]. He spent five years in Laos. As I said earlier, he learned to speak Lao and also spoke French. He knew the Lao aristocracy. He understood the Lao and spent many years with them. At the same time he understood their limitations. There was Tom Fusmire in Savannakhet, who also had a well-developed appreciation for the Lao. However, others

came to Laos, spent two year tours there, and then left. These people really looked at Laos as a paramilitary problem. They really had no "grounding" in the overall situation.

I said "earlier on" to describe the situation when I first arrived in Laos in 1965. At that time there was more enthusiasm in working with tribesmen to carry out fairly successful operations. The CIA "Station" became larger and staff oriented and saw the assignment in terms of tours of duty. Then it became a little bit more like Vietnam, and that's when the situation began to slip away from us. Increasingly, "main force" Vietnamese units were introduced into Laos on the communist side, and we had tribesmen linked to our air power. We had "Forward Air Controllers," some of whom were Lao, on the ground. We had a colorful Air Force colonel called "Heinie" Adderholt, a real character. He flew World War II type planes out of Udorn Thani [Thailand]. These were T-28s...

Q: They were training aircraft...

LILLEY: Used as bombers. They were like the "Harvard" trainers used in World War II. That's what the Lao needed. And I think that the Lao also used the B-25 bomber.

Q: Twin engine, twin vertical stabilizers.

LILLEY: They had a long, "hover time" over the Ho Chi Minh trail. There wasn't much anti-aircraft fire from ground on the communist side. The B-25's could "hover" and hit, whereas the F-4 [jet fighters] would come sailing in at high speed and were less effective against Vietnamese infiltrators. So techniques like using older, slower aircraft like the B-25's were adopted, and a really colorful group of people was assembled to run these air operations.

Q: By the time you left Laos in about January, 1968, you and your colleagues were getting to know the Laotian people and what would work best. Were you aware of what was happening in the United States? I mean, were you aware that the "clock" was ticking or were you so absorbed in what you were doing...

LILLEY: Yes, we were aware of what was happening in the U.S. I received a letter from a relative in Massachusetts, in which he expressed opposition to our Southeast Asian policy. I wrote a rather brusque letter right back to him. I said that I wasn't telling him how to run Boston politics but was telling him about what was happening in Southeast Asia.

Yes, we got reflections about what was happening in the U.S. I particularly got this line in correspondence from home. I asked my family what was happening in the U.S. They answered that the criticism of our policies was coming from a "fringe element." We had the feeling that people just didn't understand what was happening. No, I didn't understand that the "clock" was ticking. I was going to go back to China operations, from which I had started, rather than stay in Southeast Asia. At that time I was going to be reassigned to Hong Kong. I should have said that we left Laos with questions and problems, but we had faith that we would probably be able to "neutralize" the situation and that we would

be able to stay there and get better terms. I didn't think that we would have to accept the outcome which we experienced about seven years later. We saw signs that we were losing domestic support in the U.S. On the other hand, President Johnson was still in office. He was behind our position in Laos. Ambassador Bill Sullivan was there. There were experienced teams supporting us in the Department of State and CIA. We still had the sense that we were doing the right thing and that the situation would work out. As you know, the situation began to deteriorate badly in the early and mid-1970s.

Q: You said that you were back in the U.S. when tensions really became serious.

LILLEY: I was back in the States in early 1965 and it was depressing. Then, again, as we read the reports, we learned that the Vietnamese communists had taken terrible losses. A friend of mine, a CIA officer, had been captured by the communists in Hue.

We sensed that the American press, as well as other elements in the U.S., were against us, including the "Jane Fonda crowd." We interpreted this as an example of what the hostile media was doing. We thought that we were doing the right thing and that good would eventually prevail over evil. This was a simplistic idea, but at that time, in 1965, it seemed right. A lot of bad things were happening. Of course, in retrospect, domestic support for our policies in Vietnam was eroding. I didn't see it that way, but back in the States, I felt more pessimistic.

Q: I was in the U.S. at the time, and I volunteered to go to Vietnam out of concern over what was happening there. When you returned from Laos in 1968, where did you go?

LILLEY: I spent about four months back in the U.S. and then I went to Hong Kong.

Q: So you were in Hong Kong...

LILLEY: From 1968 to 1970. That was an exciting time to be there. Changes were taking place in China, and we could see other changes coming.

Q: I would have thought that this would have been an "interesting time" to be in Hong Kong. Put me in the picture. Where was China at the time in terms of the Cultural Revolution?

LILLEY: Well, in the summer of 1967 and early 1968 China was still in the throes of the Cultural Revolution. The situation was really getting bad. However, in Laos, we had lived a very monastic existence. We looked at the Chinese in terms of the roads that they were building across Laos and Chinese support for the Viet Cong and the Pathet Lao. We didn't follow the tumultuous events going on inside China in any great detail. Then, when I got back to the U.S., I started reading about this.

Of course, it was in March, 1968, that President Johnson made his announcement that he would not run for reelection. Everybody knew that that was because of the Vietnam War.

Q: When did you arrive in Hong Kong?
LILLEY: In spring 1968.

Q: What was your position there?

LILLEY: I was Deputy Chief of Station [DCOS]. We had a big station there. I think that the CIA wanted to rework the objectives the Station was pursuing. An old friend of mine, Charley Whitehurst, was then the Chief of Station. He had been in Hong Kong previously. He was a Southerner with a wonderful sense of humor who liked to gamble and tell anecdotes. We worked together as a team. I was supposed to be a kind of "China expert." Charley Whitehurst had been in OSS during World War II. He dealt with the British Special Branch and was engaged in "thinking big" on Southeast Asia. He had also been Chief of Station in Laos. He was a very shrewd, smart guy but he had a sort of "corn pone" ["country boy"] image.

Q: Hong Kong was one of our principal sources of reporting on China. I'm talking about information from the State Department side, the FBIS [Foreign Broadcast Information Service], and all of that. This was subsequently put together. I always have a little trouble talking to somebody from CIA and don't want to upset anybody's apple cart. At the same time, what was the difference between what you were doing and what the "China watchers" in the Consulate General in Hong Kong were doing?

LILLEY: The State Department put its "China watching" base in Hong Kong. People like Mort Abramowitz, Nick Platt, and then Ed Rice, the Consul General who came after Marshall Green. After them came people who were born and raised in China, like Ed Martin. Harold Jacobson was the Deputy Consul General when I was there. Allen Whiting was also there. He was considered to be "big on China." The State Department had a strong, China watching crew. These officers worked with newspapermen like Stan Karnow, the Kalb brothers [Marvin and Bernard], as well as all kinds of other Hong Kong residents. The State Department people would work with the China watching community and draft cables based on press reports and the debriefing of refugees from Mainland China, which the British handled in a professional way.

In addition to the reporting based on the press, the State Department people also had access to the debriefings of Chinese refugees who sought asylum in Hong Kong. They worked through us, and we contributed to State Department reporting. We had good relations with the State Department people. However, the role of the CIA Station in Hong Kong basically and originally involved dealing with refugees. We tried to "turn them around" and run them back into China. The British told us to stay away from Chinese communist organizations in Hong Kong because they said that this was "their" bailiwick.

At one point during my early time in Hong Kong we had a man called Bill Wells, who was the Chief of Station. He was very well informed on China and was in fact brilliant. He tried to run resident operations in China which, I think, were largely unsuccessful. Then he started writing papers which received wide distribution. The intellectuals loved them, because Wells was very good at that.

When I arrived in Hong Kong, I said: "We can't run operations in Hong Kong unless we get into the Chinese communist apparatus here." We moved ahead on that, despite British objections. In any event, the British chose to "look the other way." I give Charles "Whitey" Whitehurst, the Chief of Station, the credit for massaging the British on this matter. It was my idea, but "Whitey" dealt with the British on it. I got the Station guys out on the streets, trying to arrange for these "penetrations" of Chinese organizations. We shared one or two of these "penetrations" with the British. We handled these operations and gave the British the "take" from them. I knew that that was the way to get into China. It wasn't by sending refugees back. That was much too dangerous because when you try to send them back, you have to pay them, and if they get caught, there was the risk that they would be "doubled" by the Chinese and that their reports could not be relied on.

We knew at that time that the Chinese communists had a formidable security apparatus in Hong Kong. These were composed of hotel workers, servants in the houses, and switchboard operators. All of these people were part of a vast, Chinese security network. It was directed against Taiwan and against foreigners. I think that it probably still exists in some form. This was something we warned our people about.

We were also very much engaged in Southeast Asian operations, because everybody was involved in the Vietnam War. We had some big operations going against the Viet Cong and Cambodia, through the Chinese community. The Chinese community in Hong Kong was involved in all kinds of sub rosa activities in Southeast Asia. If you could get some of these hard, sharp, materialistic operators, you could get right into the Viet Cong logistics support network. We worked on that, and I think that we had some success. That, plus the penetrations of the Chinese communist apparatus, as well as some shipboard operations. These were really our "raison d'être."

Q: So you were working without telling the British that you were moving into the network there. I can see that the Consul General might well object to that. Normally, the Department of State and the CIA had two different objectives. The Department of State always tries to avoid "upsetting" the local authorities.

LILLEY: But we had made it clear to the British what we were doing. We had a sort of "tacit" agreement on this. The British simply agreed to look the other way. We knew that it would be "our neck" if we got caught. This was what the British told us, in effect. I don't think that the Consul General had any serious problems with what we were doing.

What the Consul General was concerned about was why we had so many people in Hong Kong. He asked us whether we could do what we were doing with a few good men. At that time we were overstaffed, and he knew this.

Q: Overstaffing is a constant problem, particularly with intelligence organizations. You make yourself more vulnerable when you have too many people "bumbling around."

LILLEY: I think that's true and I think that there is a lot of "bumbling around." I came to

the conclusion that basically a Station functions with about 25 percent of its personnel effective. There are a lot of people who are just involved in "spinning wheels." A few operations are under way which justify their existence. At least this was my experience in the CIA in Hong Kong.

Q: I think that that is often the case.

LILLEY: We had a few good case officers who carried most of the load. We had a number of case officers in the Hong Kong Station who were unproductive, unless they were assigned to work which was "imposed" by CIA management back in the U.S.

We had some interesting operations going on in Hong Kong which, I think, justified the existence of the Station. We dropped this whole business of paralleling what the State Department was doing. We didn't have people of the right caliber to do this kind of work. Besides, it was not our job, in my view.

The other aspect of this was that we were dealing with Chinese who were passing us "messages" from the Chinese communists. They were telling us that they were "reasonable" and were coming out of this very bad experience during the Cultural Revolution. They said that they wanted to "open up" to the United States. They were rationalizing the Chinese position. We reported this in some detail to Washington. We had a very capable officer who had a good sense of China and who was dealing with people like this. We were really passing messages back and forth.

Q: This is very interesting. In the first place, were you aware of what was happening in China? In a way, it seems as if everybody knew in detail what was happening, but you seem to be saying that nobody was putting together what was happening in this huge country, with a population of about one-quarter of the world. The younger generation in China was going virtually without education and was destroying itself.

LILLEY: I think that we had several different interpretations of the situation in China. One of these interpretations was held by a certain faction in the State Department which saw that what was happening was the disintegration of China. In this view, some of the provinces reportedly could not tolerate what was happening and was caused by madness at the center. There were reports of major violence between factions of the "Red Guards," which were using artillery, rockets, and all kinds of weapons against each other. Then we had reports of large numbers of human bodies flowing down the Pearl River, bodies with their hands tied behind their backs, in groups of 50, 60, and up to 100 bodies in groups. This gives you a sense of the horror that was going on in China. Civilian planes were being mobbed by "Red Guards" waving their "Little Red Books" containing the sayings of Mao Tse-tung.

We were able to talk to some defectors from China who had been in the Communist Party apparatus. They gave us insights into the revolution that was going on in the course of the Cultural Revolution. They had originally joined the Communist Party, thinking that they were going to get rid of "revisionist" elements. They realized they were the targets and

some got out of China. They told us how this process worked inside the Communist Party.

I think that this gave us some insight, but overall reporting was basically the job for the State Department. We had people who, we thought, knew more about China and had better insights than what Washington was sending in messages out to the field. State Department officers serving overseas normally draft telegrams to capture the attention of Washington and give their reading of the local situation of the country where they are assigned. CIA officers report factual materials which feed in to what State as well as their CIA superiors need to know. Therefore, at times, they turn out a more useful product than State Department officers produce. Still, open reporting is really not the job of the CIA.

We really thought that we had to get into the business of collecting information, using clandestine sources. Then we had the job of reading the pulse of China in terms of what the Chinese communist cadres in Hong Kong were telling us about what China as a whole was thinking and the changes which were taking place.

I think that Secretary of State William Rogers came out to Hong Kong some time in the summer of 1969. He began to lift our foreign assets controls on China. We saw what was coming. We didn't know about the "secret diplomacy" being carried on by Henry Kissinger [then the National Security Adviser to President Nixon]. However, we were talking to diplomats in Beijing, when they visited Hong Kong and they gave us their insights on China.

Hong Kong as a whole had been somewhat "upstaged" by what was happening in Southeast Asia. I think that I mentioned what we did in Cambodia earlier, during the 1961-1963 period. Then, we got some real insights into the breakdown of China at that time. We didn't predict the 1962 "mass exodus" from China, although we sensed something big was about to happen. We were sending low-level agents into Southeast China from Cambodia. They came back through Hong Kong and told us of the cuts in food rations, starvation, and the escalation of mass movements against the Chinese Government. That was a terrible time in China.

Q: Oh, yes.

LILLEY: People back in Washington thought that the Consulate General in Hong Kong wasn't sufficiently "on top" of the situation. Then we began to get some key "defectors" from the Chinese communist intelligence and security services. They gave the United States our first real look into the Chinese communist intelligence apparatus. This was real intelligence, not "fake" information. Hong Kong made a massive effort to track Chinese communist intelligence. We looked to the British Special Branch people to help us in this regard. I think that, in some ways, we were tracking masses of data that most people paid little attention to, but we didn't have any dramatic breakthroughs. In Hong Kong, the British had some good sources inside the Chinese communist apparatus, which they shared with us, through Special Branch. So I think that, all in all, we had a role to play in Hong Kong and still do. However, it was beginning to "shift" from interviewing refugees

to getting information from higher level sources.

Q: In some ways, even if you had the best "penetration" in the world, we still couldn't figure out what to do about this situation. I've just finished reading a book on the life of Chairman Mao Tse-tung by Dr. Lee. Just from that and other accounts, the Chinese communists didn't appear to know what was happening. China was in such chaos that you could get "signals" of unknown value. However, from whom did they come? The sources of these reports were individuals who might not be in power for very long. It was not the sort of situation on which you could do any prediction.

LILLEY: I think that that's a little too hard on us. I think that we had a lot of trained people who looked into the revelations contained in key Mao and "Red Guard" posters, exposing the "viciousness" of Madame Mao and her sexual predilections. And stories began to come out about Mao himself.

Q: This was in the 1968-1970 period?

LILLEY: Yes. We began to get stories about Mao, although they did not really come out in force until later on. However, it was difficult to figure out whether the first stories that came out were examples of Taiwan "disinformation," or whether they came from people inside China who had an axe to grind, or whether these reports were just "hearsay" from third parties. This was mainly a job for the analysts to handle but case officers all had the responsibility to authorize sources. I think that, in some instances, these analysts did get the story right. They got it right because they had the right focus. Some of this good analysis was done by State Department people. They did a pretty good job of beginning to understand the fundamental argument between the Gang of Four, including Madame Mao and the Deng faction. This also eventually involved the return to power of Deng Xiaoping. Our analysts saw this struggle really beginning to take shape. I think that they got it right.

Then, in 1976, the situation "blew up." There was a high level Chinese defector from The Hague. He was the Charge d'Affaires in the Chinese Embassy there. In some ways he was a limited man, but he saw the cable traffic from Beijing. He knew about the arguments, and we understood what he was saying, factored against the background that we had. Then some good British sources came in, which added to our knowledge, plus the views of our own people who were "feeding us" from inside the Chinese communist system.

We put all of this information together and began to see the outlines of the real power struggle developing in China. The people who got it "wrong" were academics, some of whom regarded the Cultural Revolution as an experiment in participatory democracy.

Q: These were the same kind of people who looked back at the "Great Leap Forward" and thought that the Chinese were somehow going to produce better quality steel from backyard steel furnaces.

LILLEY: They were dead wrong. Then there were the people who were affected by the

Shirley MacLaine syndrome. They felt that they had "discovered" China and that the Chinese were a selfless people. You asked them what they wanted to do, and they said that they would serve the Motherland. Our own Americans said that they had found their soul on Hua Shan Mountain. These Chinese people allegedly understood selflessness. What a lot of baloney!

Q: They had cute kids.

LILLEY: Yes, and the women curled their hair. This was regarded by some people as a sign that the revolution was calming down. This attitude affected some high level Americans who hated the Soviet Union. The Chinese communists played this attitude to a fare-thee-well. The Chinese communists said that they were the people who were standing up against the Russians and that we Americans must help them. Some very smart Americans were really sucked into this and they started to rationalize what was happening in China.

This is different from the attitude of the academics I spoke of. It was worse, because they should have known better. If they had done their research, they would have known what a "horror" was happening. Many can never forgive Mao Tse-tung for what he did to China. However, these American academics of whom I am speaking found it very difficult to separate themselves from Edgar Snow's version of Mao, even when he visited China in 1969 and interviewed Mao. Snow said that he couldn't explain what was happening in China. He said that this process was "madness." Snow had been sympathetic to the Chinese revolution. Teddy White summarized his own conclusions in his book, "Roots of Madness."

Some of these people saw that something had gone terribly wrong. However, others rationalized it. This included young Americans who hated the Vietnam War, were disgusted with their government, and wound up supporting communist China.

Q: China has always had a lot of fascination for some Americans, perhaps more than any other country. If you go back to the beginning, our first Consul went to China in 1784 or so and supported what was going on with hardly any debate. He felt that China was "great."

However, if we can stick to the 1968-1970 period, you were saying that you were getting signals about a possible "opening" to China. Where did these signals come from? There was almost no Central Government.

LILLEY: These came from Communist Party of China members living in Hong Kong. These would be filtered through figures in the British establishment, who were talking to prominent Chinese in Hong Kong. The British picked up the views of a group in China that allegedly had connections with top levels in Beijing. These views probably represented the opinions of Deng Xiaoping. These people were telling us: "Look, we want a future for China that is practical and that gets away from lunatic social engineering projects. There were people in China who saw things differently, and they

know who was the true enemy. They are your enemies and our enemies as well." They would tell us about certain things that were happening in Beijing and so forth.

But we always had to check out these reports. There clearly were serious splits developing at the leadership level in China. We were beginning to see developments like this now in connection with these horrible floods. Authoritative Chinese were saying: "Look, the emperor has no clothes. You outsiders have things wrong. This is a disaster for China." Many Chinese were reluctant to let this happen, because they knew that they had leveled the mountains and filled in the lakes in endless mass projects that ended in disaster. Now they were admitting this. In the old days Mao Tse-tung wouldn't admit it, but now it was becoming public knowledge.

During the Cultural Revolution, these "Red Guard" posters on display, attacking the other side gave us insights. We then got a sense of what was happening. The majority of these posters reflected extremism, but they still had a core of detailed information which told us what the leadership was doing.

Q: We got the views of both sides. You could see what everybody was doing.

LILLEY: In 1970, we sat down and tried to go through this whole period, including the Cultural Revolution and the rise of Deng Xiaoping There were two schools of thought in the U.S. as to whether we had had it right or wrong. But it became serious when what the United States was doing was planning on how to deal with China, in this period from 1969-1972, when China was in real turmoil.

Kissinger made his first trip to China in July, 1971. He made his second trip to China in September-October, 1971. As he says himself, the Chinese had gone through an attempted coup d'etat led by Lin Piao. The leadership system had been shaken, but Kissinger said he didn't pick up a ripple of this. He came back from his second trip to China and said: "We don't know what the hell is going on. This coup d'etat was going on right under our noses, and we didn't know it."

I remember that we felt that we should really examine our entrails and learn why our analysts tend to become "hooked" on China. There were fights within the American analytical community about China. There was a group that said: "We have to open up relations with China. It's a bulwark against the Soviet Union. There are good people in China who want to move ahead. This is their history. They are not aggressive. Dump Taiwan and go toward China." Another school of thought said: "We know that the Chinese are basically hostile to the West. They were, to begin with, and always are going to be that way. They have deep, anti-foreign feelings in their makeup. They will allow us to be sucked in on these matters, but they really aren't our friends. They'll go back to the Soviet Union if it suits their national purposes."

These arguments became heated and bitter. Jonathan Spence has written a new book, "The American Perception of China." I was going to review it for "The Washington Post," but I wasn't available when the "Post" wanted it. Spence is very good on this

subject.

Q: When you were in Hong Kong, say in 1970, was it generally felt that it made sense to recognize China, or were these dissenting views expressed by both State and CIA officers in Hong Kong? Remember that we were really on the eve of the opening to China at this time.

LILLEY: There was a ground swell in this direction. It was starting to move toward an opening to China. This had started earlier. I found indications of this way back in 1965. There was a move toward opening to China. There were all kinds of people who were thinking this way. Then, of course, this kind of move became more attractive during the Vietnam War. We looked for signs that China would do something about helping us to end the war, but China was not prepared to do anything of the kind. China was prepared to send supplies to North Vietnam, but there were already signs of some dissension between China and North Vietnam. Problems had arisen in connection with moving Soviet equipment through China to North Vietnam.

As I say, there was an increasing ground swell of people who felt that the time was approaching for an opening to China. It was at this point that we saw movement in this direction. The timing of it was something else. It was at this point that Barbara Tuchman wrote her book that said that General Joseph Stilwell was an authentic, American hero. She concluded that he was "flawed," but in essence Tuchman said that Stilwell was smart, he knew the Chinese, and he was sent to China, where he "took on" the corrupt, Chinese Nationalist Government. He led elements of the Chinese Nationalist Army despite their shenanigans and ensured that they would fight. There were others in Chungking who went around behind Stilwell's back to Roosevelt and tried to destroy him. Tuchman said, in effect, that we still were living in Taiwan with these same Chinese Nationalists. This is what they did to us. The Tuchman book was an important book.

Then virulent arguments developed about the idea of moving toward rapid recognition of communist China. You could see that there was a pro-China faction who favored moving ahead. Henry Kissinger [National Security Adviser to President Nixon] was sort of feeling his own way as he developed his views secretly. When the announcement was made of the Kissinger trip to China in 1971, it hit like a bombshell. By and large the public reaction was positive. Public opinion was affected by the ongoing struggles in the UN about the Chinese representation question. As the American move toward China developed, support for Nationalist China in the UN was eroding very fast. However, there were UN members who supported the Chinese Nationalists and said that they wanted Taiwan to remain in the UN. This included George Bush, our UN ambassador. Then Kissinger went to China, and this had an impact indirectly on our UN position.

Q: What about the role of Taiwan when you were in Hong Kong? I would imagine that you would have to be looking over your shoulder and saying: "Anything to get there." Was there a kind of Taiwanese hand on information? Were the Taiwanese playing the game, too?

LILLEY: They were. I'd had a lot of experience with Taiwan during my earlier time in Hong Kong in 1952-1953. I think that I knew what the Chinese Nationalists were up to. We're talking now about the period 1968-1970. We had stayed with them and had large intelligence contingents in Taiwan. In Hong Kong, we could spot immediately what they were doing. In fact, our American military became heavily involved in Taiwan. They were "sold" on things that we had rejected years earlier. In fact, one cannot run operations from Taiwan against Mainland China, because the information we had was that the Taiwanese intelligence apparatus were fully penetrated by the Chinese communists. All of these people from Taiwan were picked up by the communists as soon as they arrived in mainland China.

However, the American military had absorbed the "quick fix" solution. Their counterparts in Taiwan would say: "Give us $10,000, and we'll give you information on China." Our military would come down to Hong Kong and show us these reports. We would look at them and put our analysts to work on them. The information was right out of the mainland newspapers and we were checking newspapers from all over Mainland China. We had had experiences like this in the early 1950s. Journalists in Hong Kong could get the mainland newspapers. The intelligence people then embellished these stories a bit and gave them a "twist." Earlier on in the 1950s, they sounded good and we were sucked into this. The American military were later also sucked into this same scheme. We were trying to tell them: "Stop it! This is not for you." I went to Taiwan and talked with the American military there a couple of times. I told them: "Look, you can get these refugee reports in Hong Kong through the British. Go back and read the history of U.S. intelligence in China in World War II." I knew the people who were in charge of putting out these refugee reports. I told the U.S. military not to duplicate this. There was a certain amount of intelligence on the technical side, yes, of what we could get in Taiwan. However, I urged the American military not to get involved in human intelligence reports. My sense is that the Taiwanese did not influence us to any great extent. We were all very much attuned to what the Chinese Nationalists were doing.

At best, this Taiwan effort was a secondary operation. The British and we were well aware of what was going on. This is one area where the British did not "stampede" us. But we stayed away from intelligence produced in Taiwan. The British told us: "Well, you can collect all of this data from refugees, but we have it already. Why do you want more? The debriefing sources are in place and can be trusted and you can feed advisors to them. If you want to get more of the same kind of material, go ahead." The British had a different agenda than we did.

The situation in Taiwan has changed radically since then. At that time Taiwan was an authoritarian state, run by the old Kuomintang mainland establishment. Their survival rested on the possibility of hostilities between the U.S. and Mainland China. Now, I understand Taiwan is doing better in China.

Q: In many ways that made it easier for us in those days to look at mainland China and Taiwan. We didn't see an awful lot of difference between them. They were both "not very nice governments." We could be more fanciful in reviewing what is happening today.

LILLEY: You couldn't place any great confidence in anything that Taiwan did in the way of analysis of the "Great Leap Forward," the social engineering, and the "lunacy" of Mao Tse-tung. The fact is that the "Great Leap Forward" involved a calculated act of wiping out opposition to Mao. We also saw some suppression in Taiwan and arbitrary arrests. We saw assassinations going on, but they were on a much smaller scale. The American military, in particular, were focused on operations out of Taiwan. By the middle 1970s, they were really beginning to move ahead, and that was changing the face of Taiwan, in political and military terms.

Q: We're still talking about the 1968-1970 period. The changes in Taiwan weren't really in the forecast.

LILLEY: Taiwan was really beginning to "take off" at that time. American economic aid to Taiwan stopped in 1965. However, after all of the mistakes that we had made on mainland China, we finally "got it right." We had some really "crackerjack" people in Taiwan, including men like Wolf Ladajinsky. He promoted real land reform, the move into agriculture and light industry, export promotion, import substitution. Taiwan made a lot of progress economically.

Politically, Taiwan had to fight against authoritarian and single political party KMT control of the system. This is basically similar to what has been done in Singapore. So there has been economic dynamism and political feudalism. Taiwan had gone through this process in the 1960s. By the time I visited Taiwan in 1970, we could really see this process "taking off." However, in the late 1960s and early 1970s mainland China had gone through the awful consequences of the Cultural Revolution. All of this had happened in mainland China, when Taiwan was beginning to move forward economically, although politically and militarily, the progress made was not so good.

Q: You went to Taiwan in 1970?

LILLEY: I made a trip there.

Q: When you left Hong Kong, where did you go?

LILLEY: I came back here to the China desk for a year and then went to the National War College for nine months.

Q: So you were on the China desk during the period 1970-1971.

LILLEY: That's right, 1970-1971.

Q: When you were on the China desk, did you find a divergence between the mainland China you observed from Hong Kong and the China that was being seen in Washington?

LILLEY: I think that this was the first time that we became involved in the big debates

on what was happening in China. I saw the differences between the views held by INR [Bureau of Intelligence Research] in the Department of State, the China desk in the Bureau of East Asian Affairs, CIA, and the Department of Defense. I could see that the stakes were high in terms of the animosities which had developed and personal prestige that was involved. We saw how the various American agencies were fighting among themselves.

That's why Henry Kissinger [National Security Adviser to President Nixon] took his whole operation right out of the main stream of the State Department. He took a few people out of the State Department. However, what he initially did was to try to engage the bureaucracies in writing NISMs [National Intelligence Survey Memorandum] 106-107. He had these huge papers which were drafted by people like Al Jenkins and other people on the NSC [National Security Council], CIA, State, etc. staff. They spent hours working on these NISMs. I think that Kissinger was using these NISM's to distract the media and public.

Q: It seems to be the common feeling. I've interviewed Winston Lord on this subject. He felt that the NISMs were kind of helpful but not what Kissinger really wanted. He had other people doing other kind of work.

LILLEY: They were drafting papers on a future "U.S. Interests Section" in Beijing and how it could function. There were all kinds of thinking going on regarding how to pass signals to the Chinese communists. This kind of thing was going on at the UN in New York. Everybody was sort of "seized" with this intrigue. Henry Kissinger was pursuing the real "intrigue" in China. I suppose that the first time I became aware of this was when we decided to use these "silent helicopters" to intercept communications. We wanted to use them in China. The word came down to us: "No, do it in Vietnam." Kissinger won the battle over that. I suppose that, at that time, we didn't understand why the decision was made on this issue in July, 1971.

Q: Did you see indicators that everybody else was missing, including the view: "Don't fool around with China. Don't upset relations with China."

LILLEY: Yes. I think that we were beginning to see that the mood was shifting in the United States regarding relations with China. We read information on China which was being sent back by the Consulate General in Hong Kong. The State Department was getting its own reports, too. I felt that, at that time, that we should move ahead in terms of relations with China. However, we had to protect our interests in Taiwan.

This view wasn't terribly popular with the pro-China element in the State Department and a few supporters of it in CIA. However, I took that position later on in various NISMs and asked for a certain level of relations with Taiwan. I was supported by the DO [Director of Operations in the CIA] and less by the DI [Director of Intelligence in the CIA] in this regard. The DI is basically concerned with intelligence analysis.

We began to see these patterns forming when we were dealing with the NISMs. I was not

really a crucial player in this. However, I was in favor of moving forward in relations with China. At the same time, I felt that we had to protect our equities in Taiwan. In many ways the "old China crowd" didn't want to hear this.

Q: In other words, they wanted us to get back to China and said: "Let's forget about that little island of Taiwan."

LILLEY: Some people said that we were already on the scene in strength in Taiwan, but others questioned and said: "Why are you dealing with these relics of history?" The question was how long it would take us to get out of this relationship with Taiwan. They asked whether there were any plans to do this. They admitted that China was in bad shape, but there were better elements in China that would come to power, and so forth.

Q: But while you were on the China desk, was one of the arguments that if we recognized China and got close to China, this might throw a spanner in the works of the Soviet Union? Did the China desk view normalization of relations with China as a ploy against the Soviets? Was this a factor that we were looking at?

LILLEY: No question that it was. Well, as you'll recall, there was a clash between the Soviets and the Chinese along the Ussuri River in the summer of 1969. I think that this led directly to our decision to improve relations with China. I don't think there is any question about that. The Chinese were obviously at a disadvantage at this time. The Soviets were obviously much stronger than the Chinese were. The Soviets hit the Chinese very hard, and the Chinese realized how limited they were in this context. Yes, very definitely, this affected people like Jim Schlesinger [then Director of CIA], Kissinger, and people like Paul Nitze. In other words, the people who looked at the Soviet Union as being a "present danger" to the United States. There were people who looked at China as being opposed to the Soviet Union. You have to accept that this was a crucial consideration at the time. This was greater than concerns about Taiwan or other issues. There was a general feeling that we had to move ahead on improving relations with China.

Q: This was all prior to the announcement of Kissinger's first trip to China. Was there an increase in Chinese efforts to make contact with the U.S.? Did you see indications of that?

LILLEY: Oh, yes. My chronology may be flawed, but it seems to me that that was part of the diplomacy at the time.

Q: You mean, like the episode of the "ping pong" diplomacy.

LILLEY: That was very popular at the time. This cast China in the best light. Not a true light, but it brought out considerations of people to people relationships, altruistic motives, good sportsmanship, friendship first and competition second. That contributed to the atmosphere. Kissinger knew the risks that he was running, but he believed that his visit to China would be a popular move. Especially since the Vietnam War was going

badly. Although the peace talks were starting, opening up to China made a lot of sense and gave us an opportunity to get out of the quagmire of the Vietnam War.

Q: On the day that the Kissinger trip to China was announced, how did that hit the China desk?

LILLEY: It was like a bombshell. The desk didn't know anything about it in advance. I remember that I was with a bunch of Royal Canadian Mounted Police that night. I said that I had heard that Kissinger was going to make an announcement. I said that I wanted to go back to my office and hear this. I didn't expect that it would be particularly important, and other people said: "Oh, no, it won't amount to much." All of a sudden, my wife called me up at this dinner and said that Kissinger had made an announcement about his having made a trip to China. I wondered: "What the hell am I doing here" at this dinner? I had an obligation to attend this dinner, but when I got back to my office, there was the announcement, and everybody was very excited about it.

Kissinger mentioned a forthcoming trip by President Nixon to China in early 1972, and this amounted to a huge breakthrough. You asked if public opinion saw this change coming. The average guy didn't anticipate it, but he kind of liked it. It was effectively handled.

Q: In the first place, did the China desk also cover Taiwan?

LILLEY: At that time there was an ROC [Republic of China] desk in the State Department. Then there was also the PRC(M) desk [People's Republic of China (Mainland)]. That was the division of responsibility in the State Department.

Q: I was talking about the arrangement in the CIA.
LILLEY: In CIA there was a Directorate of Operations which included both Mainland China and Taiwan.

Q: I was wondering. I would have thought that this announcement would have excited the people who were watching developments in the People's Republic of China [PRC]. However, on the ROC desk, there must have been a lot of people who said: "What are we going to do now?"

LILLEY: I think that there was a group of people who were called "ROC supporters." These included people who had served in Taiwan and then rose to senior jobs in the Department of State. They still looked at China from that point of view. There were many more people in CIA who looked at China from this point of view than in the Department of State. CIA people had spent their careers running operations against China out of Taiwan and regarded mainland China as "evil." They weren't going to change. I think that the CIA people felt more deeply about these matters than people some at the State Department.

Q: Still, from the point of view of people who were looking at both sides, there wasn't a

close attachment. After all, Chiang Kai-shek wasn't exactly a "warm and fuzzy" person.

LILLEY: No. There was the "old crowd" left over from the Senator McCarthy period. These included people like John Stewart Service and John Paton Davies who opposed the Chinese Nationalists. People who thought that they had seen the future and reported on it in this sense. They were Foreign Service Officers who had basically "done their job." I think that there was a lot of sympathy for that outlook.

Q: Oh, yes.

LILLEY: They felt that they had been given a "raw deal." There was a feeling that there was some kind of "redemption" going on. I think that there were people in the State Department who had taken the position that the Chinese communists would win the confrontations with the Chinese Nationalists on Taiwan. People like John K. Fairbank and so forth, were right in many ways. There was a feeling that it was time to recognize reality and reestablish normal relationships with the Chinese communists.

What was missing from this view was an appreciation of the beginning of this great transformation in Taiwan. One aspect was democratization, another was economic prosperity, followed by liberalization of the economic system. That was not really evident yet, except for the economic changes. As a result, Taiwan was really not taken that seriously. The Chinese communists had been able to sell us on a possible improvement in U.S.-Chinese relations.

However, right from the beginning Zhou En-lai said that even though we might work together, Taiwan was necessarily first on their list of priorities. That's when he laid down the importance he attached to Taiwan, no Japanese takeover, and so forth. And they were clear in this from the beginning. They said right from the beginning that we can't really move unless there were understandings on this. We said, okay, basically, and of course it became much more subtly stated in the Shanghai Communique when people like Marshall Green [then Assistant Secretary of State for East Asian and Pacific Affairs] and others really felt that it was very important to have agreed language on Taiwan that didn't get us sucked into the Chinese position.

Although there were people who wanted to move very far on U.S.-Chinese relations, I give Marshall Green a lot of credit for this. He's dead, unfortunately.

Q: I had an interview with him, and he talked about this.

LILLEY: He really made a difference. He got that language included that we don't challenge the position that there is only one China. Green had included subtle language which pulled us back from supporting the Chinese communist position on Taiwan and preserved our equities in Taiwan.

Q: I think also, to be fair, that Marshall Green was also determined to mention Taiwan in the Shanghai Communique. He wanted to avoid our being caught in a situation like that

created by the statement made by the late Secretary of State Dean Acheson, which excluded Korea from our defense perimeter in East Asia in 1950. Green was concerned that we might be doing somewhat the same thing if we did not mention Taiwan in the Shanghai Communique.

LILLEY: I think that that was one of the few mistakes that Acheson made. He was a superior Secretary of State. I have read the most recent biography of Acheson by Chase, which outlined the mistake he made. Marshall had read history, and he knew these statements. He was the Assistant Secretary of State. He really handled this very well.

Q: It was very difficult. Henry Kissinger felt that he had this issue lined up. They hadn't told Green about the secret trip to Beijing. Green was given the draft to look at, and he said: "You've forgotten this issue" of the failure by Acheson to refer to South Korea. Then everybody realized that there was a problem if we did not refer to Taiwan. However, they didn't want to go back to the Chinese communists, which would have made it very difficult.

LILLEY: That language on Taiwan is important today in working on China. The Chinese communists say that we recognized Taiwan as a part of China. In fact, what the communique says is that we acknowledge the Chinese position. This is an important distinction, which came out in the statement on the normalization of relations between the U.S. and China. However, that distinction did not appear in the Shanghai Communique. Although we didn't really and fully factor in the Taiwan issue in the Shanghai Communique, we did say both sides of the Taiwan Strait regard Taiwan as part of China and we did not challenge the Chinese position. Right now we have challenged it because we don't fully accept the Chinese communist position.

At the same time the Chinese communists are opposed to a Taiwanese declaration of independence. I think that the people who drafted those important communiques were too much involved in a rush to normalize relations with China, leaving aside the future disposition of Taiwan.

Q: You left the China desk before the Nixon trip to China.

LILLEY: I left the China desk in 1971. Then I was at the National War College in 1971-1972. During my time at the war college, the abortive coup d'etat by Lin Piao took place, the Shanghai Communique was issued, and the visit to China by President Nixon took place. Then I said that I wanted to go to China. They told me that the only way I could go to China was to put in a "denied area" tour prior to going to China. So I planned to go to Romania for two years. Then, they told me, perhaps I could be the CIA man on China.

Q: In effect, you were going into "quarantine," or something like that.

LILLEY: I hadn't any idea that this would turn out as it did. As I said, I finished the war college in 1972 and was then offered Romanian language training for six months. I was then scheduled to go to the Embassy in Romania. This would give me some time away

from China. I got five or six months of Romanian language training. I was then 45 years old. But I managed to get a rating of 3 - 3 ["Useful" speaking knowledge, "Useful" reading knowledge]. Right after I finished the Romanian language course, the opening of the liaison offices was announced. That had been kept very secret. I think that it was announced in February, 1973. This involved a change in my plans. I wanted to go directly to China.

The State Department wanted no part of such an assignment. They were only prepared to accept a "pure" FSO mission in China. They were not prepared to accept USIA [United States Information Agency] personnel or military attaches in China, and they wanted no part of a CIA officer. Then Henry Kissinger intervened, as well as Jim Schlesinger, who was then Director of the CIA. I sold this assignment to Schlesinger. I said that I was the guy who should go to China. I spoke some Chinese, had been raised in China, and had worked on Chinese affairs for years. I had spent many years in Asia. So he approved a memorandum assigning me to China as a "declared" CIA officer.

The State Department objected to this. However, Henry Kissinger approved this assignment.

Q: Can you explain for someone else who reads this interview, what is a "declared" CIA officer?

LILLEY: It is a term used to describe a CIA officer serving under Department of State "cover" but who was "declared" to the host government as a CIA officer. Top level Chinese would recognize me in this capacity.

Q: When you were "declared," did this also mean that your work would not encompass other things, that you couldn't do this or that?

LILLEY: Yes. It meant that I would not engage in any incompatible operation against China. That is, it would be a "friendly" liaison type posting.

Q: What does that mean?

LILLEY: It means that I would not recruit Chinese "agents" or engage in operations against China.

Q: However, in a way, everybody in an Embassy, including the diplomatic staff, is trying to collect information. You get information through contacting people.

LILLEY: Yes, but I could play the role of a Consular Officer and do consular work and through this talk to people. What you do in a CIA setting is that you identify "dead drops" or engage in other passive type activities. Of course, I understood surveillance, and this is what I had focused on. Would I handle any assignments with a Chinese service? No. The Chinese communists weren't ready for this. That came later.

Q: So you were assigned to China...

LILLEY: From 1973 to 1975.

Q: The U.S. office in China was an "Interests Section" at that point, wasn't it? What was it called when you went to China?

LILLEY: The United States Liaison Office.

Q: David Bruce...

LILLEY: He was the first head of the Mission. He was very sympathetic to me. He knew my father-in-law well and he accepted me right away. We got along very well, and that's what made this situation tolerable, because there were quite a few people in the State Department who were quite upset over my assignment to Beijing.

After I'd been in Beijing for about a year, I was frankly tired of this opposition to the assignment of a CIA officer there. But this continued. My eventual exposure to the public was done by this guy, a man called Marks of all things, and his information was used by Jack Anderson [syndicated newspaper columnist]. I don't know whether you've heard of Marks He worked with Marchetti. Marks was a former Foreign Service Officer. Marchetti was a CIA guy who turned "sour." They found out that I was in CIA and had been in Hong Kong. They said that I was the CIA man in Beijing. This statement was published in the press, with headlines in Mexico City and all over the place. It was embarrassing. This happened in 1974 while George Bush was the head of the U.S. Liaison Office in Beijing. However, I had been "declared" to the government in Beijing. However, we did look a little bit silly because of this uncalled for publicity. I stayed on in Beijing but I felt that my usefulness was over.

Q: Why was this?

LILLEY: Because I was known to everyone in Beijing as a CIA officer. The diplomatic community in Beijing was talking about it, and in effect we had "blown" it. We wanted to bring in someone with a much lower profile, and that's what we did. I stayed on in Beijing until 1975 and then left for another assignment. Then, after another two or three months, another CIA guy with a much lower profile was assigned. He didn't have any exposure as CIA.

Q: Also, this was the end of that period of exposure of CIA officers by Phillip Agee. This was part of that time...

LILLEY: I appeared in that East German Book, "Who's Who in the CIA."

Q: So am I, and my only connection with intelligence was that I had been assigned to INR [Bureau of Intelligence Research]. But I was listed as a CIA officer.

LILLEY: There was a lot of misinformation in that book.

Q: I think that some of these "errors" were deliberate. I think that the East Germans included a lot of INR officers and said that they were in the CIA.

But let's go back to the time when you went to Beijing in 1973. You were in the capital of China, after working around the periphery for so long.

LILLEY: I found that I was making history, as it were. This was an historic occasion, the first mission to China [since the Embassy in Nanking was closed in 1949]. The living conditions were very "grim." I had to live in a hotel. I had some "cover," but surveillance of me was apparent. I can't talk about the other things that I did at that time. I really tried to be a helpful member of the U.S. Liaison Mission. David Bruce was easy to get along with, and Nick Platt, Don Anderson, and Bob Blackburn were very supportive. Not everybody was, but I won't mention the other ones. We were a very small Mission. We had only limited access to the Chinese. We were really limited in our associations, as was most of the rest of the diplomatic community. I briefly met Henry Kissinger when he visited Beijing, but nothing substantive was involved in this meeting. David Bruce didn't have much access to the Chinese. He was there to "hold the fort," give prestige, and keep his mission out of trouble.

Q: So, really, it wasn't much "fun."

LILLEY: No, it wasn't. It was particularly hard on my wife and children. Eventually, we got into an apartment. That was good, but it wasn't long after that that I was "exposed" by Marks and Marchetti. This made my activities always kind of an embarrassment to the Mission. Art Hummel was the Assistant Secretary and he was supportive. George Bush arrived as head of the Mission. He was supportive, too. He took me along on calls to meet Chinese officials. He invited me to parties and introduced me to diplomats. Bush was friendly and helpful.

This was a good time in Beijing, because Bush was popular and knew a fair bit about people and U.S. politics. He opened up contacts. He, however, ranked on the Chinese diplomatic list just below the PLO!

Q: That's the Palestine Liberation Organization. Among the people assigned to the Liaison Office, was there a feeling that this was all worth it or not? I'm sure that you felt that, eventually, this was going to work out.

LILLEY: Despite the problems with living conditions, the fact that we didn't have access to the Chinese, and that we couldn't make trips within China without prior approval from the government, we felt that it was worthwhile and that we were making history through this assignment to Beijing. We visited the "Great Hall of the People," where meetings of the Communist Party were taking place. We would talk to Romanian or Pakistani Embassy people, who had access to Chinese officials. We were getting some insights into the situation, filing cables, and so forth.

It was an interesting time, because things were changing in China. Deng Xiaoping made

his trip to the U.S. and the UN. We were working out various claims and passport problems. We worked on some cultural exchange arrangements. There was a lot going on, in the sense that people at the Mission could keep busy. There was an appetite for reporting from Beijing from people "on the spot," as it were. This was despite the fact that we couldn't say much. The appetite for reporting from Beijing was voracious in Washington. People back home obviously wanted to hear what the Mission was saying.

We were a sort of "sanity check" on what the Consulate General in Hong Kong was reporting, as they were on us. We had close contact with the Hong Kong consul general people. They were still the main China watching post. We were another post physically present in northern China.

Q: David Dean, whom I'm interviewing now, was saying that he was told by John Holdridge, the Assistant Secretary for East Asian Affairs, that the U.S. Liaison Office was reporting that the "Red Guard" business was still going on. Holdridge said that in EA they saw the situation as fairly quiet, and they advised us not to "report so much." He felt that this was contributing to a negative view of the situation in China. Holdridge had the feeling that, since we'd opened up this office in China, we shouldn't report that the place was in turmoil. Did you get any of that feeling?

LILLEY: Yes. There were people in Washington who said that reporting from the Consulate General in Hong Kong was "alarmist" and "slanted." We in Beijing didn't see the evidence of a great power struggle going on. Beijing streets were quiet, people were all saying that everything was fine, at least as far as the Chinese Government was concerned. However, I think that the Consulate General in Hong Kong was more "right" than we were in Beijing. I think that there was a definite tendency to hold down the damper and say that things were okay.

Q: Well, we were opening up the office. You didn't want to say that "all hell was breaking loose."

LILLEY: I think that there was a tendency to get most of the news about China from the Consulate General in Hong Kong. I "dumped on" some Hong Kong reporting. I said that some of the Hong Kong reporting was like gossip. However, American visitors would come through and would talk to the Romanians and Poles in Beijing. These people would tell their visitors that everything was fine. They would in turn tell the American media that, in their view, things were okay. Of course, that was in 1976, and one week later the Gang of Four was overthrown. So we could get lured into a false sense of Beijing because we really didn't have access to the Chinese.

Q: You were sort of living in the eye of the hurricane, in a way.

LILLEY: Yes, because we had limited access to sources of information. It was nothing like what it is today. Then, the people to whom we had access just parroted the party line. There were the "big character" posters put up on the wall, but then they were shut right down. We had a sense that something was going on, something like a ferment. We tried

to report this, but you can't base your reporting on a bunch of wall posters and what discontented students say. That's like basing reports on what is going on in the U.S. on the basis of what students at Columbia University say.

Q: At that time was the Consulate General in Hong Kong able to subscribe to more newspapers and publications than you could get in Beijing?

LILLEY: Yes. They had access to a lot more newspapers than we did. They got the Chinese communist provincial newspapers, and they had access to the debriefings of Chinese travelers to China. They had an insight which we simply didn't have.

Q: Was there any feeling, among the reporting officers at the Mission in Beijing, that you were so isolated and unable to contact people...

LILLEY: Yes, we felt that way. At the same time we felt that we were in China, and the Hong Kong people were not. We went down along the streets and saw people, we made trips to Nanjing and Shanghai. We felt that the our people in Hong Kong were limited to what they could see in the press, while we were physically present in China. The truth was somewhere in between the two positions.

Q: Yes, any organization ends up working as best it can.

LILLEY: We were severely limited in what we could do during the period from 1973 to 1975.

Q: While you were in Beijing, David Bruce was at the end of a very distinguished career in the Foreign Service. This showed.

LILLEY: He was not well. His mind was still very good and he could write a cable from time to time which was very perceptive, but not like the great cables he had written when he was Ambassador in London. When he was in London as Ambassador, he would go out, have dinner with senior British officials, go to a play, come back to the Embassy, and write a good cable at 3:00 AM. I'm not saying that he was not active, but in China he didn't write very much. The job that he was given by Henry Kissinger was: "Look, you're a distinguished diplomat. You've served in key posts. The Chinese are lucky to have a man of your stature in Beijing." Bruce accepted this version of what he should be doing.

He would ask me, as a CIA officer, to tell him what were the talking points of the Chinese officials on the other side of that negotiating table, when they were actually negotiating. He said: "Don't do other things. That's what we have to know." He took a direct and uncomplicated view of intelligence. He said that when the time came for us to make a move, we would make it. Meantime, he said, "You stay passive. This mission is much too important to jeopardize it by some CIA 'cowboy' operation."

Q: Did you have problems with the CIA's making demands on you?

LILLEY: No, they understood. I sent in reports, giving my impressions of what was happening. They told me: "You write an analytical paper for us, telling us whether there was a new Chinese man emerging as a result of communism." I would say: "I don't think so." Communism was strong but Chinese were still Chinese. Then I would give the report to Ambassador Bruce to look at.

Q: What was the feeling about the political situation at that time? Did we see Deng Xiaoping *as "the man" or...*
LILLEY: Ambassador Bruce didn't focus on questions like that. He left it mostly up to Henry Kissinger. When George Bush came in, he knew that Henry Kissinger, in effect, was going to run the Liaison Office, but Bush was going to make a mark. An unusual thing happened. Bush and Deng Xiaoping got along well together. There was a kind of chemistry in operation there. I'm not saying that they were "good friends," but there was personal chemistry in the relationship. Deng looked at Bush and said to himself: "That man is going places." Bush almost viscerally sensed that Deng was going to be the future leader of China. They met a couple of times, and Bush worked very hard to "sell himself" to the Chinese and especially Deng. He was good at this.

When Bush left China, Deng gave him a farewell luncheon. He was the only person so honored. Deng said to Bush: "You're going back to an important job as Director of CIA." The Chinese saw the importance of this position. They knew that he would be a key part of the Ford team and could be a friend of theirs in Washington. Deng invited Bush to come back, saying that he would not have time for that before he left China. Bush actually visited China again in 1977, to the chagrin of the State Department. [Laughter]

Q: Did Bush basically give you the same instructions that Bruce did, to avoid being too active in Beijing?

LILLEY: No, Bush was different. He said to me: "I'm going to introduce you around the diplomatic community. I want you to be part of my job. I'm going to take you on my consular calls. I want to work with you and make you part of the team." I don't think that Bush had to say that. He wanted to do this but he still wanted me to avoid getting into any trouble. He wanted to help me. There was a basic chemistry between us, and this relationship just went well. Bush thought that I was well informed about China, but he really wanted to protect the U.S. Liaison Office, and after my exposure I had become something of an embarrassment. He knew that. He understood my view that my own reputation was less important than protecting the integrity of the U.S. Liaison Office. He chose to see the issue in that way.

Q: When did you leave Beijing? Was it in 1975?

LILLEY: I left in March, 1975.

Q: When you left Beijing, how did you feel that things were going with Madame Mao and the Gang of Four? This was before Gorbachev took office in the Soviet Union.

LILLEY: It was a year and a half before then.

Q: Did you see the Group of Four as being opposed to better relations with the U.S.?

LILLEY: We considered the "Group of Four" eccentric but dangerous. Sometimes they were ingratiating to us. We knew that a lot of Chinese disliked them intensely. The shape of the ongoing struggle within China wasn't all of that clear at that time. The Consulate General in Hong Kong was picturing them as "paper dolls" and were describing the Chinese leaders as "bad guys" and "good guys." They said that this was, in effect, a "morality play."

However, as we looked into it more and more, this had become increasingly apparent, by the time I left China. The Consulate General in Hong Kong saw this more clearly than we did at the Liaison Office. When I arrived home in 1975, I became the National Intelligence Officer [NIO] for China. Then we really began to get a sense that there was a growing conflict with the Gang of Four. In fact, this became much more apparent after I got back to the U.S. from China. Initially, when I returned to the States from China, this was a big story.

Q: Oh, yes, you came out...

LILLEY: Just as this was happening. By this time Gerry Ford was President. He sent people to Saigon, and the whole situation in Vietnam was busting apart. We were trying to rescue as many of the Vietnamese as we could. That was the big story, as we pulled people out in early 1975. The Embassy in Saigon was being evacuated.

China began to "come into its own" in 1975-1976. I didn't really like the NIO job. I prepared various papers based on reaching the "lowest common denominator" among the various elements in the intelligence community. Then, in 1976, we had the Taiwan Strait crisis. That became the issue, and we wrote papers on it. We saw Beijing as a threat to Taiwan. The reporting from Beijing began to get better. We began to get a better appreciation of the situation there. I remember going down to Plains, Georgia, and briefing then former Governor Jimmy Carter on Deng Xiaoping and the Taiwan Strait crisis.

Q: This was before he was elected President.

LILLEY: Yes. Bush and I and a couple of other people from CIA went down to brief Carter. Carter turned out to be a very good listener. I would say that I talked to Carter for about an hour and a half. He seemed to like the briefing very much. He was really a well informed and stimulating person.

Q: Well, we'll pick this up the next time. You were just starting to describe what we were looking at in terms of China. You were talking about the briefing of Henry Kissinger. We'll cover that period.

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Today is October 5, 1998. Jim, what did you call the title of the job you were handling?

LILLEY: National Intelligence Officer [NIO] for China.

Q: Is that equivalent to being a desk officer?

LILLEY: That was a concept developed by George Carver [formerly Assistant Director of CIA for Intelligence Estimates]. It involved taking over responsibilities formerly handled by the Office of National Estimates. This was supposed to be an intelligence organization superimposed over the intelligence community. The NIOs worked for the Director of Central Intelligence, but not in his capacity as Director of the CIA. That may sound strange, as the Director of Central Intelligence is the same person as the Director of the CIA but he had two functions. One involved running the CIA. The other one involved running the intelligence community. ONE [the Office of National Estimates] was responsible for intelligence estimates prepared by the intelligence community, including INR [Bureau of Intelligence Research] in the State Department, DIA [Defense Intelligence Agency] in the Department of Defense, Treasury, CIA, and IO [Bureau of International Organization Affairs].

I was assigned as NIO for China because I happened to be returning from that country. I turned down another job in the Directorate of Operations [DO] because I thought that I would rather be the NIO for China. I didn't want to go back into the DO. So I went into the analytical side of things. I came to regret that because I wasn't that interested in pure analysis.

Q: To get a feel for this period, you were the NIO for China from when to when?

LILLEY: From about May, 1975, to November, 1978.

Q: What was the feeling at that time about the difference between operations [i.e., the DO] and the preparation of intelligence estimates? Was this sort of another, administrative branch?

LILLEY: No, the NIO was supposed to be substantive. I didn't really have a staff. At most, I had one assistant and a secretary. The NIO was supposed to bring representatives of the intelligence community together and direct the preparation of intelligence community papers. For example, there was an NIO for Strategic Forces, Howard Sturt. He was responsible for preparing the annual intelligence estimate on "Strategic Soviet Forces," which was a full time job. Contributing to it were representatives of Defense, State, and CIA, with everybody arguing about what the Russians were doing.

In my case I was the first NIO for China. I had never been on the national estimates side, so it didn't come naturally to me. I didn't feel very comfortable in that job. I went through the motions and had intelligence community meetings. We did a couple of papers on China, but the only paper I did which had any real impact at all was one on the pluses and

minuses of normalizing relations with China. This was an important national intelligence paper. It involved the whole intelligence community. The paper we prepared was put before the Board of National Estimates, which was then chaired by CIA Director Stansfield Turner. Hal Saunders represented the Department of State on this Board. I did this paper for Stansfield Turner, and it interested him. It outlined the advantages of recognition of China, plus the "down" side in terms of relations with other countries in Asia and how we managed Japan and so forth.

Q: I assume that included in that was an estimate of the political impact of such an action within the United States.

LILLEY: No, we didn't consider that.

Q: But during this period, particularly during 1975, we were coming out of the "recognition of China" period. By this time there had been the Kissinger trips to China, and President Nixon had gone there. I have the impression that we were a bit "starry-eyed" about China at that time. Correct me if I'm wrong, but I would have thought that you would have found yourself having to deal with two currents. One of these was "Here is this great, new world which we can play with and do things." The other was: "Watch it, fellows, this is a communist regime." Was there intra-governmental conflict involved in handling two strings at the same time? Did you find that?

LILLEY: Very definitely. The difference between the China analysts and the Russian analysts was that the China analysts all loved China and hated each other, and the Russian analysts all hated Russia and loved each other. [Laughter] The China analysts really had emotional, "ad hominem" feelings about each other. They differed on how far they should tilt toward Communist China and how far they should tilt toward "Free China" in Taipei. They also argued incessantly about the intentions of China.

Of course, the Soviets were very heavy-handed at that time.

Q: Oh, yes.

LILLEY: This had driven the U.S. and China together. However, I had the advantage of having served in China for two years. I had no illusions, after coming out of China, regarding what this society was like. It was rigid and controlled. This was just after the Cultural Revolution. The Chinese were considered very "opaque." We had little access to them. China was a tightly controlled dictatorship. However, the opening to China was very important. We had our first mission in China [since 1949]. It was hard on the people who served in Beijing, particularly the families. However, we came out of this experience with a more balanced approach to China. I was enthusiastic about Deng Xiaoping. I was very excited about my tour, even though we couldn't get around China. As I said, we had to apply for travel permits well in advance. It was part of history to have been there in the initial American group to serve in China [since we closed the previous Embassy in 1949].
Q: After you served in the U.S. Liaison Office in Beijing, did you find that you had to deal with starry-eyed intellectuals and academics when you returned to the United States? I

imagine that from your point of view they were pretty impractical about China.

LILLEY: There was some of that, and there was a residual part of the State Department that expressed continuing regret about the McCarthy era of the 1950s, the purging of Jack Service, John Davies, and all of the people who had been hurt by this experience. Now they had been mostly rehabilitated. They felt that we had now made up for all of our years of "not recognizing reality." Sure, China was different, but this was understandable. We had been hostile to China and had been so for many years. We had exploited China for many years, kicked them around, and treated them like dirt. I think that one gets imbued with that attitude, because the Chinese make you think that way.

However, I wasn't taken in too much by that, although I thought at the time that we needed to do things for China in the security field against the Russians. We did some of the original thinking on that. We considered what we could do with the Chinese, to work jointly against the Russians, whether it was in the intelligence, security, or arms field, or whatever it was.

We felt that we should push forward with programs in these fields, first of all because we wanted to show our opposition to Soviet hegemonism and, secondly, we wanted to open up new lines into China. I think that when George Bush came to Beijing as chief of the U.S. Liaison Office, he was particularly sensitive to this. He pushed ahead in these fields just about as far as we could go. Also, he pushed the trade relationship with China, while giving strength to national security cooperation, which was emerging.

Q: There were two areas which you mentioned. Let's start with military cooperation. How did you find that the Pentagon dealt with this and did we expect the Chinese to strengthen themselves enough so that the Soviets might find it necessary to withdraw forces from the front facing NATO?

LILLEY: The U.S. military didn't have any personnel in China until after the full normalization of diplomatic relations in 1979. The U.S. military participated in the preparation of our intelligence estimates. There was a military officer who worked with me as NIO, an admiral who was the principal drafter of the first estimate on the Chinese military. This was carefully drafted. During the period between 1975 and 1977 the Chinese military establishment was really in bad shape. They had been somewhat discredited during the Cultural Revolution. They had to move in and restore order after the Red Guards "went wild," and then they "banished" many of the youth out to the countryside.

Mao Tse-tung always used the military in a "People's Army" sense. They had procured little modern equipment since the Russian equipment was provided to them in the mid-1950s, such as the MiG-15s and 17s and the tanks of that vintage. So they were pretty "backward" at that time. The U.S. military wanted to reach out to them, but they were sort of kept away from the Chinese military, although there were some "subterranean" contacts between the two military establishments.

I suppose that one of the breakthroughs came when Jim Schlesinger, then the Secretary of Energy, made a trip to China in 1978. We visited a Chinese submarine during that visit and talked to the Chinese about military matters. Schlesinger was the Secretary of Energy, but he obviously was also interested in the control of nuclear weapons. He wanted to get into discussions with the Chinese, particularly since the Vietnamese were about to "clobber" Cambodia. We saw the fall of the Shah of Iran right then. So things were changing in a number of areas.

President Carter was trying to move in the direction of "making up" with Vietnam [which had now been reunified, North and South]. The Chinese were turning against Vietnam. The Vietnamese were getting ready to invade Cambodia. It was a very "messy" time. I remember that Li Yian Nian, who was then the President of China, really "dumped" on the Vietnamese in our meetings with him. He said, in effect, how could you Americans go back and deal with these people, after what the Vietnamese did to you? Take it from us, the Vietnamese are the worst liars and hypocrites in the world.

Of course, one year later, China was engaged in hostilities with Vietnam. We sort of "stood back" from that struggle but gave the Chinese some encouragement on this. The Chinese moved in and hit the Vietnamese, after the Vietnamese had moved in and taken out Pol Pot in Cambodia. This became a very complex situation.

Q: Absolutely. At that particular point we tried to figure out whose side we should be on. We didn't like Pol Pot in Cambodia and we didn't like the Vietnamese. There were all sorts of conflicting considerations.

LILLEY: I went to the White House to brief President Carter. It was really the last thing that I did for Admiral Turner [then Director of the CIA]. We briefed Carter on two things: first, the coming Vietnamese invasion of Cambodia and second, the personality and character of Deng Xiaoping. Shortly thereafter, Deng was coming to the United States for a visit. This briefing was conducted in two parts.

We talked to President Carter on these issues. President Carter had seen that the situation was changing very rapidly and that we would be faced with dealing with the Vietnamese invasion of Cambodia, and Deng Xiaoping was coming to the United States. It turned out that Deng came to the U.S., implicitly got us behind him, and then he attacked the "Socialist Republic of Vietnam," which was an ally of the Soviet Union. However, Deng did this with the idea that the Americans were standing behind him, making the point implicitly again that it would be wise for the Soviets to stay out of this struggle. Then the Chinese hit the Vietnamese but were hit very hard themselves. This really showed Deng how bad the Chinese armed forces were and how backward and stupidly handled this attack on Vietnam had been. It was clear that ground to air coordination in the Chinese armed forces was very poor.

Deng had known of this situation as early as 1975, because we had some Chinese secret documents that referred to this situation. Deng was "fed up" with the Chinese military. He was just coming back into power in China. He said that the Chinese military were "fat

and lazy" and were "disorganized." Then the fighting with Vietnam proved this.

Q: Well, up to then, when you took over the job of NIO for China, did you find that there had been a sort of exaggeration of the prowess of the Chinese "Red Army"? The quality of the Soviet Army had been similarly exaggerated, and the Chinese "Red Army" was a potential adversary of the United States.

LILLEY: That was not the prevailing thinking in Washington at that time. The prevailing thinking centered on how we could work more closely with the Chinese communists in dealing with the Soviet Union. However, at this time the Chinese really weren't ready to go very far in this direction with us. They weren't really ready to enter into close cooperation with us.

We were also encouraging the Europeans to sell military weapons systems to the Chinese, as we ourselves couldn't, under existing circumstances. It would have been too "explosive" an issue.

Q: No doubt because the Soviets would have screamed "bloody murder."

LILLEY: Also because I think that we had domestic legislation that would have applied. It would have been very difficult to transfer arms to China. We just weren't psychologically ready for such sales to China. I did a series of papers for the National Security Council on what the Chinese needed, what the French, for example, could do for them, and how we could "match" the two of them. The French had a surface to surface missile, which might have been of interest to the Chinese. The French had air to air missiles, they had an anti-ship missile, and they had an anti-tank missile. Procurement of French missiles by the Chinese would have avoided some of the problems which we would otherwise have had to deal with if we had sold American missiles to China. The French would have had to go through "COCOM" [the allied Coordinating Committee in Paris] to do that, but the French would have been prepared to follow this procedure.

Q: As you were preparing these intelligence estimates, were you tapping into equivalent studies prepared by the British and the French? Was this pretty much an American analysis?

LILLEY: This was strictly our study.

Q: Was there some place where we compared your study with allied studies?

LILLEY: We had liaison arrangements with the Joint Intelligence Board in Great Britain and with the Joint Intelligence Board in Australia. They read our product, and we read their studies. However, this was never really done with these strategic papers. These were written by Americans for Americans. Many of them had the further stipulation "NOFORN" [No transfer to foreign countries permitted] attached to them. As for our estimates, they were over written, they were watered down, and there were compromises in the drafting process with the Departments of State and Defense fighting over them. So

they became rather cumbersome, long, and uninteresting. They weren't very specific.

Q: Of course, this is the problem with putting things together in a multi-agency context. It's bad enough within a single agency. Then, when you start drafting a paper within a committee...

LILLEY: The committees make it difficult to do anything. You know the definition of a "camel": it's a horse developed by a committee. This was a very tedious, labor-intensive process which I found hard to justify.

Q: Well, you have to be "to the manner born" to get much out of it.

LILLEY: I knew people who thrived on this process. What I tried to do was to write papers on things that were important. Normalization of U.S. diplomatic relations with China was important and worth spending some time on.

For example, the Chinese military exercises in 1976 in the Taiwan Strait were important in terms of their implications. The future of arms sales to Taiwan was important, because this event led to the Taiwan Relations Act and various other pieces of U.S. legislation.

Beyond that, there really wasn't much of any significance. I worked on three important papers in three and one-half years, and that isn't very much. A lot of people cranked out some memoranda like this, and we were always available if someone wanted our views. There were some particularly good memos prepared when George Bush was Director of the CIA, because I knew him, and he would look at these memos closely. This was during the Gang of Four period in China. We talked to him all of the time. It was a question of briefing your boss, rather than giving him a 30-page NIE [National Intelligence Estimate].

Q: You were picked up and engaged in this apparatus. In a way, did you find that eventually it spat you out? Did the people who prepared these memos continue to work on them?

LILLEY: Not really. I could have stayed on but I was 50 years old in 1978. I decided that I wanted to get out of this. I thought that I couldn't go overseas any more as a CIA officer, unless I went in some senior liaison capacity. That didn't sound too interesting. I knew that I wasn't interested in the analytical side of things. I thought that it was time to get out of the Agency. I decided to do that.

Q: In 1977 the Carter administration was still in office, and Stansfield Turner was the Director of CIA. Was there a feeling that things are going to be different?

LILLEY: I always got along well with Stansfield Turner. Some of my colleagues did not, particularly the Director of Operations of CIA. They felt that he had really "gummed things up." From my point of view, and I worked directly with him, I thought that he was an honest and intense man. I really had no problems with him.

However, I did not have a good relationship with the Department of State, and particularly with Dick Holbrooke [Assistant Secretary of State for East Asian and Pacific Affairs]. We didn't get along. I had a good relationship with my boss at the NSC [National Security Council]. Mort Abramowitz was over in the Department of Defense [Assistant Secretary of Defense for International Security Affairs]. I saw him occasionally. However, I would say that my relationship with the State Department was going nowhere.

Q: From your vantage point, what was your impression of Dick Holbrooke?

LILLEY: He's a constant "operator." This guy, and you may not like him, was plugged into everybody in Washington. He was in touch with Clark Clifford [Secretary of Defense], Senator Teddy Kennedy, and all kinds of other people. He was into everything.

Q: He played tennis with everyone.

LILLEY: He was obviously a factor in the State Department. However, from the very beginning, I didn't get along with him. This just didn't work. In 1977 George Bush was then out of office. He was going to go to China. He had been invited by Chairman Mao. Then Chairman Mao died. The Chinese went to him and said: "You come to China, since Chairman Mao invited you to do so. You can go anywhere you want." So Bush came to me when I was an NIO at the Agency and said: "Why don't you come to China with me?" He talked about where he would go. However, the State Department objected. They said that if I went to China, this would be wrong, it would be conveying the wrong signal to the Chinese by letting a CIA man go with Bush, and so forth.

So the State Department fought my going to China with Bush all the way up to Phil Habib [Undersecretary of State for Political Affairs] and almost all the way up to Secretary of State Cyrus Vance. Then Stansfield Turner and Bush both called Secretary Vance and said: "Listen, Lilley was 'declared' to the Chinese as a CIA officer. There's no problem with this. The Chinese know who he is." So Secretary Vance overruled the State Department establishment and approved of my going. They did not take this well at all.

Q: You were talking about Holbrooke in particular. Do you feel that among others in the State Department establishment there was an aversion to anybody from the CIA, or was it you, or...

LILLEY: It was both. It was the fact of my being a CIA officer, as well as me personally. I had been "shoehorned" into the U.S. Liaison Office in Beijing in the first place, over the very strong objections of the Bureau of East Asian Affairs in the Department of State. At that time the Bureau wanted a "pure" mission in Beijing with no Defense or CIA personnel assigned to it. They wanted nobody but FSOs [Foreign Service Officers]. All of a sudden, they got me, and they didn't want me in Beijing. They said: "No, he doesn't count." Then Secretary of Energy Jim Schlesinger went to Henry Kissinger, who was Secretary of State at the time, and said: "We want Lilley there," and Kissinger said: "You're damned right." So I went to Beijing with USLO, but that was not appreciated at

all.

Then, in 1977, I had this second "run-in" which involved Secretary of State Vance, Stansfield Turner, and others. This left me with two "strikes" against me. The State Department wasn't happy about that second episode, either.

I had a terrific trip to China with George Bush. We went to Shanghai and Beijing. We went to Beijing with Lowell Thomas, James Baker, Hugh Lieatke. This was a very interesting group. We traveled up the gorges of the Yangtze River, went to Tibet, visited Chengtu, Wu Han, Kweilin, and then returned to the States.

Q: What was our attitude toward Tibet during the time that you were visiting China on this occasion?

LILLEY: There was an interesting wrinkle, because, before we went to China, I arranged briefings for George Bush from the CIA and other agencies on Tibet and China. So Bush had this briefing on Tibet. We went to Tibet. The State Department took the position that Tibet was a "very sensitive issue" to the Chinese. They took the view that the Chinese were handling Tibet reasonably well, following the excessive turmoil of the Cultural Revolution.

We went to Tibet, and it didn't take long to figure out that Tibet was under a Chinese army of occupation. We were taken to the usual communes and saw the happy, smiling faces of people living in them. However, Lowell Thomas was with us. He knew Tibet very well. He kept asking what happened to this, that, and the other person. All of these people were gone. There wasn't a single, live person available that he mentioned. The Jo Kang Temple in the center of Lhasa was "closed down." In effect, Tibet was a "wasteland," under a Chinese army of occupation.

David Broder, a syndicated columnist for the "Washington Post," was with us. He was looking for a story. We had had this UNCLASSIFIED briefing paper from CIA, saying that things were fairly "rough." Bush gave it to David Broder who published part of it in one of his columns. The State Department was very unhappy about this. What this briefing paper said was that, although we had been taken through some of the villages, things were not very nice at all, which I think was the true story. Things still aren't very nice. That kind of "flap" worked itself into our trip to China.

Q: Do you think that this is part of a kind of institutional momentum? If you're trying to encourage better relations with some country and are on the diplomatic side, you don't want to ruffle feathers, and all of that.

LILLEY: I think that that was one consideration. I think that a good Foreign Service Officer is someone who makes "deals" and gets the confidence of leading people in countries like China. To do this, you have to please the "host government." At this time China was popular in the United States. The instructions from our leader in Washington [President Ford and Kissinger] were: "You guys go out there and don't rock the boat! If

there's any thinking to be done, we'll do it."

So we were subject to various restrictions, and the Chinese could be nasty. They took advantage of us. Meanwhile, the Chinese diplomats in the U.S. were having a great time. They were entertained, given broad access to people, and did what they wanted. In China we were "cooped up," and there was little reciprocity.

We're still struggling with that situation today. As Chris Patten [the last British Governor of Hong Kong] says, this is the result of the special treatment that we give to the Chinese. Patten says that we should “cut it out. They just use this against us. They've got 'face' to preserve, and we've got 'face,' too. We shouldn't give the Chinese any 'special treatment.' We shouldn't fall into this trap.” Chris Patten continued: "Our British diplomats who made the deal on the transfer of Hong Kong back to China were also faced with that kind of treatment." The Chinese used the line of the need to show sensitivity to China and referred to the "100 years of humiliation" which they had allegedly gone through at the hands of the British. The Chinese would say: "You owe us one. Hong Kong is our territory. You took it away from us and colonized it. Now, we want it back, and we want the following things in addition."

Q: Hong Kong is now closed with locks.

LILLEY: The Chinese were very tough in the negotiations about the retrocession of Hong Kong to China. They were very good at this. Chris Patten has just written a book in which his views are all spelled out.

Q: I think that there is a basic problem, particularly in dealing with the Chinese, as it often is in dealing with African-Americans in the United States. They play on "white guilt." You can play this line fairly effectively. You can also "lose your pants" while you're doing it.

LILLEY: Because for the Chinese it's a bargaining technique. It puts you on the defensive. Read Dick Solomon's book on negotiating with the Chinese. He feels that when you negotiate with the Chinese, you should lay out the principles, get control of them, and set the climate for the negotiations. The Chinese try to convince you that they are the injured party and you are the guilty party. In this way, you are placed on the defensive, you have things to make up for, and the Chinese box you into this position. They set the climate for the negotiations, usually on their "turf," where you become obligated to them for food, shelter, and transportation. You have an obligation to them, and yet your government is alleged to have done all sorts of negative things.

I remember that when we applied sanctions against the Chinese in 1989, after the Tiananmen incident, Chinese Foreign Minister Qian Qi Chen said to Secretary of State Baker: "You get together with your European allies. Sanctions like this are like the 'March on Beijing' by the eight Western powers." I'm not sure that Secretary of State Baker knew what Qian meant on this occasion. Of course, he was referring to the Boxer Rebellion in Beijing in 1900. Qian said: "You came in, marched on Beijing, took it over,

and pillaged it." He didn't mention that the Foreign Legations went through a 55 day siege when they were under attack by the Boxers with the collusion of the authority before the issues were settled.

In other words, the idea is: "You are guilty, and you're doing it again." However, this line didn't really work, because I don't think that Secretary of State Baker really got the implications of what Qian was saying. [Laughter]

Q: We were talking about the outlook of the U.S. Army. As we were analyzing this situation, did we compare the situation in China to the outlook in the Levant, involving the Palestinians, the Lebanese, and the Israelis? The Chinese are a commercial people. Eventually, if you develop commerce, this is something like the "Achilles heel" of the Chinese. This is something which is almost ingrown within the Chinese psyche. Get trade going, and this is essentially going to "rot out" the communist system. Did we ever think in those terms when we were dealing with the Chinese?

LILLEY: I think that that consideration was a part of our view. China was very rigid and "statist" in that regard. As I think I mentioned earlier, there was a certain "chemistry" which developed between George Bush and Deng Xiaoping during Bush's tour of duty as chief of the U.S. Liaison Office in Beijing between 1974 and 1975. This was during the administration of President Ford, when the Republican Party was in office. Out of this contact with Deng Xiaoping came the idea that Deng was a reformist. He was going to change China. Deng was attacked for this during the Cultural Revolution for traveling along the "Capitalist road." Just after Bush left Beijing, Deng was "purged."
I remember that some analysts in CIA asked me what Deng Xiaoping was going to do. I said that I thought that Deng was going to wind up in charge of China. They said: "Well, he's just been purged." My answer was: "Just wait." Well, it turned out that Deng regained power. Anyhow, when Bush took this trip to China in 1977 which I have described, he introduced Deng to the idea of this concept of risk "contract" for offshore oil. Deng had all of these problems facing him, and he added that the Chinese were struggling. They had a lot of manuals, as it were, but they had no direct foreign personnel help.

For example, they had a huge, submersible oil drilling rig worth $73 million, and they were trying to learn how to handle it by reading a printed manual. This was a disaster. The rig was rotting down there off Hainan Island. The operating bridges were collapsing. Then along came an American who said: "I have a new idea for you." We take all of the risks, make all of the investment, including hitting a "dry hole" [no petroleum expected to be found]. "We'll pay for everything," but we share production if we hit oil. This went against the "Three No's" of China's investment policy at the time: No Foreign Investment, No Joint Ventures, No Foreign Exploitation of Chinese National Resources.

Then Deng invited American investors to put capital in China, which broke the log jam that led to his great reforms of December, 1978. These were approved at the Third Plenum of the 11th Party Congress of the Communist Party of China. Deng came in and, in effect, wrote the agricultural reform. However, before that and in spite of great

resistance he tried to open up foreign participation in offshore oil contracts. ARC [American Richfield Oil Company], Mobil Oil Company, and Pennzoil all came into the Chinese oil production scene. This changed everything. The question was whether this was going to lead to democracy. The answer was "No." However, we needed a strong, commercial relationship with China. This would be good for both of us and would bring the two countries closer together. We had to build up bilateral trade because we both had major problems with energy and our cooperation against the Soviets began with that. But we wanted to go beyond that and to have contracts with China. So the debate about whether this would lead to democracy came a bit later, after the Tiananmen incident.

Q: You came to visit China in 1975. Was the Gang of Four still riding high at that time?

LILLEY: They were riding high, although they were eliminated in September, 1976.

Q: While they were riding high, what was the prognosis for China? This must have been a rather difficult time for people trying to predict where China was going.

LILLEY: It was. There was a debate going on. I think that it was somewhat simplified by the analytical community in the U.S. They almost made it into a morality play, with "good guys" and "bad guys." The "good guys" were allegedly led by Zhou En-lai, and the "bad guys" were supposedly led by Madame Mao. I think that there was a school of thought that said: "Listen, they are all 'bad guys.' Some of them are worse than others. But don't think that these people are a bunch of Boy Scouts. They're not. They're communists, not agrarian reformers," to use the terminology employed during World War II. This school of thought said: "These people are dedicated communists, and they've done horrible things to their own country, including the 'Great Leap Forward,' the Socialist Education Campaign, and the Cultural Revolution." It's just that one group saw a way out of this mess by somehow breaking the hold of failed Stalinist economics. They had no intention of carrying out any kind of political reform. They knew that they had to open up China to get foreign technology to build China.

The other group supported the view of "China for China." If they let the foreigners in, this would mess up the whole situation again. They said that China should not let foreigners in to invest in the country. They said that these foreigners were too dangerous. China must build itself up, using its own strength, and becoming self reliant.

Well, Madame Mao's group was no match for Deng Xiaoping. The Deng Xiaoping group took over power and threw the Madame Mao group out. However, the Madame Mao group initially had gotten to Deng, and removed him from power in 1976. When the anti-Gang of Four group seized power in September, 1976, Deng was apparently out of the picture, but he was still there behind the scenes. Ye Jianying was now getting even. The Gang of Four looked to take China down the isolationist path that China should follow. There were deep, personal hatreds involved here. The Gang of Four tried to get their opposition but in the end failed.

Q: Really get them.

LILLEY: And Deng in particular. They wanted to get all of them, including Ye Jianying.

Q: What was going on during this 1975-1978 period? Did you consider that Deng was a "survivor" and would eventually take over?

LILLEY: I think that this was a matter of chemistry. George Bush really didn't have any special insight into this, intellectually. He just looked at Deng and saw him as "straight-talking" Deng. There weren't the usual layers of hypocrisy and dogma in their discussions. Deng seemed to be candid. He used to say that it is not important whether the cat is black or white, as long as it catches mice. He considered that socialism was anything that works.

You got this going both ways. Deng looked at Bush and he said: "If you go back to Washington to head the CIA, that's a big promotion for you. There was a real connection between these two, human beings that was almost visceral.

Q: Did these feelings permeate from these two down the ranks? I'm talking about you and people below Deng.

LILLEY: China was a country that we could do business with. The Chinese would be difficult and would be suspicious. However, obviously, Deng was going to move China in the direction that we wanted to see him go. Deng was clearly identified as "anti-Soviet." He had come out in the split between China and the Soviet Union in the 1960s. So he knew this aspect of the situation. Deng had the connections and was responsive to our original ideas about this contact between China and the U.S. Deng comprehended a new idea immediately and had the power to put it into effect. After full normalization of relations between the two countries in 1979, we concluded that Deng was the man who was going to "punch the Vietnamese in the snout" and give them a bloody nose. That view was pretty popular in the U.S.

Q: You were still in CIA at that time?

LILLEY: I was out of CIA by then. I left on January 1, 1979. We saw President Carter during the last weekend of 1978, and then I left CIA.

Q: One of our problems certainly showed up in Vietnam. We kept looking for a man among the communist Vietnamese with whom we could do business. We kept looking for someone like Ramon Magsaysay. Was there any concern that we might be counting too much on Deng Xiaoping as somebody who appeared to speak our language?

LILLEY: I think that that's always a danger. However, we thought that Deng Xiaoping was sufficiently nationalistic that it would be very hard for him to reverse course. Sure, during the Cultural Revolution he was considered to be a "revisionist" and someone who was following the "capitalist road." The Chinese communists spit on him in the long run. They called him a "running dog" for the imperialists. However, that didn't hurt him. The supporters of the "Red Guard" hated him. A lot of Americans said: "He must be doing

something right. We don't want to see him defeated." Many Chinese felt, Let him win back the Westerners. There was a lot of feeling like that in China, despite all of the indoctrination during the Mao years.

There was strong resistance to Deng among the old party hacks and the military, including Lin Piao and others. However, it appeared that Deng was going to move in our direction, in the interests of China.

Q: What did you think about the information you were getting about political developments within China during the time you were with the CIA?

LILLEY: I don't think that it was that good. I think that we had some analysts in CIA who were quite biased. There was a sort of tyrannical version of "PC" [Political Correctness] there. There was a "pro-China" clique in the Office of Current Intelligence [OCI]. However, CIA was broad enough to have better balance in the Office of Policy Research [OPR]. They had a corps of analysts there, such as Phil Bridgham, Bart Southardn, and Art Cohen who spent their whole lives following developments in China. They took a much more skeptical view of events. There was great friction between the people in OCI who were leaning in the direction of China and the analysts in OPR who spent their whole lives studying China and writing about it. The guys in OPR said: "Watch your step. First and last the Chinese communists are nationalists. They're going to do absolutely what's in their own interest. Don't think that they're in love with us because they talk about the danger from the 'Polar Bear.' You're being used."

Q: By "Polar Bear," you mean the Soviet Union.

LILLEY: Yes. There was a long argument within CIA, and it became very bitter. Then there was a similar argument within the State Department. The people in INR [Bureau of Intelligence Research] in the State Department tended to move in the direction of the OCI people in the CIA. There was a lot of argument back and forth as to who was "right."

There was a fellow in OCI in the CIA, Charley Newhouser, who was an eccentric but brilliant analyst who had very strong views. He was the dominant force in OCI. His strong views were basically in the direction of China. He wrote well and he gave Secretary Kissinger the kind of analysis which he wanted to read. However, Charley Newhouser was a good analyst. He tended to have fixed views, and you needed this other crowd coming in from OPR in the CIA who were saying: "Beware the nationalistic element. Watch your step."

Q: What about analysts in the academic world? China was still a place which the academics liked to play around with.

LILLEY: Yes, many academics flocked to China. Perhaps most of them couldn't wait to get back into China. The Chinese really hadn't let them do much research at all, but they did let them visit China and travel around to some extent. The Chinese turned down certain people, including ____________ who had displeased them. It was interesting to

see how the academics dealt with this, by the way. There was Fritz Mote from Princeton, who had been in China with OSS. The Chinese said that he couldn't come to China. They selectively picked people who, they thought, would cast China in the best, possible light. At that time Ross Terrill was at Harvard. [Actually, he was an Australian citizen who spent much of his time in the U.S., particularly at Harvard.] He wrote a number of articles and was well regarded by the Chinese communists. He no longer is.

I should mention Shirley McLaine, who found "enlightenment" on top of Hua Shan mountain.

Q: You know, the United States has gone through this love affair with China, going back at least to the 1780s. Our first Consul in China, I think he was called Win Shaw, went to Canton before we sent Consular Officers anywhere else. Somehow, China has had this peculiar grasp on the American soul.

LILLEY: I think that is true. There were a lot of Americans who were caught up in this. I don't think that the way we have handled policy toward China has exactly been "our shining hour."

Q: What did you think of John Fairbank [of Harvard]? Was he around at Harvard during your time there?

LILLEY: He was around. John Fairbank would say that the normalization of relations between the U.S. and China was long overdue. He was glad it had been done. He said: "We finally recognized that the things I said in the 1940s were 'right'." However, John Fairbank was a shrewd guy. In 1987, about eight years after we normalized relations with China, Fox Butterfield [New York Times correspondent] wrote a book called "China: Alive in the Bitter Sea." This was the first real American "blockbuster" book about China. It said that China is a "big, nasty place." Fairbank wrote the introduction to it. Fox Butterfield had been one of his students at Harvard.

I felt that Fairbank was wise enough to see what was happening during the Cultural Revolution. He knew about that. He knew about the "Great Leap Forward." He knew that those who had led the revolution in China could be "monsters." I think that he still thought that it was important for the United States to recognize China, to get American scholars in there to find out what was going on, and to get under the skin and the veneer of China. He thought that it was important to get some American diplomats and scholars in to see what was happening so that at least one percent of the population of the U.S. might be able to draw conclusions about China. For example, he felt that it was necessary to get out and see and meet the governors and the people of Shansi and Szechuan provinces. Then we could begin to understand what was happening.

I think that Fairbank and some others had a feel for this situation. I had listened to his views and read his books and textbooks when I was in his classes at Yale. He was pretty wise regarding China. However, I think that he felt that we had gone very far "wrong" in the 1950s, 1960s, and 1970s. He became somewhat obsessed over what had happened in China.

Q: What about President Carter? You said that you met him first when he was getting ready for the presidency. What was your impression of how he viewed China?

LILLEY: Well, I first met former Governor Carter in the fall of 1975. George Bush and I went down to Plains, Georgia, to brief him on China. He wanted a briefing on the Soviet Union and on China. We spent all of one afternoon with Carter. I did the China briefing. I must say that Carter was one of the best-informed, best-read, and most intent interlocutors that I had ever met. He was really impressive in terms of what he had read, the names that he knew, and what he knew about the history of China. He had a very good mind. I ended up voting for him, because I thought that he was very good. The presidential elections were held in the fall of 1976. You always wind up briefing the "other side."

Senator Walter Mondale was at the briefing we gave to former Governor Carter. His running mate, "Fritz" Mondale, appeared to be indifferent most of the time during this briefing. I don't think that he was much interested in the briefing. Carter came up to me afterwards and gave me a very nice compliment. He didn't have to do that. Then, when I saw Carter later, when he came out to CIA, he had lost his first candidate to be Director of CIA. This would have been Ted Sorenson. He picked Stansfield Turner to be Director of CIA. Turner had been one of his classmates at the Naval Academy in Annapolis. I think that Carter, at that time, became suspicious of the Agency. He didn't really like the security requirements involved. I think that he felt that he had kind of "drifted away" that he didn't need a CIA briefing. I think that it was Stansfield Turner who brought him back.

As I think I said, in 1978 Carter said that CIA was very important, along with the State Department and other government departments. He wanted them to tell him about what had happened in Vietnam, because in the end of 1978 this was a part of our problem. I was supposed to arrange for the briefing in State through Frank Wisner, who was then in the Executive Secretariat of the CIA. Frank was a very bright, young guy. I was there when Carter said that he wanted me to talk to State. Holbrooke was then the Assistant Secretary for East Asian and Pacific Affairs. I called up Frank Wisner and told him what President Carter wanted, and he wanted the same briefing for State I had given him on Vietnam. I gather it turned out that what Frank Wisner said: "The President wants to talk to Holbrooke. Lilley will brief State," but I was not told. So the briefing was laid on with State and I did not show up and this was an additional insult. I was supposed to brief State and I didn't even show up!

Q: Oh, boy!

LILLEY: But I must say that Frank Wisner was very considerate about this.

Q: Did you sense a sort of institutional hostility toward President Carter in the CIA in the early period?

LILLEY: I didn't. There was a lot of hostility toward him in the field, but I didn't feel this. I had great respect for Carter, dating from the time I had briefed him on China when he was still a candidate for President. I really felt that I had "run out my string" in the Agency. I wanted now to leave. But I went slowly because Admiral Stansfield Turner encouraged me not to make a hasty move. The issue to me was probably that the NSC [National Security Council] staff and others didn't really trust me to be part of the policy process because they always thought of me as a "Bush man." I wrote this paper to which I have referred on the consequences of normalization of relations with communist China but I was never really part of the process. I knew of the attitudes toward me because I had enough friends around the CIA. As I say, I think that there was a sense that I was a "Bush man," and that was true. I was. However, I wouldn't ever use classified information to "brief" George Bush, although I think that the suspicion was always there that I was doing this.

Q: We've all worked with "political appointees" who eventually move on and do other things. However, in an institution you are sometimes almost "tainted" and may be more or less automatically identified with one point of view or another.

LILLEY: The area that I knew was East Asia. There was a lot of feeling against President Carter on the issue of reductions in the number of U.S. troops stationed in South Korea.

Q: Oh, yes.

LILLEY: A lot of people felt that this was a real mistake. I wasn't involved in that. Some people left CIA and the military because there was a fight about this issue. Reconstructing this, and I'm doing it second hand, I would think that Evelyn Colbert thought that this was not a good idea and that she did not agree with Stansfield Turner on this. I know that feelings were very strong on this issue.

Q: I was Consul General in Seoul at the time. This was a "disaster."

LILLEY: You went there in 1976?

Q: Yes.

LILLEY: That's when General Singlaub was relieved?

Q: Yes. We thought that he had "gone off the range," but the idea that you would have more chance of peace by withdrawing the Second Infantry Division was "nutty."

LILLEY: Actually, one of the other things I did just before I left Washington was along with Stansfield Turner and others, to brief Carter on Korea. We were considering pulling out the Second Infantry Division while the North Koreans had, in fact, increased the strength of their troops near the DMZ [Demilitarized Zone] in Korea to about 150,000.

Q: "They" meaning the North Koreans.

LILLEY: Yes. So this proposed "gesture" by Carter was met by an equal and opposite move on the part of the North Koreans. The Department of Defense had come up with this new "appreciation" on how many troops the North Koreans had. People often suspected that the Department of Defense was "cooking the books." However, on this occasion I think that Defense checked the North Korean numbers with CIA, and the Agency people said that the North Koreans had not decreased but rather had increased their strength.

Then we went in to brief President Carter. He was really set back by this. Then Stansfield Turner laid it on, in effect saying that the CIA backed the Defense estimate. Carter said: "Well, you had better go over to State and talk to Cyrus Vance about this." President Carter could see all of his plans being undercut. Then this story leaked to the press. It changed his position. The whole situation was undermined. To this day nobody has been able to find out who was advising the withdrawal to President Carter, because the guy we suspected denied that he had done so.

Jerry Cohen is a very bright lawyer in New York. He was part of the Carter team during the election campaign of 1976. He was very "strong" on Asia. He had been a Harvard Law School professor. Jerry wrote books on Chinese law. He obviously wanted a big job dealing with Chinese affairs. He also called for action on South Korea, which was, in a way, at that time a dictatorship in effect. That was true. You know. You were there. Cohen was very critical of the South Korean human rights record.

Q: This is true. At least, our feeling was that this was a residue of the opposition to our involvement in Vietnam. This was one last attempt to "get us out of South Korea." It was sort of "mindless," but it may have looked good during the election campaign.

LILLEY: I think that that is true. Carter had raised the situation of South Korea withdrawal during the election campaign of 1976. It was like President Clinton and China, and the "most favored nation" issue linked to the "human rights issue" in China. Then Clinton was "stuck" with this issue. On the other hand President Carter wasn't "stuck" with the South Korean human rights issue or on withdrawal. Carter really wanted to make a gesture towards South Korea on human rights issues. He really was pushing it.

Q: I talked to Vice President Mondale just after he left office as Ambassador to Japan. I met him in Naples and asked him about this. He said: "It wasn't I who was responsible for this."

LILLEY: I think that Don Oberdorfer has done a pretty good study on this issue. He said that the trail leads back to Carter. I think that Carter, even today, wants to make a gesture to North Korea. If anything, he's consistent.

Q: Is there anything else that we should talk about regarding your time as an NIO [National Intelligence Officer] on China and all of that? What about the situation in Iran? Did that fall within your province?

LILLEY: Yes. I think that, before normalization of relations with China, we had contributed to a study of this matter. Bob Bowie...

Q: He was in State Department Policy Planning?

LILLEY: No, he was in CIA. He worked for Stansfield Turner. We drafted this paper and we had really "put the finishing touches" on our study of the situation there. The Carter administration at that point was really "veering over" in the direction of normalization of relations with China. We sort of grabbed them and said: "Hold it. We've got real 'equities' in Taiwan. The Chinese Nationalists have been our friends. They stood by us during the Vietnam War. We can't really do this to them. This will have a bad effect in Asia. It will hurt the administration's China policy. It is essential to 'get this right.'"

I think that this approach had some effect because, as you know, by 1979 there had been a reaction to this normalization. The secret way it had been done got nowhere near the positive public reaction which had been seen in the case of the Nixon and Kissinger visits to China. They same techniques were used, but the results were different. There was a growing group in Congress, all the way from Kennedy on the Left to Jesse Helms on the Right, and including Frank Church, Jake Javits, John Glenn, and Clem Zablocki. All of these people, with different political views, got together and said that the administration had to do better by our friends on Taiwan. They said that the deal which the Carter administration had gotten was not a good deal, because it did not have the necessary security guarantees for Taiwan. It didn't keep our relationship going legally with Taiwan, through an extension of the existing treaties. They said that they were going to change this situation and were going to give the administration the basis under which it could set up a non-diplomatic, "mission" in Taiwan. I think that that piece of legislation, [the Taiwan Relations Act], was one of the most brilliant pieces of legislation Congress ever passed. It really had many capable members of Congress in support of it.

Q: Was there any, perhaps "dinner party" connection, between you people in the CIA and the group in Congress that was looking at this matter? Did it set out the intellectual underpinnings...

LILLEY: No. I think that the CIA was largely irrelevant in it. This issue was taken over by the politicians, who might have done it for self-serving reasons, but they also did it out of genuine concern. Senator Jake Javits [Republican, New York] said that he was for the normalization of diplomatic relations with China, but the administration "did it wrong." On this occasion he had Senator Frank Church [Democrat, Idaho] standing right next to him.

I think that these members of Congress felt that they should correct this situation. I remember that, when I was in China in 1978, I met a Congressional Delegation, one of whose members said: "We're selling out Taiwan for seven pieces of silver." I mention this because it was the reaction of a man who had no China background. That kind of struck me. There was a kind of "flippant" attitude in the State Department about this whole issue. They were asked: "How are you going to get money for Taiwan?" They

said: "Oh, we're going to have a tough time. Maybe we'll have a Jerry Lewis [well-known film and TV actor] "telethon" and raise money for them." They were asked: "What about secret communications?" They said: "No, we can't have that. We can raise the same kind of issue that the Chamber of Commerce uses." They were asked: "Who's going to man the American Office in Taiwan?" They said: "Well, we'll get some people."

Well, all of these things changed. First, provision for a U.S. office in Taiwan was covered in a line item in the State Department budget. Secondly, Foreign Service Officers [FSOs] continued to serve in Taiwan but went through the legal process of "resigning" from the Foreign Service, while still retaining their seniority retirement and health insurance and promotion arrangements. Thirdly, we had a person in charge of the office in Taiwan with Ambassadorial experience, Charles [Chuck] Cross, who had previously been Ambassador to Singapore. He was a retired FSO, born in China and an experienced, China hand.

Q: I'm going to interview him. He's living in Seattle. I've already started with him.

LILLEY: Chuck was the guy they had picked. He is no "light weight." He had been Consul General in Hong Kong. He had also been a Marine Corps officer in World War II and a Chinese language officer in the State Department. He had an M. A. degree from Yale. He is really quite a guy. I think that what set this office back was when Secretary Warren Christopher went out to Taiwan and there were riots in Taipeh. Demonstrators rocked his car and kicked it. This was in Taiwan in December, 1978.

I think that Roger Sullivan accompanied Secretary Christopher on this occasion. I think that they thought that this riot was "contrived" and arranged for by the Taiwan authorities. They were angry about their treatment. However, it didn't get the average American angry.

There still are some signs of resentment from people like Senator Ted Kennedy [Democrat, Massachusetts] who said: "I told you guys to keep us informed in Congress about what you were doing with China. But you didn't tell us." Well, the administration said that there had been "secret negotiations." That ploy didn't work the second time around.

I think that generally what happened was that people who were "pro-Taiwan," like Ray Cline and others like that, got into this act very vigorously. However, those who had long been "pro-Taiwan," like former Congressman Walter Judd became re-engaged. The American Chamber of Commerce in Taiwan got very interested. The people who then testified before the Congressional committees were very articulate, more so than the people who defended the China policy of the Carter administration. The Chamber appeared to be defending the "small guy" against the "big guy." They included those who feared China. They expressed Taiwan's fear of China. We had large, commercial interests in Taiwan. We had American missionaries in Taiwan. We had all of these ties to Taiwan. These arguments were made.

Q: By the time you retired from the CIA in 1978, what did you think of the future of

Taiwan, from your office's point of view?

LILLEY: The CIA should not make policy. CIA's responsibility was to call the situation the way it saw it. I think that at the time when our relations with China were normalized, there was a moratorium on arms sales to Taiwan for one year. We terminated the defense treaty between the U.S. and the Republic of China. We pulled our troops out of Taiwan and broke diplomatic relations with the Republic of China. All of these things were done. But by this time I was out of the Agency. However, I would assume that CIA officers were writing about the effects of these actions on Taiwan during this transition period. Of course, Taiwan was turning to us and saying that these actions would have a terrible effect on Taiwan. They said that they were "going to hell in a hand basket."

I think that in September, 1979, communist China began to alter its policies toward Taiwan. They came out with the "nine points leading to peaceful reunification." They switched from the idea of liberating Taiwan to reunification peacefully. Chinese policy began to shift and to become more "flexible."

Q: During the time when you were still with the CIA, did we see a change in Taiwan that would make it a more democratic country?

LILLEY: That was beginning to emerge, but then it was "crushed" by Human Rights Day in 1979. There were riots in Kaohsiung [port in southern Taiwan], and the Chinese Nationalists threw all of the advocates of independence for Taiwan into jail. There was the famous "Chen" case, in which a Taiwanese from the U.S. died mysteriously. He "fell" from the fifth floor of a building and was killed.

Q: Was this in the United States?

LILLEY: No, in Taiwan. I was just going out to Taiwan. The Taiwan authorities were dealing out fairly rough treatment to people who advocated Taiwanese independence. I think this was largely because the authorities felt "insecure." But they were tough. There was a feeling that the Taiwan president was not a very good guy. Beijing was acting in a conciliatory fashion at this time. They had stopped bombarding Quemoy [Kinmen], and were conducting a sort of "peace offensive." Then the Taiwan authorities made a series of mistakes.

I went to China in the summer of 1980 with George Bush as a member of his "team of advisers." We visited both Japan and China. President Reagan was elected as a sort of friend of Taiwan. A couple of things happened. George Bush was Reagan's vice presidential running mate. At about this time Reagan announced that he thought that we should restore official relations with Taiwan. Oh, boy, the Chinese communists just went right through the roof! Here was Bush, on his way to China. It was a rough trip. Bush was not at all happy. The Chinese asked Bush, in effect: "What the hell is going on? Are you going to set the clock back?" We kept saying: "Look, you've taken us out of context," and so forth. Then, when we returned to Los Angeles, we were going to have a joint press conference with Reagan and Bush and we were going to discuss Bush's trip to China.

This press conference did not turn out as badly as we thought it would. I think that we got Ronald Reagan to "back off" on some of this emphasis on Taiwan. He emphasized our hope for peaceful relations and prosperity for all Chinese on both sides of the Taiwan Strait. He said that this is our policy and he didn't get into the question of "official relations" with Taiwan at all. I think that this attitude tended to "smooth over" a potential controversy.

Q: Did you have the feeling that Reagan at that point was sort of speaking "from his heart," which he would do from time to time? He would occasionally sort of "louse up" the situation for people who were trying to create an organized world.

LILLEY: I think that part of this was Reagan's own instincts, and part of it was that some of his people really thought this way. They had very close ties with Reagan. I saw Reagan before I went to Taiwan as the second Director of AIT [American Institute on Taiwan], replacing Chuck Cross. I attended a White House meeting for outgoing chiefs of mission. The State Department initially took the view that I could not be included in this group, but a way was found to include me. Reagan had 3x5 cards on each of the diplomats attending the ceremony. For example, the cards would say: "This is Harry Barnes. He's going to India." When the time came for President Reagan to say goodbye to the attendees, Reagan would say: "Have a nice tour of duty. Goodbye." I was 14th on the list of American diplomats meeting Reagan. I came in last. President Reagan said: "You're going to Taiwan?" I said, "Yes." He said: "Please sit down." His wife came in. Vice President George Bush came in. We were there for 15 or 20 minutes. Reagan was telling stories. He's a very charming guy. My family who were with me have never forgotten this.

Finally, when I left, President Reagan said to me: "You must understand this. I like those people in Taiwan." I'll not forget those words. I think that those were probably as good directions as I needed and where he wanted me to go. At the same time, however, the F-16s and F-5Gs [fighter planes] had been turned down for sale to Taiwan.

Q: We're talking about types of fighter planes.

LILLEY: The proposal had come in that we should do this. Everybody was saying that President Reagan was strong for this. I was the guy from the NSC [National Security Council] staff. So I said that we were studying that. The idea was to get the Defense Department to do a study of this matter. I didn't think that the CIA would do it. The proposal to sell aircraft to Taiwan was based on Taiwan's defense needs, in accordance with the Taiwan Relations Act. So the Defense Department did a study and concluded that Taiwan didn't need these aircraft. The "Washington Post" picked up this story and published it. Eventually, President Reagan and Vice President Bush decided that they wouldn't sell the aircraft to Taiwan.

So when I arrived in Taiwan, and on the same day, I think, I had to confirm to the Taiwanese that we weren't going to sell them the F-16s or the F-5Gs. It was a "rocky

way" to start a trip. However, the Taiwanese believed that I hadn't been involved in the turn down.

Q: I would like to pursue this issue chronologically. In 1978 you retired from CIA. Where did you go then?

LILLEY: On January 1, 1979, I went to work in Dallas, Texas, as a business consultant for Hunt Oil Company, which was interested in producing oil in an area offshore from the China mainland.

Q: Did that proposal go anywhere?

LILLEY: Yes, the company was one of the bidders on petroleum blocks offshore from mainland China. They were up for bidding for, maybe, a year and a half. The Chinese had awarded no producing blocks, but the company had submitted its proposals. Then Hunt Oil Company made a decision that they were going to go into Yemen, which is the smartest thing that they ever did, because nobody made any real money off Chinese offshore oil. Hunt Oil Company was using more political analysts to check out the situation in Yemen. They also checked with the State Department. Hunt Oil Company decided that this proposal to produce Chinese offshore oil was too tedious and involved too much haggling. So they switched to Yemen, and they made a huge discovery of oil there. It really put them on the map. I worked with Hunt Oil to get technology into a telephone cable factory in Szechewan. We worked with Sikorsky Aircraft Company. We worked with Pratt Whitney to maintain engines for the Boeing 707s, and various other things.

Q: How did you hook up with the Reagan administration?

LILLEY: Then George Bush was going to run for President. He started out in 1979 and immediately asked me to join his staff, which I did. My son and Bush's son went to work for Bush's candidacy up in New Hampshire. I was on Bush's team as an East Asian adviser. Then, when George Bush lost out in the race to be candidate for President, he was then picked by Reagan as the candidate for the Vice Presidency. So then I joined the Reagan-Bush team. That was great fun.

Q: I want to capture the mood first, and this may be a good place to start. I would like to develop, for the next interview, the story on the early Reagan-Bush period, on the "transition team," how you were looking at issues, and what your involvement was in this. I think that this is a very interesting matter.

LILLEY: I was not too intimately involved but I worked with Richard Allen [head of the Reagan-Bush "transition team" and first National Security Adviser to Reagan] and other people involved in this. It was a very good time. We were all very much taken with it.

Q: Good. Then we'll talk about what you did there and what you did after that.

LILLEY: Okay.

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Q: Today is October 30, 1998. Obviously, George Bush didn't particularly need to be "brought up to speed" on foreign affairs, as compared to Jimmy Carter. I'm talking now about the Reagan-Bush transition period. Were you with Bush during the election campaign?

LILLEY: Did we cover last time the trip to China by George Bush and Richard Allen?

Q: Yes.

LILLEY: Okay. Then, during the campaign itself Reagan and Bush formed an "East Asian Committee" under Ray Cline [formerly of CIA and of the Bureau of Intelligence Research in the State Department]. Richard "Dixie" Walker [later Ambassador to South Korea] was on this committee, I was on it, as was Gaston Sigur, and a number of other people. We had meetings of this committee in various places. I think that we had one meeting at Bush's home in Kennebunkport, Maine. We got together here in Washington a couple of times. We had some "input" into the Republican platform for the campaign, but I had a sense that there really wasn't much to do on this committee. We really didn't make much difference in the election campaign. Maybe other people did. I don't think that I did.

The "fun" was just to work in the election campaign, to go to various places and hand out pamphlets endorsing George Bush and pamphlets for Reagan and Bush, of course. We also rang doorbells and raised a little money.

Then, following the election, which Reagan and Bush won, as you know, Dick Allen was sort of the "key man" on the transition team. His office was on Massachusetts Avenue. We went there from time to time. The "personnel man" on the transition team was an old friend of Vice President-elect Bush, from Virginia, and a nice fellow. I forget his name.

They talked to me about what sort of a job I'd like in the new administration. They asked me to give them some options. I said that I had always liked working on the NSC [National Security Council] staff, as an East Asian "expert." I would like to serve as our representative in Taiwan or China, although perhaps I was not quite ready to serve as Ambassador to China. Or maybe a job in the State Department, at the "DAS" [Deputy Assistant Secretary of State] level.

What they came up with was this idea of my joining the NSC staff. I said, "Yes." Then we went to the inauguration, which was the best inauguration which I had ever attended. It was a terrific inauguration, with lots of "class" and "style." The events weren't jammed and crowded, as inaugurations often are. Gaston Sigur, Dixie Walker, and I all went to it. My relatives came down. It was really "fun." It was never again like this in either 1984 or 1988. There was just a great mood in the inauguration of 1981, with "everything coming

up roses."

The man I was replacing on the NSC staff was Roger Sullivan, a Foreign Service Officer [and earlier Deputy Assistant Secretary of State for East Asian and Pacific Affairs]. He'd replaced Mike Oksenberg, who returned to academia. Oksenberg was a bright guy. Sullivan had been in the mission that went to Taiwan, headed by Deputy Secretary of State Warren Christopher in 1977 or 1978. This mission was "mobbed" by Chinese Nationalist supporters, and I think that they felt some resentment about that. Understandably so.

Sullivan presented me with a whole list of unfulfilled arms requests from Taiwan, because, you know, we had a moratorium in effect on arms sales to Taiwan. He said that they hadn't really gone through these arms requests. He said: "It's for you, the Reaganites, to handle them."

Then I went to the NSC, and Don Gregg [formerly a senior officer at the CIA] was already there. He had made a very good impression on Richard Allen because of the way he had handled, and with great success, matters involving Chun Doo Hwan, the President of the Republic of Korea. He was able to arrange to have the death sentence commuted on Kim Dae Jung [then a South Korean opposition leader and current President of the Republic of Korea]. The visit to the United States of South Korean President Chun Doo Hwan was a success.

Dick Allen took Don and me and split responsibilities for Asia on the NSC staff between us. As I recall it, I would be in charge of matters involving Taiwan, China, Hong Kong, and part of Southeast Asia. Don Gregg would be in charge of matters involving Japan and Korea, and part of Southeast Asia. We were good friends, and this division worked out all right. Don Gregg had the "intelligence portfolio," and I had the "political portfolio."

Q: What's the difference between the "intelligence" and the "political" portfolios at the NSC staff?

LILLEY: These were all "makeshift" and improvised arrangements. What Dick Allen wanted was a senior, political man to deal with all of the political reporting which would come in from all over the world. This was largely State Department reporting, plus newspaper material. Don Gregg would coordinate all of the intelligence coming in from the NSA [National Security Agency], DIA [Defense Intelligence Agency], CIA [Central Intelligence Agency], and so forth. He would handle all of that. I was not going to tell a member of the NSC staff handling European or African matters what to do. I hadn't come to the NSC staff to be a supervisor or senior referent. I largely ignored that and worked on East Asian matters.

Q: I was just going to say that when you talk about Foreign Service reporting and material in the newspapers, this was an overwhelming task. Somebody had to get in there and "cut to the meat."

LILLEY: This division of responsibilities just didn't work out well, and I largely ignored it. Richard Pipes was there from Harvard, and Jim Rentschler was handling Europe. He was a senior Foreign Service information officer. Somebody else was handling Africa and another guy was handling South Asia.

This was a turbulent time. Then Dick Allen got into some trouble on alleged gifts he had accepted from the Japanese. Dick was not a "crook." It's just that he was careless about this. He had accepted a watch and then forgot to report it. Somebody reported on him. He had no explanation for this. So the media just camped out in front of his house and he finally left the NSC staff.

When I had been on the NSC staff for about six months, administration people came to me and said: "Listen, we want to get the 'right man' in Taiwan. Things are not going well. You are a man who is trusted by the Reagan administration. You have a good reputation in Taiwan. Why don't you go there as Director of the AIT [American Institute on Taiwan]? I said: "Fine."

Q: Let us stick to the NSC staff for a minute. When Reagan was elected President, there was very much of an expectation in some quarters that the new President had been a traditional Republican from California. Taiwan was expected to be one of his points of special interest. He had given President Carter a rough time. When you were on the NSC staff and just getting started, were you and Don Gregg concerned that Reagan might seek to "reverse" decisions that had already been made?

LILLEY: No. I wasn't concerned about that. I was more concerned that the State Department had fallen into the hands of people who were too much "pro-PRC" [pro Communist China]. We saw our job as holding the fort against an encroachment of the "pro-PRC" group and, somehow, carry out what Reagan wanted to do. However, President Reagan was relatively indifferent to this problem. He didn't pay much attention to it early on. He had too many other things to think about.

There was a very strong movement at that time to move forward the relationship with the PRC [People's Republic of China]. This movement came from Secretary of State Al Haig, John Holdridge [Assistant Secretary of State for East Asian Affairs], and Bill Rope, who was then on the China desk. They were pushing this course of action hard. This is what led to the communique of August, 1982, which got us into some trouble with arms sales to Taiwan. At that time the PRC were pushing very hard with the line that the Carter administration had allegedly made a commitment to terminate arms sales to Taiwan. We made a very thorough search of the files and we couldn't find any record of such a commitment. We talked to Zbigniew Brzezinski [former National Security Adviser to President Carter] and we talked to anybody else who might have knowledge of this matter. Finally, President Carter himself was contacted, and he said: "I never made such a commitment. I can tell you that I wouldn't have made it."

Then the PRC started to apply tremendous pressure on Ambassador Art Hummel in Beijing, Secretary of State Al Haig, and other people to terminate arms sales to Taiwan.

So there was evidently going to be a big problem with China on this issue. At about this time a memorandum was submitted to President Reagan by Secretary of State Al Haig, following his talks with Huang Hua, the Chinese Foreign Minister, which referred to quality and quantity limitations on arms sales to Taiwan.

A good friend of mine, an FSO [Foreign Service Officer] at the State Department, called me up and said: "This memorandum is coming to the President. It's bad news. See what you can do." I tried to go to the State Department and get a copy of this memorandum. However, this memorandum arrived at the White House at 6:00 PM that same evening. I went to Dick Allen the following morning and said: "I've been told that this memorandum on arms sales to Taiwan is not a good thing and that we should do something about it." It had gone right through Dick Allen's office to President Reagan. It was described as a commitment made to the Chinese communists.

Q: I'm surprised that any President, and particularly Ronald Reagan, would allow something to come to him overnight, bypassing his National Security Adviser.

LILLEY: This happened during a period of 16 hours. You can't imagine the confusion in the Reagan administration in its early period in office. The administration had been in office for about six months, but things still hadn't been straightened out, and things were "slipping through."

Q: Do you think that Secretary of State Al Haig was "playing a game" and slipping matters through?

LILLEY: I would hesitate to put that "monkey on his back," but that certainly is what happened.

Then the PRC tried to ram something through by the tenth anniversary of the Shanghai Communique of 1972. This was in February, 1982. But they couldn't do it. This sinocentric group in the State Department went to the Chinese and said: "Look, Jaruzelski in Poland is a pro-Russian communist, and the Polish democratic force is coming up, under Lech Walesa. These are the forces we support, and this is good." The Chinese, in fact, didn't want Lech Walesa to win.

Q: Why anybody would advance an argument like that...

LILLEY: They had some weird ideas. They thought that, somehow, this would "soften up" the Chinese communists to get something done by the tenth anniversary of the Shanghai Communique. Well, the Chinese communists got tougher and tougher. Zhao Ziyang was premier at the time. He hit President Reagan very hard on this matter a meeting in Cancun, Mexico.

Q: This was a meeting of the leaders of the principal economic powers.

LILLEY: I forget which one it was. It was a conference of leaders, and Huang Hua and

the Chinese Ambassador to the U.S. pushed this whole concept of a limitation on arms sales to Taiwan in terms of quantity and quality. That had already gotten through us. Then, the next issue involved what was called the "F-X," a new fighter aircraft for Taiwan. It was similar to an F-16 A or B or an F-5G. The F-16 was made by General Dynamics, and the F-5G was or would be made by Northrop Aircraft. The assembly line at Northrop was running out of parts for F-5Es. Communist China had about 5,000 obsolete, MiG fighters, but it was time to improve Taiwan's inventory of fighter aircraft.

When this recommendation to President Reagan came through to the White House, the whole issue "leaked out," and there was an outcry from people who were very concerned about U.S. relations with the PRC and the way that Reagan was allegedly "messing them up." Articles on this issue hit the press and appeared in the "New York Times." The people who wrote these articles said that we shouldn't sell these aircraft to Taiwan, as such a sale would lead to a break in relations with the PRC.

I decided to take the whole issue and give it to the Defense Department "to do a study" as to whether the proposed sale of these aircraft would meet the defense needs of Taiwan. This procedure was in line with the Taiwan Relations Act. The question was: "Does Taiwan need a new fighter aircraft?" Charley DeSaulnier in the Defense Department prepared this study. I didn't trust CIA to do this study. I knew the CIA very well and didn't think that it would come up with an "objective" report. I had worked there and knew those people very well. In a word, they weren't "dispassionate" on this issue.

So Charley in the Defense Department did this study. He contacted me and said: "Jim, I'm not sure that you'll like this, but we really come out against the sale of this aircraft to Taiwan." I said: "Charley, this has nothing to do with whether I like it or not. I want to know what the objective situation is." In the report Charley made the case that Taiwan had a sufficient number of F-5E fighters to defend Taiwan. The assembly line at Northrop could be extended and continue to produce them. This aircraft was better than anything the Chinese communists had. The F-5E was a short-range, high performance aircraft. The study concluded that Taiwan didn't need a new type of aircraft, which would be unduly provocative. So this report went to the President, and the State Department immediately "leaked it" to "The Washington Post," under the headline that the Chinese Nationalists did not need a new fighter aircraft. The team at the State Department agreed with this view, and the "Washington Post" carried this story.

At this time I was getting ready to leave the United States for Taiwan to serve as Director of the AIT. A very high official of the Reagan administration came to me and said: "Well, do you accept the findings of the DIA report?" I said: "I really can't refute them." This man said: "Do you think that Taiwan needs a new fighter aircraft?" I deferred to the Defense Department on that question. Maybe I shouldn't have done this, but I did. Then the Defense Department arranged to announce that President Reagan had turned down the sale of the F-5G and the F-16A or B to Taiwan on the day I left for Taipeh.

So I arrived in Taiwan against this background. However, my friends in Taiwan immediately concluded that this was deliberately done to screw me up. Maybe it was just

a coincidence that it happened that way. (End of tape)

Q: You were saying that there was a strong, pro-PRC lobby within the White House or the administration.

LILLEY: There were people holding those views. I don't want to name them, but they were there, and you can pretty well guess who they are. I can't say that this was done deliberately, but it happened just when I was landing in Taiwan. The Taiwan people knew that I hadn't done this. I received very good treatment during the 2 ½ years I was in Taiwan, from January, 1982, to May, 1984. I stayed through the inauguration of Chiang Ching-kuo for his second term as President of the Republic of China. Li Teng Hui was Vice-President of the Republic of China. I knew them both. Actually, an unofficial, U.S. delegation headed by retired Ambassador Walter Stoessel was sent out for the inauguration. Before he retired, Stoessel had been Under Secretary of State for Political Affairs. A great guy. He had also been Ambassador to the Soviet Union and to Poland.

Very quickly, the Taiwanese authorities turned on the charm offensive. They figured that I was a new, political appointee, a supporter of President Reagan and Vice President Bush. They thought that I would understand Taiwan's needs better.

I arrived in Taiwan just as the "August Communique" [of 1982] was being negotiated between the U.S. and the PRC. That was a rough experience. Some of it was negotiated in Washington, and some of it in Beijing. The Chinese communists pushed very hard for the termination of arms sales to Taiwan.

Q: When did the "August Communique" come out? What was reason for it?

LILLEY: When the Reagan administration entered office, the Chinese communists told us that the Carter administration had made a commitment to terminate arms sales to Taiwan. We couldn't find any record that such a commitment had been made. Then the Chinese communists hit both Secretary of State Al Haig and President Reagan, saying: "You've got to do something about these arms sales to Taiwan. They are intolerable to China as well as deeply offensive to us."

In the fall of 1981 the Reagan administration started negotiating with the PRC for some kind of joint communique to cover arms sales to Taiwan. With the agreement of President Reagan the two sides agreed to include this term of reducing the "quantity and quality" of arms sales to Taiwan in the agreed language. Then the Chinese communists started pressing for a "date certain" for the termination of all arms sales to Taiwan. There were people in the State Department who were arguing that we should agree to this. The Chinese communists indicated that the alternative to this was a "downgrading" of relations between the U.S. and the PRC. They had just "killed the chicken to scare the monkey." They had "downgraded" relationships with the Netherlands for selling two submarines to Taiwan. This was clearly a message for the U.S. In other words, "If you don't agree to a date certain for termination of arms sales to Taiwan, we will downgrade our relations with the U.S."

Memoranda on foreign affairs that came to President Reagan from the State Department passed through the NSC. By this time Judge Clark, who had formerly been in the State Department, had moved over to the NSC. We were then able to watch much more carefully the recommendations going through to the President through the NSC. As I understood it, the memoranda from the State Department took the position that either we would set a "date certain" for the termination of arms sales to Taiwan or we would face the downgrading of relations with the PRC. By this time, as I was now in Taiwan, I didn't have access to these memoranda but I heard about them.

Q: The "downgrading" of relations between the PRC and the U.S. would have meant what?

LILLEY: Probably recalling Ambassadors and leaving the respective Embassies under Charges d'Affaires. This would affect us across the board in terms of trade and other matter. The Chinese communists always greatly emphasized trade. At that time, I think that we had a trade surplus with the PRC.

Anyway, termination of arms sales to Taiwan was being pushed very hard. In my position as Director of the AIT, I was being pushed very hard to see whether Taiwan would agree to this, if we could "sell" this proposal to Taiwan. I was brought back to Washington for consultations. The State Department pushed me hard on this issue. I returned to Taiwan and then wrote a message back to the State Department, saying: "This is the wrong thing to do, both in terms of the security of Taiwan and the Taiwan Relations Act." I said that we couldn't do this.

Meanwhile, President Reagan had already decided that he wasn't going to press ahead with the termination of arms sales to Taiwan. He said: "We'll risk a 'downgrading' of relations with the PRC." He got this message through to the PRC leaders at an authoritative level: "If you insist on our terminating arms sales to Taiwan, we're not going to do it." Then the administration worked out language on a decrease in the "quantity and quality" of arms sales to Taiwan, indicating that it would lead to some kind of final solution of the issue. They dropped all references to the termination of such arms sales to Taiwan and also insisted on peaceful means.

Then they worked on what they called the "six assurances" to Taiwan. I participated in the negotiation of these assurances in Taiwan, and there were also negotiations on this issue in Washington. These basically boiled down to the point that the United States would not pressure Taiwan to negotiate, the United States would not serve in an intermediary role, and the United States would not terminate arms sales to Taiwan. There were six such assurances. These points were all worked into a statement which John Holdridge made, subsequent to the communique of August, 1982. President Reagan's interpretation, as relayed through Gaston Sigur was: "Listen. This issue hit me at the last minute. I don't like it. I want you to understand that my intention is that in the implementation of this communique we will maintain a balance. If China becomes belligerent or builds up a power projection capability which brings insecurity or

instability into the area, we will increase our arms sales to Taiwan, regardless of what the communique says about quantity and quality. That is my interpretation of the communique," he said. There is also a phrase in there that all of this is contingent on peaceful resolution of the status of Taiwan.

So, if China made belligerent statements and started to obtain a power projection capability, China would be breaking the spirit of the communique. That was our argument, you see, and this was the Reagan interpretation.

Then there was a "housecleaning" at the Department of State. Alexander Haig resigned in June 1982, as Secretary of State. John Holdridge was assigned to Indonesia as Ambassador, and Bill Rope was replaced on the China desk. I was in Taipeh when the new team came in. Paul Wolfowitz came in as Assistant Secretary of State for East Asian and Pacific Affairs. I forget who was on the China desk in State. Maybe it was Don Anderson. George Shultz became Secretary of State. In short, we had a new team. A reason for this was that Paul Wolfowitz, when he was Director of Policy Planning, wrote a critical memorandum on the way that China and Taiwan policy were being handled. It was a brilliant piece of work. Sean Randolph, in the Office of Policy Planning, helped Wolfowitz write this.

Then Paul Wolfowitz was selected to be Assistant Secretary of State for East Asian Affairs. This made a big difference. Paul came from, let's say, a more conservative, hard line tradition but was brilliant, both in his personal relationships and in his handling of issues. He brought in Bill Brown as the Principal Deputy Assistant Secretary of State for East Asian Affairs. Bill was "first class." He had a Ph.D. from Harvard in Chinese affairs. He had been a Captain in the Marine Corps. He had all of these credentials and had a very good record. Gaston Sigur moved into the NSC staff. He was a very good politician and a very smart guy, wired right into President Reagan. And Rich Armitage took over as Assistant Secretary of Defense for International Security Affairs.

Q: When you were in Taipeh, did you have a feeling that this was a more "compatible" team with which you would be working?

LILLEY: No question. All of a sudden, things started to "pick up." This was not a "pro-Taiwan" group. These guys were going to open up to China. Rich Armitage had military ties being built up with the PRC. A lot of things were going on. We were beginning to arrange for the Reagan trip to China. Art Hummel, a professional diplomat, was Ambassador to the PRC in Beijing. We were beginning to push the relationship with the PRC forward. The comment was made: "Bring Reagan to China. Show him! He's never been to China. He's never met a Chinese communist leader." He once had a conversation with a Chinese communist leader at a meeting in the White House in March, [1982]. This appointment was intended to give him an opportunity to meet a Chinese communist for the first time.

So we got this Chinese official, Ji Chaoghu, who was Harvard-educated and had been Zhou En-lai's interpreter. He was "smooth as silk." We wanted to bring him to the White

House and show him to Reagan. "Look, Mr. President, this Chinese gentleman speaks English" and so forth. However, the Chinese Ambassador, Chai Zemin, said that he would have to go along also at this meeting with President Reagan. Chai Zemin was an old, gruff revolutionary from western China, hard as nails, and with little subtlety. He came in and did all of the talking. Ji just sat there. I remember that after this meeting President Reagan turned to Ed Meese and said: "I told you so. I told you what kind of people they were." So this effort to introduce Reagan to a real Chinese communist didn't work out very well. That was in the spring of 1982. However, Paul Wolfowitz, Gaston Sigur, and Rich Armitage worked with Ambassador Art Hummel in Beijing to develop this new program to "open up" to China.

Q: Did you have the feeling, early in the Reagan administration, that the new team, although it came out of the Right Wing of the American political spectrum, was going to "try on for size" the issue of arms sales to Taiwan and all of that? Was this intended as a test of the Chinese?

LILLEY: No. The Chinese could be amazingly subtle and sophisticated at times, and, at other times, they could be quite crude. At this time I think that the Chinese communists showed subtlety and sophistication when they moved the normalization negotiations from Secretary of State Vance to National Security Adviser Zbigniew Brzezinski. On the one hand Vance was a careful, studied lawyer, deliberate in what he did, who worked an issue through very carefully.

That isn't what the Chinese communists wanted. They wanted to deal with a Polish-American who was anti-Soviet in outlook in the negotiations with the U.S. on normalization of diplomatic relations. They had a fierce determination to push these negotiations through to successful completion. They had become used to dealing with Michael Oksenberg [on the National Security Council staff] during the Carter administration, whom they knew very well and considered a "friend."

In this case they saw Secretary of State Alexander Haig and his concept of a "strategic imperative" and China connections through Assistant Secretary of State John Holdridge, who was very inclined to them. They said to themselves: "We want to be friends with the Americans. Here is an ideologically naive, new American administration which has some 'errant' ideas. We must 'discipline' them and let them know the limits of what they can do.

Well, they tried to do this on the issue of terminating arms sales to Taiwan. It didn't work. Their people never the less tried to push this proposal through. Then the Chinese communists had the idea of "courting" the Reagan administration. George Shultz, who replaced Haig as Secretary of State, was a very stolid person. He had had big business dealings with Taiwan when he was Chairman of the Board of the Bechtel Corporation. Also, Bechtel had been very much interested in making an opening to China. Shultz had a very balanced approach to this issue of normalization of diplomatic relations with China. He wasn't an "ideologue." He had firm convictions, but he was an American exponent of the business of getting things done.

Schultz had great confidence in Paul Wolfowitz and Gaston Sigur. He knew that they were probably a little more in favor of Taiwan than he was, but he could live with that. Schultz wanted President Reagan to go to China and look at it, because Shultz himself had gone to China. He said to Reagan: "Look, there's a lot that can be done there. They do a lot of things wrong but they're trying to do the right things." He said that the Chinese communists were thinking of moving toward "loosening up" their economy, moving toward bringing in free market forces, focusing on agriculture and then industry, and allowing "joint ventures" with foreign countries. He said that this made sense. The Chinese communists had stopped doing "stupid things." He said that it was time for the U.S. to become more engaged with China. He said that we would handle the issue of Taiwan "judiciously and wisely" and would fulfill our commitments to Taiwan. However, he said that we have to make our relationship with China more stable.

Shultz said that he was not going to listen to a bunch of businessmen crying about limitations on American technology transfers to China and saying that American business opportunities were being ruined. He said: "I don't buy that stuff. I know what's strategic and what isn't. However, I'm going to 'open up' to China. I'm going to help American business. I'm going to have talks with the Chinese communists about the Soviet Union. We have to move that whole process forward."

In the early days of the Reagan administration he had all of these hard-line, anti-Soviet types in various government departments who said: "Look, we'll talk to the Chinese, we'll work against the Soviet Union, and the Taiwan issue doesn't mean a damned thing." They would go over to the Chinese Embassy in Washington, soak up a bunch of "Mao Tai" drinks, and then come back to their offices and write memos saying that the Chinese communists were in our camp. They would say: "Don't worry about Taiwan."
Well, that was not true. Taiwan was a "point" issue on which the Chinese communists had focused. However, many of these hard-line, anti-Soviet types had come into office with the change in administrations in 1981. The very balanced, pragmatic team of Armitage, Sigur, and Wolfowitz also came in. They also had David Greis over in the CIA. He was quite a good guy and was part of their team. They dominated the scene. Gaston Sigur had the confidence of President Reagan, Judge Clark [National Security Adviser], Wolfowitz, and Secretary of State George Shultz. Rich Armitage had the confidence of Secretary of Defense Weinberger.

So there was a whole series of things going on. We started moving ahead on the sale of more sophisticated weapons and making technology transfers to Taiwan, which the Department of State fought hard against. However, we overruled them. At the same time we got the first deals going with communist China. We had negotiations going forward on the "Peace Pearl" program; the F-8 avionics program under discussion, which was a program worth $550 million; we had the ANTPQ artillery radar program; and we had the "large bore" artillery shell and the torpedo program going. All of these issues were under negotiation with communist China to help them against the Soviet Union. We started actively working with China against the Soviet Union in Afghanistan. We developed a real, strategic partnership.

At the same time Taiwan got the indigenous defense fighter with this new APG-67 radar on it. We got frigates, the civilian version of the "BLACKHAWK" helicopter, and the civilian version of the C-130 transport aircraft for Taiwan. These measures took care of several of Taiwan's defense needs, but not in a provocative way. So we really moved ahead on both tracks with Taiwan and China. The issues between them became less noisy because, at that time, we had Paul Wolfowitz, Bill Brown, and myself working with Mike Armacost, who was Under Secretary of State for Political Affairs. We arranged for Taiwan to remain in the Asian Development Bank [ADB] and remain active in it. Communist China was also admitted to the ADB. Here they were, China and Taiwan, sitting side by side in one organization, with ambassadorial level representatives. It was a "breakthrough"! This had taken us two and one-half years to arrange.

I must say that the first cables that came from the Embassy in Beijing said: "The World Bank formula applies. If Beijing comes in, Taiwan is out. There is only one China." We said: "Oh, no. Taiwan stays in, and Beijing comes in." There was a fight, but we won the fight. Then we had to convince Taiwan and Beijing. Fujioka, the Japanese representative in the ADB [Asian Development Bank], helped us on this. He developed a formula which both Taiwan and Beijing would join together to implement. That is, Taiwan would stay in the ADB, and Beijing would come in. The formula was very obvious: China and Taipeh. Taiwan would change its name from "the Republic of China" to "Chinese Taipeh." Taiwan stayed in the ADB, and then Beijing joined the organization.

This formula led to the APEC [Asia-Pacific Economic Conference] breakthrough and the GATT, which then was in existence. Things were really moving along at that time.

The big development came in 1987, when Taiwan opened its doors to China. The Taiwan authorities revoked martial law, they allowed travel by Taiwan citizens to China, and there was a marked improvement in relations.

Q: Let's talk a bit about Taiwan when you got there in 1982. What was the situation in Taiwan at that time, in terms of political and economic conditions?

LILLEY: Taiwan was on an "upswing," economically. They were developing technologically advanced industries. They had been involved in food processing, textiles, shoes, and that sort of thing. Then they started moving into the production of semi-conductors, transistors, electronic consumer goods, computers, and so forth. Taiwan was in a transition period, moving from labor intensive goods, for example, up to technology intensive industries. The Taiwanese economy was tremendously vibrant.
Politically, Taiwan was still fairly "stiff." The Taiwan government did not allow an opposition party. They called the opposition groups the "dangwat," which means groups outside the party. The government allowed the opposition groups to publish magazines and newspapers, and then closed them down if, in the government's judgment, they went "too far." The government gradually allowed them to express their views and began to allow them to take part in the political process.

A couple of developments occurred at that time which began to change things. The first

development affected President Chiang Ching-kuo, a brilliant and visionary man. Early on in this process he had told me, indirectly but authentically, that first he was going to democratize Taiwan. Secondly, democratization was going to become a Taiwanese process. Thirdly, he was going to maintain prosperity, because this was the [gateway to] political reforms. Fourthly, he was going to open up to China. This information was passed to me in 1982. And he did this, making his moves very carefully.

He took his old, hard line mentor, Wang Sheng, who ran the Political Department in the military establishment, and sent him to Paraguay as Ambassador. [Laughter] He brought in an unelected, Taiwanese Governor, Li Teng-hui, as Vice President of the Republic of China in 1984. He made sure that I got to meet Li Teng-hui and to spend some time with him. We got to know each other. No one else was present at our big meeting. Chiang Ching-kuo began to allow more and more Taiwanese to begin to appear at public events, to have meetings, and so forth. He impressed people like Congressman Steve Solarz [Democrat, New York] that he was beginning to release the bonds on his people.

As I arrived in Taiwan in 1982, a Taiwanese independence advocate had been thrown out of a fifth story window and was killed. This was officially described as a "very mysterious death." Three years before this, the wife and two daughters of one of the leaders of the Taiwanese Independence Movement [name indistinct] were murdered. This former leader of the Taiwanese Independence Movement is now the Chairman of the DPP [Democratic Progressive Party] in Taiwan. This was "hard ball" stuff.

However, in 1982 the process of democratization had started. You could see the changes. It was a slow process, but Chiang Ching-kuo allowed Taiwan opposition politicians to begin to appear in public. He had to be sure that American support was firm. I think that by 1986, when David Dean came as the Director of the AIT [American Institute on Taiwan], Chiang Ching-kuo believed that the United States was fairly solidly behind him.

Q: When you arrived in Taiwan in 1982, there must have been considerable apprehension as to what the U.S. was going to do, on arms sales to Taiwan, for example. Arms sales were critical. If we cut off all arms sales, this could have led to a gradual weakening of Taiwan.

LILLEY: The Taiwanese became convinced that that wasn't going to happen. With U.S. support for the development of the IDF [independent, defense fighter] and the sale to Taiwan of U.S. made frigates, helicopters, C-130 transport aircraft, and M-48A5 tanks, there was steady action taken by the United States to provide for Taiwan's defense needs.

Secondly, Taiwan wanted access to U.S. Government officials. They had been largely "frozen out" since the visit to China by President Nixon. The Taiwan leaders thought that when President Reagan came into office, they would immediately be able to walk right into the Department of State and the White House. That didn't happen. However, what we did was discreetly to begin to meet with high level Taiwanese officials. We worked with them. They had appointed a Foreign Minister, Prime Minister, Minister of Finance, Chief of the General Staff, and Minister of Defense. Officials at the highest levels of the U.S.

Government met with them.

Q: Was there any trouble about these trips with the Chinese communists. Did they object?
LILLEY: Yes, they would get wind of one of these visits and would throw a fit. However, we could tell that this was rhetoric, and not the real thing. The Chinese communists knew that we were dealing with the Taiwanese at an authoritative level and that they were getting military equipment that they needed. We also said to the Taiwanese: "Look, we've got an agenda with you. You've got security and 'face' problems. We're being "ripped off" by you on our trade deficit and problems which have emerged in the field of intellectual property rights. You're 'killing us.' You're faking our pharmaceuticals, you've run up a huge trade surplus with us, and you are following protectionist practices against us. Let's focus on this."

When I arrived in Taiwan in 1982, we were spending about 90 percent of our time on security issues. By the time I left, in 1984, we were spending about 40 or 50 percent of the time on "our" issues, which chiefly involved trade matters.

Q: I was thinking of the intellectual property rights issue. As I recall it, people were buying "ripped off..."

LILLEY: Taiwan was the capital of the world for that. Fake patented items were cheap. It was all there. We established a committee of distinguished citizens to look into this problem. And what happened? Then Lilly Drugs would find out that the Taiwanese were "ripping them off." When they explained next, there would be guys with clubs who would come in and beat up their managers in their factory in Taiwan. This was really rough stuff. We brought in various people. I think that Kristoff and Peter Allgeier were involved. Clark Ellis was our economics officer in the AIT [American Institute on Taiwan]. They really pushed hard on trade issues.

We began to see progress. We began to get into the Taiwanese consumer markets and more effectively into their wheat markets. We began to see Taiwanese rice exports reduced. These had been "killing" our exports of rice to the Middle East. We were really beginning to get after these Intellectual Property Rights (IPR) offenses and curtailing them. We threatened to retaliate against some of the unfair trade practices in use in Taiwan and we had the instruments to use on these matters. We began to "drive home" on this issue.

The Prime Minister, was our primary contact. He was an extremely competent guy. He understood the problems and worked with us, while still defending Taiwan's interest. However, he knew that we were being "rooked" by these unfair marketing practices. We faced a huge Taiwanese trade surplus. They were "ripping us off" on IPR and so forth. They said: "Well, if you sold us those F-16 fighters, that ought to take care of the problem." We said: "No, that doesn't get into the question of commercial practices in Taiwan. That is a separate issue." Then they said: "How about selling us all of that Alaska oil?" Well, we have laws which prohibit us from doing that. They said: "Well,

you guys aren't really 'serious.'" We said: "We can't take care of trade, if you act that way."

Q: What was the matter with the exports of oil from Alaska?

LILLEY: There was a law on the statute books at that time which provided that Alaska oil had to be sold in the United States. So we could not be flexible on this. They said: "Well, all you have to do is change your stupid law, and you can sell the oil to us. We'll buy your oil. We're buying oil from Indonesia and other places now. We'll buy it from you." We also thought that was just an excuse. What they had to do was to give us access to their markets, which were fairly tightly closed. Once we got into the Taiwanese markets and they gave us access to the "big ticket" items, like the nuclear power plants and the new meter system, we could make up for the trade deficit by their giving us these larger contracts for enterprises such as Taiwan Steel.

Q: By the time you arrived in Taiwan in 1982 and until you left in 1984, the American Institute on Taiwan had gone through its "teething period." Basically, it was an American Embassy.

LILLEY: It was very much of a "teething period" under Chuck Cross, its first, full-fledged Director. I think that Paul Popple was there earlier but as a diplomat. I forget who his deputy was. Chuck Cross had a rough experience. We appreciated what he had done. By the time I arrived in Taiwan, we were through the "shake down cruise." We were getting started. However, the difference between the AIT and a regular American Embassy was that we didn't have a Political Section, as such. Instead, we had a "General Affairs Section." We didn't have an Ambassador. We had a Director. We didn't have a Consular Section. We had a "Travel Services Section." We had no "National Day." We didn't fly the a flag. We had no Marine Security Guards.

Q: In fact, it sounds like an ideal arrangement! [Laughter]

LILLEY: We had the usual people assigned from the Foreign Commercial Service, from the Foreign Agricultural Service, and, of course, from the Foreign Service of the Department of State. All of the latter were FSOs [Foreign Service Officers]. They formally resigned from the Foreign Service and signed a contract with the American Institute on Taiwan for two or three years. Then, at the end of their tour with the AIT, they returned to the Foreign Service and were re-hired. The whole promotion cycle was kept the same. They were not "punished" for this service. So I think that, in many ways, it was an ingenious arrangement. It was legal. Yet we had diplomatic immunity, under an understanding signed with the Republic of China on Taiwan. One of our AIT wives unfortunately killed a Chinese on a road there in Taiwan, and she was protected from lawsuit. This happened while I was there.

Q: How did you find the Taiwanese as far as an observer of the Asian scene was concerned? Did you go to the Taiwanese Foreign Ministry and did their employees visit you in your offices? What did they think about events in Thailand, Indonesia, and so

forth? Or did you pretty well concentrate on the American-Taiwanese relationship?

LILLEY: We really didn't have much to do with the situation in other Southeast Asian countries. We were primarily concerned with the American-Taiwanese relationship. I didn't meet Taiwanese officials at the Foreign Ministry. I generally met them at a guest house, although I went to the Foreign Ministry once or twice. I went to the Presidential Office, also, but "sub rosa" and without attracting attention. The Taiwanese officials had a sense that we were inhibited by these rules but that we knew how to "get around them." The Taiwanese officials had a saying that the "more senior people have a policy. The people lower down know how to get around it." They understood that we appreciated that we were going to be like President Li Teng-hui in 1995. We actually "changed gear" in Taiwan when he was Vice President of the Republic of China. I think that when I was DAS [Deputy Assistant Secretary of State], I went up to meet him in New York. State escorted him up to West Point for a VIP visit to the U.S. Military Academy. Then he went on to other places in South and Central America.

Li Teng-hui came to the U.S. in 1995, and the PRC pulled out their Ambassador and started firing missiles in the vicinity of Taiwan. I think that now Taiwanese senior people have to make a prior detailed request to visit the U.S. and it's harder to do. When I was there in 1982-1984, the Taiwanese knew that we were trying to do the "right thing" for them, although there were certain limits on us. It's a question of confidence and displaying that confidence through concrete moves. I don't think that they had that feeling of uncertainty in 1982-1984 that they had during the Carter administration. When they met Paul Wolfowitz, Rich Armitage, or Gaston Sigur, they knew these men, and they understood where they were from. It wasn't a matter of "fraternizing" or "condescending." I met high level Taiwan officials several times in a period of 12 months. There was just a natural flow of conversation between us. There was some very tough bargaining. However, at the same time they knew, for lack of a better term, that "our hearts were in the right place."

Q: I assume that Taiwan was sending a lot of students to the United States and that China was doing the same thing. Did this have any reverberations, with the students comparing their respective situations? Did Chinese and Taiwanese students get together in the U.S.?

LILLEY: Yes. I think that we saw that the whole air of hostility between the two sides was beginning to break down. Taiwanese students were mixing with students from mainland China, especially after 1987, when things began to open up. They saw more of each other, they got along better, they often lived together, and they went to parties together. I think that, to this day, there are, however, separate organizations on the various campuses. However, the former air of bitter hostility was ameliorating. At that time, 1982-1984, there was little direct contact between the two sides of the Strait. However, even when I was in Taiwan, I knew that Jiang Yen-shih had at one time been Secretary general of the KMT and had been President Li Teng-hui's "mentor" in the old JCRR (Joint Committee on Rural Reconstruction) under the Chinese Nationalists. The JCRR, with American aid, in fact rebuilt Taiwan. Y.S. Jiang was in there, running it, and

Li Teng-hui was a "bright young man" in the JCRR. When Li Teng-hui became Vice President and later President in Taiwan, Y.S. Jiang came back in and, always interested in agriculture, was handling early exchanges with China on agriculture.

Even at that time we saw the beginning of trade links between China and Taiwan through Hong Kong. We knew that Chinese businessmen from the provinces were in Taiwan, exchanging goods and information. The head of one of the universities at Taichung, in Taiwan, went to mainland China frequently. However, they all had to be very careful until things opened up in 1987. Then contacts just "exploded."

Q: Is there anything else that we should cover in this 1982-1984 period?
LILLEY: I think that this was the period when things turned around in Taiwan. It led directly to the opening of closer relations between Taiwan and mainland China in 1987. Confidence was built on Taiwan, and President Reagan was able to go to mainland China without serious misgivings. Even before Reagan went to China in 1984, I was called back to Washington for consultations. I saw President Reagan, Secretary of State Jim Baker, and Vice President Bush. In short, everybody who was involved in decision-making. In effect, I was the U.S. representative in Taiwan and was important in this regard. I was asked to make the case to President Reagan about expanding our relationship with China. I think that the White House and the Department of State, under Secretary of State George Shultz as well, had a very good appreciation of this. Yes, President Reagan was going to go to China, but we were told not to worry about his attitude towards Taiwan. He knew what he was doing, and he was right. Of course, we wished that Taiwan would "take care" of our trade surplus, as we had taken care of Taiwan's defense needs. I think that, after that point, Taiwan really began to move on some of these issues.

Q: Was there any concern about the future? Yes, Taiwan was moving toward democracy, but at the same time you were trying to keep the "lid" on the whole "two China" system. As Taiwan moved toward democracy, this meant, on the face of it, that eventually people in Taiwan might say: "To hell with this. We're our own nation, and let Taiwan be our nation. This is one of the fruits of democracy." Was this view widespread?

LILLEY: We sensed that we were taking risks. When they actually organized opposition political parties in Taiwan and drafted the platform of the Democratic Progressive Party [DPP], the aim was independence for Taiwan. Those people who had pushed this, like Hsu Hsin-liang and other people, all returned to Taiwan from exile overseas and assumed leading positions in the DPP and other parties. I think that at that point some people became concerned about the direction of events. However, the KMT [Kuomintang, the official government party] was still winning elections by a large margin. Then, gradually, the DPP, the party of the Taiwanese, began to improve its position. They began to win more and more local positions.

At this time also, Chiang Ching-kuo opened up the whole political system. Up to this point a majority of the members of the Legislative Yuan or Parliament were appointed by Chiang. Most of them were holdovers from the mainland of China. Chiang opened up the whole structure to direct elections, in stages. As Chiang opened up the system, more and

more of the people in the opposition were getting elected, but they were still a minority of the total membership, although a substantial minority.

President Li Teng-hui began to refer openly to the issues supported by the opposition and to speak out for a separate identity for Taiwan. He would lead the Taiwanese to their promised land, as Moses did to the Jews in Egypt. He said, "I feel strongly toward Japan," and "Taiwan deserves to be independent. We should be in the UN." All of this disturbed the mainland Chinese leaders. However, as they matured, particularly after the crisis in the Taiwan Strait of March, 1996, we were beginning to see a greater understanding by the more civil-minded, mature politicians. They began to appreciate that there were things that they had to be very wary about doing. In their hearts they thought that they deserved independence for Taiwan, they wanted it, and they were prepared to fight for it. However, they knew that this objective was not necessarily good for Taiwan. They knew that they couldn't handle that. They knew that there would be real costs involved in such a course of action.

I'm not saying that we were out of the woods yet, but there seemed to be a much greater degree of political maturity. The issues being fought out in that year's elections were not about independence. They involved corruption, social security, and greater economic development.

Q: Well, why don't we stop at this point?

LILLEY: I've got to do some editing of my remarks.

Q: Then we'll pick this up the next time in 1984, when you left government service for a time.

LILLEY: I left government service for a year and worked for the Otis Elevator Company. Then I returned to the Department of State in 1985 as Deputy Assistant Secretary of State.

Q: For East Asian Affairs?

LILLEY: Yes.

Q: Then the next time we'll pick this up and cover the period 1985-1986.

LILLEY. Yes.

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Q: Today is January 8, 1998. We have come to 1985. You are...

LILLEY: Deputy Assistant Secretary of State.

Q: How did that come about?

LILLEY: Well, I left Taiwan in May, 1984, after the Presidential inauguration ceremony of Chiang Ching-kuo on May 20. I stayed through that and then left on May 22, 1984, I believe. My wife, Sally, had already left Taiwan and returned to the United States to set up our house.
I went back to the States on May 22. I had no job at the State Department, so I went to work for the Otis Elevator Company. I was hired as a "consultant" and I worked with them on Korea, Taiwan, and mainland China. I went to mainland China a number of times for Otis and then to Taiwan and Korea, also for the company.

Early in 1985 I got a call from Paul Wolfowitz [Assistant Secretary of State for East Asian and Pacific Affairs] when I was at Williams College visiting Jeff, our son. At that time Paul asked me whether I would be interested in accepting a job in the Department of State as a Deputy Assistant Secretary. He said that they had contacted another man, one of their very talented Foreign Service Officers, for the job. However, Paul said that he didn't feel comfortable with him. He said that he would prefer to have me take this position. I said: "Well, yes. It should be very interesting." So Paul said that he would make the arrangements. He had to "sell" this appointment to Secretary of State George Shultz. I gather that he had some problems with that, but Schultz eventually said, okay, and I was brought into the Department of State, along with John Monjo. I replaced Bill Brown, another Deputy Assistant Secretary who was then on his way to Thailand as Ambassador.

Q: I'm interviewing him at the moment.

LILLEY: So I began work in the Department of State roughly in May, 1985.

Q: You were there in the Bureau of East Asian Affairs from 1985 to 1986?

LILLEY: From May, 1985, to around October, 1986. A little more than a year.

Q: What were your responsibilities in this position?

LILLEY: China, Taiwan, Australia, New Zealand, and the South Pacific area. John Monjo was the Deputy Assistant Secretary dealing with Southeast Asia. Bill Sherman was Deputy Assistant Secretary for Japan and Korea.

Q: I would have thought that Australia and New Zealand would have almost "fallen through the cracks."

LILLEY: As you know, the State Department's organizational talents are not perfect. [Laughter] They've always juggled these positions around. For a time Australia and New Zealand affairs are combined with Southeast Asian affairs in the Department of State. Then at another time they were handled together with Japan and Korea. At still another time they went with China and Taiwan. In this case Australian and New Zealand affairs

were linked to China and Taiwan, mainly because John Monjo knew Southeast Asia very well, and Bill Sherman knew Japan and Korea. I was supposed to know China and Taiwan.

Q: And you spoke English.

LILLEY: I could handle the South Pacific.

Q: Before we move up to Chinese and Taiwanese issues, were there any particular problems with Australia and New Zealand?

LILLEY: There were two, really major problems at that time. One was that New Zealand had refused to allow U.S. Navy ship visits, since we followed the "neither confirm nor deny" policy as to whether there were nuclear weapons on board these ships. That had caused a major "flap." This issue came up in 1984 before I entered the Department of State. Secretary Shultz and others were furious about what the New Zealanders had done. They thought that the New Zealanders had "double crossed" us. They felt that New Zealand Prime Minister Lange had "lured us in" and then turned down the ship visit at the last minute. We said that we were trying to work out a formula with the New Zealanders to try to resume ship visits and bring them back within the ANZUS [Australia, New Zealand, and the U.S.] security treaty arrangement. However, the New Zealanders couldn't do this, as they were firmly "locked" into a position of opposing U.S. Navy ship visits unless there was an assurance that they did not carry nuclear weapons.

Q: David Lange was Prime Minister of a Labour-Socialist Left cabinet.

LILLEY: Lange came in, replacing a conservative New Zealand Prime Minister, who completely supported our position on these ship visits. However, a whole shift toward an anti-nuclear ship visits was taking place in the South Pacific. Lange was in the forefront of this opposition. New Zealand was remote. A majority of New Zealanders supported him, and we spent a lot of time on this issue.

Q: In a way I'm surprised that you spent time on it. I would have thought that our position would be: "Okay, New Zealand, go your way." I would have thought that this would almost be treated as a "write-off."

LILLEY: That's not the way the State Department works. You know that. The State Department wanted to get the New Zealanders to "buy onto" a deal. Finally, Secretary Schultz "drew the line" on this matter. He said: "There will be no more U.S. Navy ship visits to New Zealand. We negotiated with New Zealand, and they are not negotiating in good faith. We part as friends, but we part."

Q: Did that decision have any repercussions as far as we were concerned in our dealings with New Zealand?

LILLEY: After consultations with Australia, we excluded them from the annual meetings

held under the ANZUS Treaty arrangement. The New Zealanders were hurt and angry, but we felt that we had no choice. We said that giving in to New Zealand on this issue would undermine our policy on nuclear ship visits all over the world. In Norway, Denmark, and Japan, we had much bigger stakes in this than we did in New Zealand.

Q: Did New Zealand really understand this or was this a case of the New Zealand Government not understanding...

LILLEY: No, they understood what they were doing. This was a New Zealand Government formed by the Left Wing of the New Zealand Labour Party. As the Australians said: "They're living back in the Victorian era." In a different era.

Q: This involved class warfare.

LILLEY: This was a case of infantile Left Wing politics, anti-nuclear 1960s kind of attitude. There was no real threat made to New Zealand. They are very remote from the rest of the world and they can afford to adopt sanctimonious positions like this. We felt that we had worldwide commitments. The Australians were saying to us that we couldn't give in to the New Zealand position because we also had major commitments to Australia. They said that if we caved in to New Zealand, it would undercut our whole defense program in Australia. So I think that it was inevitable that the New Zealanders would be pulled out of the ANZUS Treaty. The State Department tried to work out a deal with New Zealand first. We didn't want to exclude New Zealand from ANZUS if possible. We wanted to see if we could bring them around and find some way to do this. However, the New Zealand Government felt that it just couldn't reach agreement with us. As you know, since then the New Zealanders have put this position into their constitution, and it seems to be irrevocable.

By now, I think that we have established a more secure relationship with New Zealand. It's not quite what it used to be. I don't think that we send any U.S. Navy ships in there for visits.

Q: What is the position of U.S. Navy ship visits to Australia? I know that we have quite a few, "joint defense facilities" on Australian soil, mainly for communications, intelligence, and all that. During this period of a year, was there very much of an issue with Australia on this matter?

LILLEY: No, that was pretty well handled. The principal "joint defense facility" to which you refer is near Alice Springs, Northern Territory, in Australia. Yes, there was always a certain, Left Wing group in the Australian Labor Party which was conscious of this defense facility and didn't think that it was in Australia's interest to have such a facility in Australia. This group felt that Australia was being "used" by the Americans for our own purposes. However, this issue was "under control" in Australia. An Australian Labor Party was in office in Australia. Robert "Bob" Hawke was Prime Minister of Australia at the time. However, he was pretty "solid," and Kim Beazley was Minister of Defense. They were people that we could understand and work with. They always said: "You've

got to help us. You can't 'cave in' to New Zealand on this issue. You've got to hold the line. You've got about 125 U.S. Navy ships coming into Perth [West Australia] every year. This is crucial. Australia wants these ship visits to continue, but you've got to stand firm against the New Zealanders."

Q: In a way, the New Zealanders took a position on this issue which we couldn't deal with...

LILLEY: Unless we could get our U.S. Navy ships back, visiting New Zealand under some mutually acceptable formula. This issue spilled over to China, too, because the Chinese picked up this NCND New Zealand issue. We had planned U.S. Navy ship visits to China in 1985. This is one of the things that I inherited. Arrangements for such visits had broken down with the Chinese in an argument over our "neither confirm nor deny" position on nuclear weapons on U.S. Navy ships. The Chinese communists were watching the New Zealand position carefully.

This nuclear ship visit issue was then thrown to me and to the Bureau of Political-Military Affairs, which was not very helpful, by the way. They were looking at this issue as a bureaucratic detail, whereas we were trying to get it resolved. We took about nine months to get it resolved with the Chinese. Finally, I told the Chinese: "Look, we can't give you a 'deal' that we can't 'sell' to Japan. We have over 300 U.S. Navy ships visiting Japan each year. Japan lets them come in. Japan is anti-nuclear. We worked out a formula with Japan. If China were to propose some arrangement that Japan can't 'live with,' we're not going to accept it." Finally, the Chinese said: "Okay. We understand." They bought onto a formula which allowed us to send U.S. Navy ships into Chinese ports and "neither confirm nor deny" whether they carried nuclear weapons or not.

In 1986 we had our first U.S. Navy ship visit to Tsingtao, which is my birthplace. Secretary of Defense Cap Weinberger and many Washington officials were very excited about this. Weinberger wanted to announce the ship visit from Beijing. So we made the arrangements, and the ships came in. Admiral "Ace" Lyons, commander of CINCPACFLT, came into Tsingtao with three ships, I think. Ambassador Win Lord and his wife, Betty Bao Lord, went down to greet the ships. I think that there was a lot of "hoopla" involved. The Chinese communists wanted the visit to be much more "low key," but you can't keep Americans from "hyping" things. [Laughter] It took us a long time to arrange, but we were eventually able to do it, and basically on our terms.

Q: By this time were the Chinese communists familiar enough with the problem? There is the view that there is no point in trying to "work a deal" with them, because it's not going to happen. Occasionally it takes some time to make a country understand that there are some things that we can do and some things that we can't do.

LILLEY: I think that's mostly true. In this particular case we had gone through these very tortuous negotiations with New Zealand, but New Zealand isn't China. At this time China felt threatened by the Soviet Union and also felt that the presence of units of the U.S. fleet in Chinese ports was an important "offset." They wanted our ships visiting Chinese

ports, but they didn't necessarily display this attitude publicly. You had to "see through" to what their objectives were. However, it wouldn't have been in Chinese interests not to have our ships visit Chinese ports, due to a "hangup" over a technicality. The Chinese are practical people, and they decided that it was in their interest to have visits to Chinese ports by U.S. Navy ships, especially when they learned of the controversy over our commitments in Japan. The Chinese communists disliked the Japanese-American security arrangements. However, at that point the Soviet Union was the overpowering threat to China. Therefore, they made adjustments in their attitude. We knew that the Chinese would "make a deal" on this issue.

Q: At that time was the Soviet Far Eastern Fleet based in Vladivostok?

LILLEY: Yes.

Q: Were they traveling around and making ship visits?

LILLEY: Yes, they often visited Da Nang in Vietnam, which upset the Chinese. They had the "PETROPAVLOVSK," a big guided missile cruiser, sailing out of Da Nang. They had their aircraft carriers and submarines operating in those waters. At that time Vladivostok was a "closed city." We couldn't get into it. The Soviet fleet went all over the place, and the Chinese were concerned about it, especially with Soviet ships operating out of ports in Vietnam, their enemy at the time.

Q: Now, at that time, with Soviet ships cruising around East Asia, I assume that the Chinese communists would not have the technical capability to keep track of where the Soviet ships were. We had a pretty good "fix" on the movements of Soviet ships. Did we let the Chinese communists know where the Soviet ships were operating?

LILLEY: No, or at least we didn't let them know through me. We had been briefing the Chinese, as you'll see in Jim Mann's book, on Soviet dispositions since 1971 on the border with China in the North and Northwest. This was part of the "opening package" with China. As Jim Mann points out, Secretary Kissinger and Bud McFarland went to China with stacks of intercepts and photography to brief the Chinese on things that they had never seen. I think that this impressed them. They sort of looked at it skeptically at first and asked hard questions. However, they didn't have this kind of intelligence. I cannot say whether these briefings also covered the Soviet Far Eastern Fleet, the Chinese remained concerned about this.

Q: I see that you are pointing to a map of the northern border of China.

LILLEY: Right.

Q: Rather than the southern flank of China.

LILLEY: Sure. But China has a great sense of being "encircled" and "contained," with a ring around China constituted by Vietnam, the Soviet Fleet, and troop dispositions along

the Sino-Soviet border. India was a Soviet ally in this context. This was what the Russians were trying to do. From time to time, the Chinese accused us of "colluding" with the Soviets, in effect. This was designed in part to put us on the defensive.

Q: You had dealt with the Chinese communists previously in Beijing. How did you find dealing with the Chinese Embassy in Washington during this 1985-1986 period? Were they pretty professional?

LILLEY: They were pretty good. We had various dealings with them. I dealt in particular with a Chinese Embassy officer who was sort of my "counterpart." He was either the second or third-ranking man in their Embassy in Washington. We got a lot of things done with him. Important things, like the U.S. Navy ship visits to Chinese ports. We got that issue "ironed out" through him. We got the "dual taxation" treaty worked out through him. We went over to China in the summer of 1986 with Secretary of State Jim Baker. We saw the Chinese Minister of Finance, among other people. We had had a real problem on the "dual taxation" treaty.

Q: What was the problem?

LILLEY: Well, Senator Jesse Helms [Republican, North Carolina] had intervened in this matter. He wanted assurances that we would get the "good deal" that we wanted with the Chinese communists. I can't remember all of the details, but Senator Helms wanted to make sure that we got a certain percentage "tax break" or an equivalent arrangement. The Chinese communists were always saying: "You're a very rich country, and we're a very poor country." They said that they needed this or that. In short, they wanted a "dual taxation" treaty but they were going to drive a hard bargain. Senator Helms was always pushing us to get the best possible bargain from the Chinese communists.

So we went to China, and the Chinese communist Minister of Finance agreed to most of what we needed. I think that we owe something to the advance work of the Chinese Embassy here in Washington.

Q: What about the U.S. Navy ship visits? I think that, going back to the 1860s or maybe a little before or after that, dealing with sailors who got caught doing something wrong in China was always a problem. I think that this was part of the cause of the Opium War of the 1840s. Were there any problems with making arrangements so that, if an American sailor got into trouble, they could be taken care of?
LILLEY: Yes, that was part of the deal. We had to get assurances that, if sailors got into trouble, the Chinese would turn them back to us and not make them subject to the jurisdiction of local courts. It was almost like a mini "Status of Forces" agreement. That had to be understood before we would let the ships visit Chinese ports. It was a touchy point.

Q: It's always a touchy point.

LILLEY: However, the Chinese understood that if our ships were to make port visits in

China, we had to have the kind of arrangement we have all over the world. It's not that we ask to have "Consular Courts" or extraterritoriality. This is a standard arrangement around the world. If they wanted the American Fleet in their ports, we had to have this special treatment.

Q: And assurances given that the prisoners would be dealt with...

LILLEY: The Chinese had to agree to turn over to us jurisdiction over these sailors. We had the same problem with the Filipinos, in the sense of "on base, off base" jurisdiction. The Filipinos said that if the sailors were "off duty and off base," they had jurisdiction over them. We said: "You've got to turn them back to us." This is always a touchy question.

Q: Were there any other issues of that kind?

LILLEY: In the South Pacific we had the big, tuna fish issue.

Q: What did that involve?

LILLEY: South Pacific nations like Papua New Gunea, Vanuatu, and others had problems with American fishing boats, particularly those based in San Diego, California. They were fishing in waters claimed by the South Pacific nations. The South Pacific nations insisted that they had a 200 mile EEZ [Exclusive Economic Zone] in which they had exclusive fishing rights. Our ships were going inside this limit and were being "arrested" and "seized" by these countries. Senator Warren Magnuson [Republican, Washington] took the position that if any country seized an American ship, he would advocate cutting off all aid to them.

Well, these South Pacific countries were dependent on U.S. aid. Nevertheless, some of them seized our ships. This made some members of Congress angry. So there was a lot of pressure on us from the tuna boat industry to get these sailors out of custody or jail. We were under pressure from some members of Congress, such as a Senator from California, not to pay the huge fines levied against the U.S. fishing boats, and to get access to the fishing grounds. We worked on this question for a year with Ed Derwinski, who was then Counselor of the Department of State. He sort of took this issue under his wing. We worked with him and eventually got a deal under which our ships could fish out there in the waters of the various countries' Exclusive Economic Zones, in return for a substantial economic aid package. That was the deal that was struck. It took a long time to negotiate this arrangement. It sounds like a trivial issue, but Deputy Assistant Secretary of State Bill Brown had been "stuck" with a couple of these ships which were seized. They took up half of his time.

Q: The tuna fishing people virtually threatened war with Ecuador and Peru.

LILLEY: They're tough. The whole issue has collapsed now. As a result, we are out of the tuna fishing business. The headquarters of the tuna fishing fleet was in San Diego,

California. There was a whole group of fishing boats involved. I think that Augie Belando was the name of the man who was principally involved in this controversy. Belando was of Portuguese origin. He has retired now. That was a time-consuming issue. Then there was the Micronesian Compact issue. That was coming up. That was a big, complicated business which involved the Senate. There was a lot of passion connected with that. The question turned on how we could get these areas to move from being part of a UN Strategic Trusteeship into what we called "Free, Associated State" status.

Q: This was basically a fight involving American lawyers.

LILLEY: Absolutely. There was big money in it because they would only settle for these conditions with continued aid. As you know, under the Kennedy administration, we had this concept of "lifting up" the Third World. We'd gone in there and taken people who grew bananas and coconuts and processed fish into food and fertilizer and made them all bureaucrats. They all wanted to have offices.

Q: Oh, yes.

LILLEY: We had created a real monster. The local people weren't producing anything, and we were pouring money into those islands, so that they could buy Japanese goods.

Then we wanted to get out of this UN Strategic Trusteeship arrangement. We wanted to make them territories "Freely associated with the United States," but with the United States having control of their defense and foreign policy. We didn't want Russian ships in there. We wanted a clause in the final arrangement under which our Navy ships could come in, with none of this "non-nuclear crap." That took a prolonged hassle. We finally completed this negotiation and settled on a figure for the value of the total aid package.

The only "hold out" was the island archipelago of Palau. Palau would not accept our nuclear policy of declining to confirm or deny that there were or were not nuclear weapons on our ships. They had an "anti-nuclear" clause in their constitution which we could not accept. So Palau was excluded from this final arrangement. However, the Marshall Islands and the rest of Micronesia accepted this changed status. These islands began to appoint Ambassadors and more bureaucrats, etc. We sent a representative out to the region with the rank of Ambassador. It was all a little bit "unreal."

Q: I went out to the Ponape Islands as an adviser on consular affairs. My God! It is all unreal. There is no economy there.

LILLEY: I think that they have come up with some hope in some of the islands, such as Saipan [in the Northern Marianas Islands], because they brought in Chinese workers for textile mills. But it's a little bit "unreal." Still, we had to have these clauses in the agreement. Then we had "Kiribati," under a leader called Tubai, who let the Russians in there to fish. Everybody got very upset about that. Tubai was a bit "eccentric," to say the least. However, when you think back on it, it was a sort of "tempest in a teapot."

However, in those days the Pacific struggle over one issue or another appeared to be very real. The controversy with New Zealand on nuclear ship visits, our attitude toward the Pacific Islands, and the U.S. Navy ship visits to China were all reflections of that. All of that was sort of built around the Soviet naval menace. What we did was conditioned by our perception of that issue.

Q: How did you find dealing with the Pentagon regarding this problem? This would include CINCPAC [Commander in Chief, Pacific], but also the rest of the Department of Defense.

LILLEY: Well, at that time we did one thing that the Department of State liked, and they could never do without us. We set up a Committee under the control of the Department which handled the military relationship with China and Taiwan. Members of the Committee included Paul Wolfowitz and myself. We had a couple of meetings of this Committee. It wasn't terribly successful, but we gained a sort of bureaucratic, Pyrrhic victory. However, it turned out all right because, at that time, I was dealing with people like Rich Armitage, Assistant Secretary of Defense for International Security Affairs, and with Gaston Sigur, of the NSC [National Security Council] Staff. At that time the other major things that we were doing were opening up the military relationship with China, the "Peace Pearl Project," and the Indigenous Defensive Fighter [IDF] with avionics for Taiwan. These were controversial issues which absorbed a lot of time and effort. However, we got both of them going on parallel tracks to China and Taiwan.

The other thing that we were able to do was to keep Taiwan in the Asian Development Bank and let China in. The ADB is really the only organization in the world, with both China and Taiwan as members with official representatives. They represent their countries, except that the fight over Taiwan's membership led us to get them to agree to change the name from "The Republic of China" to "Chinese Taipeh." It took us two years to do this, but we got it.

Q: In working on these matters, certainly with China but also with the Pacific Island territories, did you run across any aspects of the particular relationship between Secretary of Defense Casper Weinberger and Secretary of State George Schultz? Or were you able to keep them out of it?

LILLEY: I don't think that that problem affected us very much. It was the "best of times." We had three people in charge of policy. We had all of the voices in the State Department. As I have said previously, we had Gaston Sigur from the NSC, and we had Rich Armitage at the Department of Defense. They really worked together. Paul Wolfowitz [Assistant Secretary of State for East Asian and Pacific Affairs] had the confidence of Secretary of State George Shultz. Rich Armitage [Assistant Secretary of Defense for International Security Affairs] had the absolute confidence of Secretary of Defense Casper Weinberger, and Gaston Sigur, at the NSC, had the confidence of both Judge Clark [National Security Adviser] and President Reagan. We simply did not run into that problem of differences between George Shultz and Casper Weinberger.

Q: That was sort of a "Golden Age."

LILLEY: It was. It was a special time. The only other time that comes close to that was when the State Department had Mike Armacost [Deputy Assistant Secretary of State for Political Affairs], Mort Abramowitz [Assistant Secretary of Defense for International Security Affairs], and Nick Platt, with Armacost moving back and forth between the State Department and the NSC. I would say that that was about the time of the recognition of China in 1979. It worked well for a while, but then, under President Reagan, it took maybe two years to "shake down" these relationships. Then we got the right people in. It took that much time to happen.

We resolved the ADB [Asian Development Bank] problem, keeping Taiwan a member and arranging for mainland China to join. We got the avionics for Taiwan's Independent, Defensive Fighter, then under development. We got the military program going for mainland China. We arranged for U.S. Navy ship visits to mainland Chinese ports. We got the New Zealand issue of U.S. Navy ship visits taken care of. We moved on the tuna fisheries arrangement. There was a whole series of things that happened.

Q: Then by 1986 you ended up going to South Korea as Ambassador, right?

LILLEY: Yes. I would say that I was approached on this matter during the spring or summer of 1986. Paul Wolfowitz originally approached me. He was getting ready to leave Washington to go to Indonesia as American Ambassador. He said: "Look, we want to get a person in Seoul who has been tested and who knows what we want in Korea. We know that the career Foreign Service has its own nominee. We'd rather have you take this job as Ambassador to South Korea. Give up the DAS job and go to South Korea." I said: "Sure, I'll be glad to do it."
Then we had several months of a pretty active struggle with the State Department over who would go to South Korea. The State Department had its own candidate, who had good credentials. However, eventually, we prevailed.

Q: You mentioned twice that Paul Wolfowitz seemed to "shy away" from Foreign Service Officers. Was this his approach to...

LILLEY: No. In his view, there were Foreign Service Officers and then there were other Foreign Service Officers. He had great confidence in Bill Brown [Deputy Assistant Secretary of State for East Asian and Pacific Affairs]. He chose Bill Brown as his deputy, he had great respect for him, and he ultimately got him the ambassadorship to Thailand. He had great respect for Mark Pratt and other FSOs he worked with. However, he also liked people who, you might say, were on his ideological wave length. I think that he liked what I had done in Taiwan, and he felt that I understood the "balance" between Taiwan and mainland China better than the many of the career Foreign Service Officers did. He thought that Bill Brown also did, but Paul didn't think that there were many people like that in the Foreign Service. Paul Wolfowitz is a very smart guy. He knew where these guys came from whom the Department of State proposed to him as Ambassadors to various East Asian countries. He said that there were Foreign Service

Officers who had outlooks which were not "compatible" with his views.

I believe that he felt that South Korea was a "key" post at that point. The situation there was sort of "heating up." "Dixie" Walker had been Ambassador in South Korea for five years. He'd done a good job, but I think that people wanted him to leave. So they wanted to get somebody who was acceptable to Congress and to the conservatives and who also had credentials that could be "sold" to the Foreign Service and other people. So he settled on me.

Q: By the way, while you were Deputy Assistant Secretary, how did you see the relationship between Paul Wolfowitz and Winston Lord, who was then Ambassador to China? Was that working well or not?

LILLEY: I think that there were frictions. They came from two different backgrounds.

Q: That's why I was asking.

LILLEY: As I say, there were frictions, but my own sense is that there was sort of a mutual "distaste." I don't think that Paul Wolfowitz and Gaston Sigur were ever enthusiastic about having Winston Lord as Ambassador to China. However, they knew that this assignment was inevitable, because Winston Lord had the "clout" to ensure his appointment. Lord was going to go as Ambassador to China, whether they liked it or not. However, there were people in the Senate who wanted to give Winston Lord a "hard time." Senator Helms [Republican, North Carolina] and his staffers thought that Lord was unsuitable. That was a reality, and I'm not sure that that view was necessarily looked at with disapproval by some people.

Q: Tell me, since you came from the conservative side of the political spectrum. Did you find that, while you were Deputy Assistant Secretary of State, you had to pay particular attention to Senator Helms and especially to his staff?

LILLEY: We did. For instance, there were two issues which were taken care of at that time. One was the "Peace Pearl" program for China and the Indigenous Defense Fighter for Taiwan. We had a hell of a time getting the avionics for the Indigenous Defense Fighter for Taiwan. A lot of the "establishment" in the State Department resisted this program very strongly. They said that this program would break the August Communique with China on the "quality and quantity" of arms sales to Taiwan. They said that we couldn't do it, and so forth. We prevailed in that and got it, because we went up to the White House to President Reagan and we won the battle.
The conservatives didn't want the "Peace Pearl" program for China. They said: "Why in the hell are we getting into a military relationship with China?" The answer was that we wanted to help the Chinese to stand up against the Soviets. The conservatives said: "That isn't good enough." Then we said: "Look, we're doing something equivalent for Taiwan. It's just as good and, in fact, might be considered a little better." Then the conservatives said: "Okay."

Q: Our diplomatic relations tend to be as much with Capitol Hill [Congress] as with foreign countries.

LILLEY: You've got to work with Capitol Hill in a realistic way. I think that they trusted what we told them. I think that Senator Helms trusted what Paul Wolfowitz and I said. And I believe that he still does. We weren't going to "trick" him. We weren't going to try to do something that he didn't want. We were doing something which we thought involved working with the Chinese to block the Soviets, making darned sure that Taiwan had the capability to deal with the Chinese communists in case they went "wrong." That's the kind of logic they understand.

Q: You went out to South Korea and were there from 1986 to 1989. When an Ambassador goes to a given post, he usually has something in his attache case which states what the major issues are. These are the problems for which you need to try and resolve. What would you say were the primary issues regarding South Korea?

LILLEY: There were two issues that were laid on the table, as it were. The first one was North Korea. How important is our common defense against North Korea to South Korea? How overriding a consideration should this be? North Korea was "dangerous." We had 45,000 American troops in South Korea. We had a real commitment to South Korea. This issue took precedence over other matters, that was one view. The second issue was that South Korea had an authoritarian, military government. It had not had a real election. It crushed an insurrection in Kwangju in 1980, in which upwards of 2,000 people were probably killed. In their view President Chun Doo Hwan was a martinet. Should we put democracy and liberty in South Korea over our concerns about the threat from North Korea? How do we get the correct balance between these two problems?

Q: Oh, yes.

LILLEY: These two issues came up in my hearing before the Senate Foreign Relations Committee prior to my confirmation as Ambassador to South Korea. Senator John Kerry [Democrat, Massachusetts] was being "fed" by some "delightful" people at Harvard with some concepts which don't really relate very much to democracy and security. So this question came up and was used against me when I said that the greatest threat to South Korea was North Korea. I was asked: "Then you're downgrading democracy in South Korea, right?" I said: "No, I'm not. I think that we should work toward both objectives." I was asked: "Then you're putting security over democracy, aren't you?" This question was a bit unreal, but this is what people on the Senate Foreign Relations Committee were asking me.

Gaston Sigur had taken over as Assistant Secretary of State for East Asian and South Pacific Affairs. Paul Wolfowitz had gone on to Indonesia. Gaston had said to me: "Why don't you stay on as DAS?" I said: "No, I want to go to South Korea." So I went to South Korea, and Gaston Sigur brought back J. Stapleton Roy [former Ambassador to Singapore and later China and to Indonesia] and put him in the DAS job. I recommended that.

Anyway, when I went to South Korea as Ambassador, these were the principal questions that were on my plate. In addition, there were other Korean problems and bits of this and that. However, Gaston Sigur and I had had talks about this. Gaston was determined to push ahead with what you might say was "public" support for democracy in South Korea. I asked Gaston to come and give a talk at my swearing-in ceremony. He agreed and raised some of these questions about democracy in this way.

Later, when I arrived in South Korea and took my letter of credence to South Korean President Chun Doo Hwan, this idea of support for democracy was in it. In February, 1987, Gaston made a speech in New York about the necessity to "civilianize" the South Korean Government and to work toward democracy. Meanwhile, I was sort of playing the same theme, though in a lower key, in South Korea itself. Earlier in January, I gave a talk to the Korean-American Friendship Society when a student was drowned, after some trouble with the police. I made a fairly strong statement on that occasion, saying that this was no way to deal with dissidents. So we were really working on this issue along parallel tracks, using the high posture in Washington of pushing for improved performance, with me trying to "work the seam" in South Korea.

There were continuing demonstrations all the time, with the South Korean police wearing their "Darth Vader" uniforms. The police were lined up in the streets. Occasionally, the students were subjected to torture to make them confess. This was sometimes done clumsily, and kids subjected to this kind of interrogation might die. It was a mess. Then the student radicals moved into Myong Dong Cathedral in Seoul and "holed up" in there, after conducting fire bomb attacks on South Korean police. Clearly, the problem was building up.

President Chun Doo Hwan was caught in this situation. He was trying to work his way out of it. He was trying to have "his man," Roh Tae Woo, nominated by his party and to "rig" the convention and ensure his election. For a while he was considering not stepping down from the Presidency. However, we made it very clear to him that we would be very unhappy if he did this.

Q: What would that mean to the Koreans? Were we talking about withdrawing the Second U.S. Infantry Division?

LILLEY: No. I would say that we were never that irresponsible. There are ways to communicate your dissatisfaction without "going the final mile." As we went into the spring of 1987, and things began to "heat up," the American opposition came to South Korea and began to criticize the Embassy openly because we were allegedly not making democracy work in South Korea.

Q: You mean people in the Democratic Party in the United States.

LILLEY: Sure. The "usual suspects" were on the side of the students. After all, we were involved in South Korea. The Council on Foreign Relations sent a delegation to South

Korea. They were really fishing in troubled waters. We weren't going to tell them what we were doing. Yes, they could look at Gaston Sigur's speeches and see what he was saying, but I wasn't going to talk to them and give out what we were doing. That is, we were negotiating ending the occupation of Myong Dong Cathedral, lifting "house arrest" on dissidents, urging the South Koreans to open up the election process. All of those things we were quietly pushing for.

They knew that we were going to do this. They sensed the pressure. It came to an end in June...

Q: June, 1987?

LILLEY: Yes. There were outbreaks of violence in Pusan and attacks on our Consulate there. Violence also began to emerge in Kwangju and Seoul. President Chun Doo Hwan, as a military man, naturally wanted to turn to military force to deal with these attacks. He was exhausted and was concerned about his inability to put down the violence through use of the police. Just as President Synghman Rhee tried to do in 1960, so President Chun Doo Hwan wanted to bring in the military in 1987. We knew that Chun Doo Hwan was "testing us." So on June 19, 1987, I took to him a letter written by President Reagan, urging him to "go slow, don't do anything rash." In the letter President Reagan warned President Chun that such tactics could cause damage to Korean-American relations and that it would be hard for the U.S. to continue to support him. We didn't say that we were going to "Pull out the Second Infantry Division," but we got the substance of these other words in there.

I must say that my first intention was to deliver this letter through the South Korean Foreign Minister, but my advisers in the Embassy convinced me to do it personally. We had read about the history of the Kwangju incident, and we knew that we needed to have a solid front of the American military and the American civilians to be successful.

Q: In the aftermath of the Kwangju incident there was a feeling that the American military and civilians weren't on the same side.

LILLEY: They claim that they were, but if you read the documents, there were things that the American military did which, it seemed to me, were inconsistent with what the American Embassy was actually doing. Certainly, that view has appeared in a number of publications, and this was clearly the way the South Koreans read it. The South Koreans were hearing things from the American military that weren't the same as what they were hearing from the American Embassy.

Q: This is probably an old story to you. It goes back to the time when Park Chung Hee came into power. Although the American military was supposedly on the same side as the Embassy, certainly subordinate American military officers were going off in a different direction.

LILLEY: Talk to Marshall Green. Well, now you can't do that any more, because he's no

longer alive.

Q: Well, I have.

LILLEY: Marshall Green could give you chapter and verse on that.

Q: I served in South Korea under Ambassador Dick Sneider, when General Singlaub was the UN Commander. You get this impression...

LILLEY: Or you compare Sneider and General Dick Stilwell. Boy!

Q: That was not a marriage made in heaven, either.

LILLEY: No, that was open hostility. But there was a general called General Livsey. He was a good division commander, but being CINC in Korea is a very "heady" job. He was a four-star general, commander in chief, and all of that stuff. Just by chance I had lunch with him that day, January 19th. I told him that I was going to see President Chan Doo Hwan and was going to take him a message from President Reagan and that we were going to advise "restraint." General Livsey sort of looked at me. I said that when I went in to see President Chun, I was going to say: "I speak for the combined American establishment." General Livsey was part of this establishment. I said that I was going to say to President Chun: "If, in fact, you move South Korean military forces in there, this will have very serious consequences for South Korean-American relationships." We know that after the meeting with me, President Chun went out and called off his troops. I was told that General Livsey called my Political Counselor on the phone on the next day and was livid with anger.

Q: Who was that?

LILLEY: A Foreign Service Officer called Harry Dunlop.

Q: I did a long interview with him.

LILLEY: Harry took the brunt of this. General Livsey was accusing him on the phone. He said: "Ambassador Lilley did this without my authorization," and so forth. We did it, and it worked. Then President Chun got together with Roh Dae Woo, and they compromised in about 10 days. Later on June 29, a statement was issued about an amnesty for Kim Dae Jung, opening up the election process, rewriting the election law, and so forth. This was an eight-point program that Roh Dae Woo came up with.

Now, this was the idea of the South Koreans. We didn't do that for them. They did it, but they knew that the "military option" just wasn't there. I think that we'd learned the lessons of Kwangju to a certain degree.

Then Gaston Sigur came out to Seoul. He was on his way to Singapore with Secretary of State Schultz. He came back to Seoul and sensed that a "sea change" was coming. Gaston

was courageous. He saw Dae Jung, who was still under house arrest and had his car rocked by plainclothes men. He went back to Washington, went to see Congressman Steve Solarz [Democrat, New York], and they were really impressed with what had happened. In fact, Congressman Solarz said, I am told, that Gaston Sigur should receive the "Nobel Peace Prize" for his efforts! There was really a mood of euphoria. Something had happened to change things. We sensed that President Chun had given his blessing to Roh Dae Woo to come up with this program of democratization.

Q: What was your impression of President Chun when you first got to South Korea? How did this impression change or...

LILLEY: I think that President Chun was very Korean, tough, disciplined, and hard. I think that he was narrow in scope and in his thinking, but he had a sense of being obligated to Americans. However, he always wanted to stand up to the Americans and prove that the Koreans were independent. But I think that, in the final analysis, he knew that the Americans were critical to him. I think that he had the wisdom to see, at a crucial point, that it was in the interests of South Korea to hold back on maintaining an authoritarian government and to move positively towards democracy.

In effect, we had offered President Chun a "prize." We said to him: "After you step down, come to the States and be received at the White House. President Reagan will host a dinner in your honor. You can do all of these things. They're all there, waiting for you." I think that appealed to President Chun. He wanted that meeting with President Reagan. He had come to the United States in 1981. He was one of the first, official South Korean visitors to come to the U.S. after Reagan's election. At that time Dick Allen [then National Security Adviser to President Reagan] had made a deal with him and said: "If you come to Washington, this means that you can't execute Kim Dae Jung." Kim Dae Jung was under sentence of death at the time. Allen said: "We don't want to have Kim Dae Jung executed. In effect, I am told Allen said if he is executed, you don't come to Washington." Chun came to Washington, and the South Koreans commuted the sentence of death against Kim Dae Jung. And Kim Dae Jung is President of South Korea today.

Q: Yes.

LILLEY: So we knew that we could work with Chun. He could be stiff. He had this sort of harsh laughter, but he has a certain appeal. I felt that I could get across to him. I know that at the time of the Kwangju incident in 1980, when he was not yet President, he was very tough, and did not take advice easily. His instinct was to crack down.

Q: What about Chun's advisers? There was a large number of men who had been trained in the United States. Were these people having any discernible effect on the military government in South Korea?

LILLEY: I think that his advisers played a very important role. I can think of three in particular who were very important. One was called Choi Kwang Soo, the Foreign Minister. He went to Georgetown University. I dealt with him and I think that he had a

positive influence on President Chun. I know that he had a positive influence in terms of calling the troops back and for not using violence during the Myong Dong Cathedral incident. He really "bridged the gap," taking all things into consideration. He was very important. Second was Kim Kyung-hwan. He was educated at Williams College and got a Ph.D. at Harvard. He was Ambassador to the United States at the time I was in South Korea. He was really a man with a great ability to understand the United States. He was a reasonable Korean, a patriot, a nationalist. He grew up as a poor kid in Pusan as a refugee from the North Korean invasion of the South in 1950. He came from nothing and had gotten a Ph.D. degree from Harvard.

The third figure was Kim Key-hwan. He was educated at Yale and the University of California. He was a very savvy person and an economist. He was the right hand man of President Chun. Then there were the older guys like Nam Duck-woo, former Prime Minister, educated, I think, at the University of Nebraska. He had a Ph.D. and was also a very savvy person. I think that the people I have mentioned had some influence in restraining President Chun. They understood that he was capricious and difficult and might fire people quickly. However, they managed to live with him. The careers of some of them were pretty much destroyed by being associated with him. When the other, democratically elected Presidents entered office, some of these people were regarded as "contaminated." However, I think that basically these men were very important to the process of the democratization of South Korea. Plus the fact that we had trained more and more of the South Korean military people in the United States. They understood the limited role of the military in the U.S. in suppressing internal dissent. The South Korean military became more and more conscious of this, and less and less inclined to become involved in the political process. This was shrinking away.

Q: Did you have the feeling that the South Korean military understood what putting down the Kwangju riots had done to the military, to the government, and to South Korea's place in the West?

LILLEY: Actually, the question of the Kwangju riots didn't come up that much during my time in South Korea. I remember that one of my close, Korean friends who had been trained in the West, once said to me: "Don't scratch off that 'scab' of Kwangju by talking about it." However, we weren't going to listen to that advice. Instead, we brought the former U.S. Ambassador to South Korea, Bill Gleysteen, and other people to "explain" to the South Koreans what the Kwangju incident had been and what the American role in it had been. We took a lot of "flak" from the South Koreans on that, because they had really been indoctrinated about this coup. We spent a lot of time trying to dilute that view. I don't think that we ever totally succeeded.

However, I think that one of the key South Korean military leaders, general Chung He-yung, at that time was a good friend of General Medicree Ministry (sp?). This general had been at Kwangju. He was in charge of the Special Force, which then included some of the most brutal people. He understood the damage which the Kwangju incident had caused. He was very close to President Chun. He was definitely a restraining influence on the President. He had learned the lessons of the Kwangju incident. I think that General

Chun was a factor in convincing President Chun not to use force again.

Q: You mentioned several times the incident at the Myong Dong Cathedral. Would you explain what it was and our role in it?

LILLEY: Well, this incident concerned a bunch of radical students, and this is traditional in Korea. These students had started to put on a sort of "violent" demonstration at Myong Dong Square in Seoul. When the police appeared on the scene, the students ran into the Cathedral, sought asylum, and entrenched themselves there. South Korean Army troops couldn't go in to get them out, because this was a Catholic Cathedral, and Cardinal Stephen Kim was a revered figure in South Korea. The students got into the cathedral and were nasty, noisy, dirty, and "troublesome." After a while people got very sick of the students.

However, the information which I got from my South Korean contacts was that: "We wanted to go in and clean those kids out. The priests don't want them in there, they're messy, troublesome, and nasty." We said: "Don't do that! Don't go into that Cathedral with troops. It'll reverberate all over the world." They agonized about it and finally they decided not to go into the Cathedral. The priests and others talked to the students and urged the authorities not to arrest them but to wait them out. That eventually was the deal that was worked out.

Q: Students are generally so troublesome, particularly during the spring of the year, when they riot. Were you, USIS [United States Information Service], or anyone else able to make contact with those students? The ones who were going to riot were going to riot anyway.

LILLEY: There are students and students. There are the hard core, pro Kim Il Sung, left wing extremists. There is another group who are sort of sympathetic to the extremists, who go along with them, and who support some of the things that they do. They like to stage demonstrations to show their spirit. There is a third group of students who are just sort of curious bystanders. We could "get to" the student groups, probably up to the second rung of them. I traveled around the country. I went to Kwangju, Pusan, Seoul, and Taegu and met and talked with students. I tried to communicate with them, which was very difficult. However, we constantly tried to keep in touch with them, to develop a "feel" for them, and to find out what they were thinking and what they were planning to do. This wasn't easy, and we could only get as far as the second rung of students. I would say that you can't overemphasize the importance of the students. Yes, supposedly in Korean history, which goes back hundreds of years, the students have been the "cutting edge." They have the "bumper sticker" mentality that is out in front. They carry out the slogans which all Koreans support. Some of these slogans went: "The division of Korea was a tragedy. The Americans are responsible for it." "The Americans were responsible for the Kwangju incident." "The Americans are imperialists and must leave Korea and stop the economic pressure they exert." These were the sorts of allegations that reverberated all over Korea. Catholic priests, Korean soldiers, and virtually everybody picked up these slogans and ran with them. Actually, many South Koreans were not

engaged politically and remained uneducated in complex political issues. Some of them, however, are very sharp. Some of them are also pro-North Korea and under North Korean influence.

Largely, these allegations against us become part of a Korean phenomenon. Students do change when they enter society. They have to work. Others won't accept this kind of propaganda. The students have four years for indulgence and then go into society. That was part of the evolution.

What happened in June 1987, to change this situation is that the South Korean middle class joined up in the dissatisfaction with insensitive authoritarian government. There were great demonstrations against government corruption, government oppression, and the lack of a free press. All of these concerns were taken over by the middle class, the teachers, the merchants, and the priests. Many more were involved in this movement. It had widespread support.

We watched these things happen, like the great, huge demonstrations which attracted 200-300,000 persons in downtown Seoul. We could see these demonstrations from the roof of the Embassy, because they were coming at us, and there was a line of troops holding them back.

Q: They were going to the Embassy to protest?

LILLEY: They were marching on the Embassy. They were stopped, and it was peaceful. Most were going to make it a peaceful demonstration. You could see it. There were "taches d'huile," or oil spots of radical students. All would be peaceful and then out would come a fire bomb, which would explode with a bang! Back would come the tear gas shot at the students. The students there would instigate the violence, because they were convinced that they were in the vanguard of the masses. The masses really didn't support the radical students that much. The radical students wanted violent change. When Roh Tae Woo went into this business of offering concessions, the air went out of the demonstrations. The students lost popular support. They tried to keep their demonstrations going, but they weren't very successful. Also, the Olympics were coming to Seoul in 1988, a huge important coming out party, and Korea had to be stable, put on a good front.

The last big demonstrations were at Yonsei University two years ago. A hard core of pro-North Korean students staged these demonstrations, but they attracted almost no popular support.

Q: When Kim Dae Jung was elected President, did we make efforts to communicate with him and to show him that we were watching these demonstrations?

LILLEY: Absolutely. We were. There were really two dissident leaders at that time. One was Kim Dae Jung, and the other one was Kim Yong Sam. Kim Yong Sam was considered much more acceptable. I occasionally saw Kim Yong Sam. In the case of Kim

Dae Jung, the South Korean Government was saying that this guy was a communist and a violent agitator. At that time, as the U.S. Government representative in South Korea, I would have poisoned my relationship with the government had I made a conspicuous attempt to see Kim Dae Jung. I must say that my hat's off to Gaston Sigur [Assistant Secretary of State for East Asian and South Pacific Affairs]. When he came out to South Korea, he would go and see Kim Dae Jung. As I said, at times his car would be rocked by South Korean "security thugs." However, Gaston went to see Kim Dae Jung, and this was a symbolic move by the United States to show the South Koreans that we were watching this guy, and that we contacted him directly.

Meanwhile, I was working with the South Korean Government, saying: "You've got to do something about this." This was because during the previous year, after Kim Dae Jung had been released from house arrest, Ambassador Richard "Dixie" Walker invited him to the July 4 reception at the Embassy. The South Korean Government just went berserk. They said that we had Kim Dae Jung at the reception, no government official would attend. It was an ugly incident.

The next step hinged around the reception scheduled to be held on July 4, 1987. I told the South Korean Government that Kim Dae Jung was not under house arrest and that we wanted to invite him. However, they said: "No." However, after the June 29, 1987, announcement by Roh Tae Woo, the situation changed, and the Foreign Ministry followed in the same vein. So Kim Dae Jung came to the reception.

Q: Kim Dae Jung came to the July 4 reception in 1987?

LILLEY: Yes, he did. That was the point.

Q: Roh Tae Woo was in office in...

LILLEY: No. On June 29, 1987, Roh Tae Woo made his statement in support of democracy as the presidential candidate of President Chun's party. July 4, 1987, was five days later. Now what may have confused you is that we went back to 1986, when Dixie Walker was Ambassador to Korea. Dixie invited Kim Dae Jung to come to the Independence Day celebration on July 4, 1986, well before Roh Tae Woo's statement on June 29, 1987, in support of democracy. The South Korean Government just exploded when they learned of this invitation. Lo Shin-yong, the Prime Minister, and everybody else said: "This is the final insult. This man is a criminal," and so forth.

Then, early in 1987, when we initially raised the possibility of inviting Kim Dae Jung to the reception on July 4, 1987, South Korean Government officials were very much opposed. After Roh Tae Woo made his statement in support of democracy on June 29, 1987, they dropped their opposition to our inviting Kim Dae Jung to the July 4, 1987 reception. And Kim Dae Jung came to the reception at the Embassy. This was the symbol that he wanted. He walked up to the Embassy and came in. I met him in front of the residence with the Korean military standing there. This was the symbol of reconciliation.

Q: We had our officers, I believe including Harry Dunlop, in touch with Kim Dae Jung.

LILLEY: When I was in South Korea, I do not believe Harry Dunlop saw Kim Dae Jung.

Q: Did Harry Dunlop have any contact with Kim Dae Jung during most of that time?

LILLEY: Ambassador Dixie Walker didn't see Kim Dae Jung, as far as I know. You're getting to the period before my term in South Korea as Ambassador. You ought to talk to Dixie Walker about this.

Q: Yes, but during your time as Ambassador to South Korea...

LILLEY: Gaston Sigur was the man who went to see Kim Dae Jung.

Q: Do we have a reading on Kim Dae Jung? Obviously, he had been here in the U.S. I even heard him talk at the State Department.

LILLEY: Yes. He was at Harvard for two years.

Q: Try to go back to the 1986 to 1989 period. How did we deal with Kim Dae Jung in the U.S.? Did we treat him as a South Korean leader who was going...

LILLEY: If you read Don Oberdorfer's book, "The Two Koreas," [Lilley points to a copy of the book on a bookshelf.], you'll see that I told Don, before I met with Kim Dae Jung, that I wanted to look at everything that we had on Kim Dae Jung in our files. I looked at this material and at the reports which said that he was a "Leftist" and so forth. My conclusion was that the files were not conclusive. Yes, perhaps Kim Dae Jung was somewhat of a Leftist in his earlier days. However, he had been a businessman and a constant irritant to the South Korean Government. He had dealt with people who had links to North Korea. No question of that. He had been involved in activities against the South Korean Government. No question of that. He was hostile to President Chun. No question of that. However, I believed he was not a communist and was not under the control of North Korea. The evidence that he had instigated armed rebellion against the South Korean Government was simply not in the files. So my conclusion was that Kim Dae Jung was not what the South Korean Government said that he was. Therefore, there was no reason why we should not proceed to contest(?) him. Or, at least, to tolerate him and to work toward his release from detention.

Q: How about Kim Yong Sam?

LILLEY: Kim Yong Sam was much less complicated. Nobody ever really felt that Kim Yong Sam was a communist. He was more of a perennial oppositionist. He had made a career of being against the South Korean Government. This was a popular position to take. He attracted a lot of followers for doing this. He went on a hunger strike from time to time. However, he was considered by many to be a "lightweight."

Q: What about what passed for the "body politic" at this time? The Korean military was running things when I was in South Korea from 1976 to 1979. The view I often heard expressed was that the "political class" just couldn't get their act together. The Koreans were often described as the "Irish of the Orient," and it was often said that you had to have a strict "ruler" to keep the Koreans in line. What were you hearing?

LILLEY: Of course that view was expressed. There was the famous remark attributed to General John Wickham that the Koreans were like "lemmings." You remember that remark, which so upset them during the Kwangju incident. The view was that if the President decides to do something, they'll all follow him. That was rather a crude metaphor.

Yes, there is a tradition of authoritarian government in South Korea. It's in the Yang Ban ruling class, it's in the tradition of the Emperors of Korea and the Kings, including King Sejong, and so forth. They were "strong men" who led the country. Certainly, President Park Chung Hee was no democrat. But he did great things for the Korean economy. Indeed, some of the faults in that system are still with us today, including crony capitalism and the covert deals between government and business. However, he created a successful South Korea, and he did it by "taking charge" and getting the technocrats to come with him, including Nam Duck-woo and all of those talented people. He got them to come with him because he had the idea of building a strong, prosperous South Korea.

Toward the end of his term, as you know, he "ran out of steam." You were there, you saw it. You saw him come "unglued." His wife was assassinated, and he became much more isolated. Of course, he was the object of a bizarre assassination attempt. Then there was a very short interregnum with Choi Kyu Ha, which never worked out because he was essentially a weak man. His term as President was marked with vacillation and uncertainty, strikes, and riots. Then Chun became President. However, the South Koreans were never willing to accept Chun Doo Hwan to the degree that they accepted Park Chung Hee, because they credited Park with making them prosperous. They were beginning to make money. We have had experiences like that in the West. The South Koreans knew that their leader had "feet of clay" in many ways. They weren't willing to put up any longer with what Park Chung Hee had inflicted on them.

Chun Doo Hwan had this hard face of a leader who announces what he is going to do, tolerates no nonsense, and moves ahead in the interest of the country, as he sees it. Basically, he was telling the South Koreans: "Follow me." However, his ability to accomplish things eroded. He still wanted to hang onto power. He was determined to hang on but he saw that he was losing public support. Some of his key military officers were not at all enthusiastic about his military practices. His key foreign policy advisers were saying to him: "Boss, it's time for you to adjust your position. The Americans are consistently unhappy with what you're doing. No, they're not going to pull out their troops. They're going to stand with us against North Korea, but you have to give them a better case so that they can acknowledge a real democracy in South Korea." I'm sure that they made these points to him. They were probably much more influential than we were.

What we did was really to stay the hand that was planning to use military force. We also carried the public message which Gaston Sigur conveyed of democracy and the private message which I gave to them that they had to find much more acceptable ways to deal with Kim Dae Jung and the riots which had flared up. We weren't talking about the Kwangju incident. We reminded them all about the Kwangju incident.

Q: What was the situation when Rho Tae Woo came in on this? Did we have a clear view of Rho Tae Woo, and how did we see him?

LILLEY: I saw Rho Tae Woo quite a few times. I invited him to my house for dinner, I went out drinking with him, I went out to dinner with him. I did spend some time with him. I didn't see him too often, but we did get to know him, right away.

Q: What was his position at the time?

LILLEY: At that time he had been in the South Korean Army. He was the Vice Chairman of his party. He was the head of something, although I can't recall exactly what it was. He had a "sinecure" on which he was able to live. His claim was that he was the "anointed successor" to President Chun Doo Hwan, and this was clear. When they had the party convention in June, 1987, the Embassy didn't want me to attend, because they said that the proceedings were "rigged." However, I went anyway, against the Embassy's advice.

The journalists had been told that I wouldn't go, but the Embassy hadn't cleared that with me. So when the journalists saw me walking into the party convention, they asked me: "What the hell is going on?" I said: "I decided to come." I asked a number of my diplomatic colleagues whether they were going to go, and they said: "We're going to go." At the time there were about 17 Ambassadors in Seoul who attended. My attending didn't make much of a splash, although some people criticized me for going to this meeting. However, Rho Tae Woo came back to me later and said: "I really appreciated the fact that you attended. It took guts." I think that justified my attendance in my own mind. He said: "I know that it wasn't easy for you." I said: "Well, it sure wasn't," because the convention was obviously so staged. It was like one of our political party conventions, except that there was even less spontaneity about it.

Q: Was the convention held after the announcement?

LILLEY: I think that it was before, but I would have to check the dates on it.

Q: Was your concern about going or not going or did you just want to see the new man come in?

LILLEY: The argument that I shouldn't go was made by the Political Counselor, Harry Dunlop. Harry's been right on some issues, but he's also been wrong. In this case he said: "You are 'blessing' a false process. You are 'blessing' a new, authoritarian man coming in to replace an old, authoritarian man. You ought to express your disapproval by staying away from the convention." I said: "Well, that just makes people angry." My idea was

that this was their political process. Later, after the announcement, I went to the Kim Yong Sam party convention. I believe I also went to Kim Dae Jung's convention because this was a three-party race. I went to all of these conventions. I wasn't particularly welcome at some of them. There were a lot of Left Wingers there who were thinking: "What is the American Ambassador doing here?" In South Korea you can never win all of the fights.

Q: When was the presidential election and how did things develop?

LILLEY: The election took place in December, 1987. This is where I really have to express my admiration for the South Koreans. The two key decisions that the South Koreans made were on June 19, 1987, not to use military force, and on June 29, 1987, to move toward democracy. Then they had to move into democratic elections. They had to redraft their constitution and rewrite their election law. They did both, and within a period of a few months. Then they had the election in December, 1987. Rho Tae Woo got about 37 percent of the vote. Initially, Kim Dae Jung and Kim Yong Sam had a coalition. Then they started fighting each other, and the coalition broke down. If they had stuck together and decided that one of them would run, that candidate would have gotten perhaps 60 percent of the vote.

It was quite clear that they had caused their own downfall. However, being who they were, they cried "foul." That is, if the other guy wins, it's an "unfair election." If I win, it's a "fair election." This is their instinct, but it didn't hold water. Few people bought that. As I said, the coalition would possibly have gotten 60 percent of the vote.

Anyway, Rho Tae Woo then won, and the Embassy "called" that one very well. We "called" that one just about "on the nose." It was one of the political predictions we made that came out right. We sent in our cable and said that Rho Tae Woo was going to win. He was only going to get a plurality, not a majority of the vote, but he was going to win, because the other two candidates had split their vote. When Rho Tae Woo won, I went right over to congratulate him. I shook his hand. There was some muttering about an "unfair election," and that sort of thing, but I decided to go over and congratulate Rho Tae Woo. My picture was taken when I congratulated him, and it appeared in the press.

Then, once Rho Tae Woo was elected, and he had done this remarkable job of rewriting their election law, they had to focus on the Olympic Games. They had just had KA [Korean Air] Flight 858 blown up in November, 1987. The North Koreans blew up this plane over the Bay of Bengal near the Indian Ocean, with 115 people aboard. It was a horrible thing that they did. The young Korean woman who placed the bomb on the plane in Bahrain was identified and arrested. They shipped her back to South Korea, where she confessed to what she had done.

I must say that this was an example of how the Left Wing press in the world really gets to me at times. Swedish and American Left Wingers were trying to "spin out" some story that this was a Rho Tae Woo conspiracy to win the election. It was so clear that the attack on KA Flight 858 was a North Korean plot all along. These leftists were sowing seeds of

this story around. They were asking us to "prove the unknown," prove that it wasn't a South Korean plot. Well, we proved that it was a North Korean plot. Then the Left Wingers said: "No, how can you say that it wasn't a South Korean plot?" Then things got messy, but it turned out that nobody bought on to what the Swedish and American Left Wingers were saying. And the woman was caught. Rho Tae Woo won the presidential election anyway.

Then the Koreans had to deal with the Olympic Games. They all "pulled together" for the Olympic Games. I think this was a factor in the South Koreans getting their act together. More than anything else in the world, the South Koreans wanted these Olympic Games to be successful. Their view was that successful Olympic Games would change South Korea's place in the world. It would be, as it were, their "coming out party." The Russians, Chinese, and everybody else would be there. The South Koreans would show everybody what a good job they had done in preparing for the Olympic Games.

Anyway, the South Koreans got together. People were worried about terrorism and radical students breaking up the games. No such thing happened.

Q: Were we "pushing" the South Koreans to develop closer ties with the Chinese communists or the Soviets?

LILLEY: No, we didn't. At this time Rho Tae Woo, on his own, came up with what he called his "Nordpolitik." He brought this idea over to me, and I said: "This makes a lot of sense." He said: "You're the China expert." I said: "I think that the Chinese are ready for you. They are very impressed with your industrial achievements. They looked at Chang Won, and it just 'blew their minds' when they saw it. Your Kwong Yang steel mill is the best in the world. They saw this and said to themselves: 'We want one of those. How do you get one?'" I said: "You made a great impression on the Chinese, the Russians are going to come after you." No, we had no problem with "Nordpolitik," but it was their idea.

Q: How about South Korea reaching out to Japan? Did you stay out of that question?

LILLEY: Well, we were always pushing for greater cooperation between South Korea and Japan. We didn't have to push for it in the economic field. That was very close anyway. It was in the military and security field that we were particularly interested. The Japanese are very much engaged in South Korea economically, in fact. It's not in our interest to push this hard. We felt that the constant bickering and suspicion on the security front was really quite inhibiting. We tried to "ease them" toward some sort of "tri-national" program of cooperation on security matters. We were "inching" them ahead with consultations and were even thinking about an occasional military exercise. However, we had to move cautiously on that question.

Q: Even if you meant it.

LILLEY: Yes, but leave it to be arranged largely through military channels. Let the

respective military talk as soldiers, not as politicians.

Q: What about balance of payments questions?

LILLEY: As I got further into my tour as Ambassador, we went through the "crisis of 1987." We were getting closer to the Olympic Games.

After the North Koreans blew up KA Flight 858, they seemed to "retreat." They had been caught "red handed." So we could then focus on trade issues, and they were beginning to loom very large. The issues that attracted our attention involved insurance, cigarettes, high quality beef, wine, and agricultural products. The South Koreans were protectionist. They had high tariffs. They blocked us out of all kinds of service industries. We went to work on this. I would say that during the last six to nine months that I was in South Korea a good portion of our time was spent on trade matters. We had lifted "GSP" earlier.

Q: "GSP" means?

LILLEY: "GSP" means the "General System of Preferences" on trade. South Korea was a developing country which was trying to develop markets. We had very low tariffs on goods which Korea exported to the United States. We cut off "GSP," as South Korea no longer needed this kind of assistance. South Korea had a $5.0 - $6.0 billion trade surplus with the United States. Why should we continue to give them a "GSP" advantage? The South Koreans raised hell and said: "If you do this to us, do it also to Taiwan and to Singapore." We had, in fact, done this. The South Koreans didn't like lifting GSP. The "GSP" arrangement had been a "sweetheart" deal, from which South Korea profited tremendously.

Q: What about the "threat from the North"? I'm talking now about the military threat. I'm not talking about terrorism. The feeling that there might be something...

LILLEY: I would say that during the time that I was in South Korea, there were some "bizarre" incidents. First of all, there was the blowing up of KA Flight 858, which was terrible. However, that wasn't a direct threat to the South Korean Government. That was terrorism to block the Olympic Games.

Then the South Koreans did play games with us. In some ways they were their own worst enemy. They developed the theory of the "great water bomb." They claimed that the North Koreans were building a huge dam in North Korea, damming up rivers. The North Koreans would store up this water and then suddenly release it, and it would flood Seoul and many other cities in South Korea. They gave us pamphlets that said that North Korea was building this thing and that this was a great danger. We looked into it. The North Koreans were building some small dams, but the whole thing was ludicrous. However, the South Koreans made a great issue of this.

The second thing that happened was the announcement that Kim Il Sung [North Korean leader] was dead. The South Koreans claimed that this came in over the radio. We listened to it and looked into these reports. This story turned out to be a "phony." It wasn't

true.

Then there was the question of getting North Korea into the Olympic Games. The South Koreans were dealing with the North Koreans, trying to get them to participate. The North Koreans were being very difficult. They said that they wanted to have half of the games [in the North] and wanted to put on the closing ceremony. These negotiations between the two Koreas broke down and led nowhere.

Then I went up and looked at the DMZ [Demilitarized Zone] in terms of tunnels. We hadn't been able to discover any new tunnels. Was there any great action up there that indicated a threat? No, there really wasn't. The "ugly stuff" had taken place earlier, such as the "axe murders" along the DMZ, the discovery of several tunnels under the DMZ, the JSA "fire fights" that they had, when North Korean or other communist defectors came across, and the South Koreans tried to protect them. There was always the potential for trouble, but while I was there, I would say that it was largely minimized. The fact, however, that North Korea had 75% of its huge army deployed south of Pyongyang in an offensive posture and had also deployed thousands of artillery pieces along the DMZ which could blanket Seoul was disconcerting to say the least.

Q: The Soviet Union was still in existence until 1991. Was there any feeling that the sophistication of the infrastructure and anything else pertaining to the South Korean Army was beginning to "outpace" that of North Korea?

LILLEY: Yes. I think that it was. The South Korean Army was getting a lot of modern equipment and was modernizing its weapons. South Korea was "rich" and could buy what it wanted. They bought most of it from us. They were getting good aircraft, including F-5s. They got F-16s later on. The U.S. Air Force had F-16s stationed in South Korea. However, I would say that the North Koreans were still getting very advanced and sophisticated equipment from Russia. They got the Sukhoi-25 fighter-bomber and they got surface-to-air missiles which were very dangerous. I think that it was the SAM-5. From North Korea it could hit Kimpo Airfield near Seoul. The Russians were selling North Korea a lot of modern equipment.

That was a matter of concern because, obviously, the North Koreans were modernizing their forces. We began to see signs that the North Korean military establishment was in some ways "slowing down" because the amount of air time they had for training was cut back. The size of North Korean military exercises was being cut back. Certain things were happening up in North Korea which indicated that they were having problems in keeping their military "up to snuff" and getting the POL [Petroleum and other lubricants] to keep their forces rolling. However, the North Korean military establishment was still a huge force, and the rhetoric coming out of North Korea was very ugly and menacing. They also had ISO, DOD, and Special Operations units, which was a mobile strike force of highly trained and motivated troops.

I remember that we used to pick up North Korean TV broadcasts at the DMZ. We could monitor Pyongyang, too, in this way. It was the most bizarre performance that I had seen.

There was this whole group of "iron-faced" generals sitting there in their Supreme People's Assembly, with medals and ribbons from their shoulders down nearly to their crotches. They wore these huge military hats. They had these great, stone faces and they would listen in silence. And in would come this fat kid with a pompadour, with his belly sticking out, sort of walking duck footed like this. It was Kim Jong Il! Here was this limp-wristed guy among these North Korean generals, and we would think: "What the hell's going on?" He would sit down in his chair, with these stone-faced generals behind him.

I remember asking South Koreans: "What is this?" They would say: "This is the North Koreans' great leader. He's a kind of god, in their view. If he came in there bare-assed, they would probably jump to attention." You got this sense of what a "bizarre" place North Korea was. This North Korean woman agent who placed the bomb on KA Flight 858 told us what she had gone through and what the North Korean leaders had told her. And what she believed was incredible. What the North Korean leaders pumped into their people's heads was bizarre.

Q: Did we get any feel for things beyond the military in North Korea, like food production and all of that?

LILLEY: North Korea was still getting a tremendous amount of aid from Russia and China. That was "propping them up." The food situation had not yet broken down. That didn't come up, I'd say, until the early 1990s. When the Soviet Union disintegrated, and the Chinese communists put most of their trade on a cash basis, and that's when North Korea began to fall apart. Till then, they were propped up by China and Russia, and largely by Russia.

Q: Speaking of farms, how was the farm economy of South Korea?

LILLEY: This was one of our problems. As you know, there was a huge "rice scandal" in South Korea.

Q: Oh, yes. I administered an oath to...

LILLEY: Tongsun Park?

Q: Not to Suzie.

LILLEY: Well, anyway, that had been a great scandal. That was over by the time I got to South Korea. It had left a "stink" of corruption in the agricultural business. Then President Chun Doo Hwan's brother had gone into cattle-raising. He had this, what did they call it, the "Saemaul" March 1 Movement, to bring life to South Korean agriculture. What it did was to bring wealth to President Chun Doo Hwan's brother. He raised cattle. So what did they do? They slapped restrictions on importing beef. The South Koreans import a lot of good cattle from us and raise their own cattle. Then they closed off imports of beef. The brother got very rich, and this kind of thing happened often. They

were growing bananas under plastic in Cheju-Do. It was incredibly expensive! They could buy bananas for 40 cents a piece from the Philippines or Taiwan. And here they were growing them in South Korea under plastic. Why? Self-sufficiency. They said that they stood for the South Korean farmer.

The South Koreans would say: "We don't want your tobacco. It's ugly." What did they do? They subsidized their own farmers to grow tobacco in South Korea. They developed their own tobacco and cigarette industry. These guys had a $2.0 billion plus trade in tobacco. Then they tried to "freeze us out" with high tariffs. We said: "Come on! If you open up and give us a fair chance, we'll get 20 percent of the market." They would say: "No, it's unpatriotic to smoke American cigarettes. You're exporting coffin nails." Some anti-tobacco Americans came back at us, too. What they were doing was that they were merely giving their tobacco monopoly the right to sell cigarettes. We tried to change this practice, but the Catholic priests and the farmers were throwing cow manure at the Embassy and denouncing us as "merchants of death."

However, eventually, we were able to get a better deal, and our share in the market went up from something like 0.5 percent of the legal cigarette market to, maybe, 2.5 percent. They said: "Aren't you satisfied now? You increased your market share five times." We said: "Well, that amounts to 2.5 percent. When Japan or Taiwan opened up their market to us, our share went up to 10 or 20 percent." This kind of argument goes on and on. They were very hard-nosed with us. Imports of high quality beef from the U.S.? They were difficult on this. They would say: "Oh, you can only sell it to foreign hotels." We said: "No, your people have a taste for beef. They love it and they want this high quality beef." Then they would say: "Well, what about our own farmers?" And you go on and on and on.

And what about cars? They had a 200 percent ad valorem tariff on cars imported into South Korea. We have a tariff of about 5 percent. South Korea sells its cars throughout the United States. What is this? They would answer: "We used to import Japanese cars here. If we give the opportunity to sell cars to you, we'll have to give the same opportunity to the Japanese, and they'll flood our market." We said that there was something very wrong with South Korea exporting 1.0 million cars to the U.S., subject to a 5.0 percent U.S. tariff, and the U.S. exporting 1,000 cars to South Korea at a 200 percent tariff.

Q: I would have thought that the imbalance was so apparent that we could have "lowered the boom" on this trade.

LILLEY: We worked and worked on them, but I can tell you that it is an endless contest. It's like being in a "watering contest" with an elephant. Americans are "free traders" and they want "open markets." The South Koreans would say: "You want to lower the tariffs? In will come the Japanese. Their cars are better than yours, and they'll take advantage of it."

So we went around and around on these trade issues. It was very tough. We made

progress on tobacco; progress on high quality beef, which is a very small market; and on white wines and some things like that. In general, negotiations on agricultural products were very tough. I remember one of the chairmen of the board of a South Korean chaebol [group of companies] said: "Listen. I'll tell you what. You guys are really worried about our not buying American products. I'll buy your American products. I'll put them on a ship, and I'll dump them in the Yellow Sea. Will that make you happy? Would you buy that? I'll buy $50 or $100 million worth of your products. We don't want your products, but you want to sell them to us." So that was one attitude. Of course, we said no.

The trade negotiations were tortuous. We had a very good man, George Mu, who was handling them for the Department of Commerce, for us. He had all of the authority it took. He was Chinese-American, tough, knew how to bargain, and got us as close to getting these deals for us as anybody I've seen.

Q: I thought we might leave it at this point. We'll pick it up at another time. I know that you're going to be busy.

LILLEY: Yes. I have to do some other things.

Q: I'll pick you up at a later point in your career, when you left for China in 1989.

LILLEY: Okay. But you might want to glance at this book by Jim Mann.

Q: I'm going to. You mean the book called, "About Face."

LILLEY: It has been published and it is probably the definitive book on China. It's not Kissinger's version of events or Holdridge's version.

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Q: Today is April 29, 1999. Jim, we have you going to China. Where had you just been?

LILLEY: I had just left South Korea.

Q: I assume that you had been carrying on, not just a moderate, but rather a fairly intensive "watching brief" on events in China up to that time.

LILLEY: Well, not really, because I think that South Korea was totally absorbing, and I was there at a very active time. In particular, we did follow the South Korean "opening" to China, which was taking place during my time there. In September, 1988, Ambassador Win Lord came over and visited me in Seoul during the Olympic Games. He, of course, was talking about sports and not about China. It was the time of the debates between Governor Dukakis and George Bush in the American presidential elections campaign of that year. I remember listening to them with Win.

Later on Choi Kwang Soo, the South Korean Foreign Minister, was on his way to

Pakistan. He flew there via China. I let Win Lord know when he was passing through Beijing, so Win went all the way to the airport to meet and see him. Deng Xiaoping's son, Deng Pu Fang, was on the same plane with the South Korean Foreign Minister. They were both traveling first class. The Chinese and the South Koreans were then sort of "fencing around" about opening up diplomatic relations with each other. I think that South Korean Foreign Minister Choi appreciated my putting him in touch with Ambassador Win Lord. Since Deng Pu Fang was on that plane, I was told that Foreign Minister Choi went over and introduced himself. So when Win Lord got ready to come to the Olympic Games in Seoul, I called up Foreign Minister Choi. He gave Win Lord a VIP [Very Important Person] ticket, so that Win could go to any event that he wanted to. Of course, Win Lord is a real "sports freak." He loves basketball, volleyball, track, and field. I have never seen Win happier.

So we arranged for him to visit the Olympic Games. He stayed with us at the Residence, and it was really a very good time. We had a whole bunch of people staying in our house in Seoul. So in a way we were involved in the "opening up" of diplomatic relations between South Korea and China.

At the same time I was regularly seeing one of the chairmen of the board of a South Korean chaebol [group of companies]. I saw Admiral Zou regularly and kept him advised on what we were doing. So we were "playing the game" as it should be played.

Q: When you went to China, you were there from when to when?

LILLEY: I was in China, roughly, from May 2, 1989, to May 10, 1991. A little over two years.

Q: It was an interesting time to go to China.

LILLEY: Yes, I was there at a "hot" time.

Q: Prior to the Tiananmen Square riots which happened in June, where did you see American relations with China going, and what did you take with you to see about matters that you thought you could work on?

LILLEY: I think that the first thing that I got involved in was the trip to China and Japan by President George Bush right after he was inaugurated on January 20, 1989. His first overseas trip was to Japan and China. He and some of his staff had a meeting up at Camp David [near Washington, DC], including Secretary of State Jim Baker, Bill Webster, and Bob Gates of CIA, National Security Adviser Brent Scowcroft, and some "outside people" whom he invited to join him. These included myself, Mike Oksenberg, and Rick Baum from California. We had a meeting with all of these people to discuss President Bush's forthcoming trip to China.

Everybody made presentations, and I actually gave the presentation on South Korea and how that country impacted on China and Japan. Others, like Mike Oksenberg and Rick

Baum, talked about China and how they saw it. Win Lord wasn't there. I think that Doug Paal was there. He was on the National Security Council staff. I forget who else was there. No one had yet been appointed to be the new Assistant Secretary of State for East Asian Affairs. I think that Gaston Sigur, who was a holdover from the Reagan administration, came.

So we were at this meeting, and I got a flavor of what was going on in China and what President Bush wanted to do. It was the first time that Fang Lizhi came up as a potential problem. Should he be invited to the banquet, and so forth? I didn't really get involved in this discussion, because I didn't know the situation in China well at that time.

However, by April, 1989, it was clear that something was happening in China. Two events affected me. One of them was the forthcoming visit of Seventh Fleet ships to Shanghai under Admiral Mauz. He was coming to China in May, 1989, on the flagship of the Seventh Fleet, USS BLUE RIDGE, with two other ships. That was a big deal, and everybody thought it was important. It was particularly interesting to me because I had arranged the original ship visit, the first one since 1949, to Tsingtao, in 1986. I had actually negotiated that deal. So the USS BLUE RIDGE was now finally visiting Shanghai.

The second event that was beginning to intrude on us were the Tiananmen demonstrations in Beijing. I remember going to the Metropolitan Club in Washington with Win Lord one night. We were watching TV, which was on. There were all of these people in Tiananmen Square. I said to Win: "Is this what's going on? Is this for real? Is this really a demonstration against the Chinese Government?" He said: "Yes, it is for real. These people are protesting against nepotism, corruption, and many other things."

I don't know whether Win Lord mentioned this to you, but he was very upset at that time about the way that Bush's people had handled the dinner in February 1989. A well-known Chinese dissident, Fang Lizhi, had been invited and had tried to come to the dinner, and then he'd been turned back by Chinese security. Then Fang gave a press conference, and this incident was very embarrassing for President Bush and Brent Scowcroft. Somebody, I don't know who it was, but I think that it was someone from the NSC, gave a "backgrounder" to the press at which he said that it was really a "bad call" by Ambassador [Win Lord]. Win Lord wasn't buying that explanation for five minutes. He said: "Listen, I sent in a list of names. They cleared Fang Lizhi. He came, and now they're blaming me."

Q: Sounds like a typical, White House staff blunder. It happens. I don't know, but no matter what administration is in office, this happens.

LILLEY: But Win Lord didn't take kindly to this. He has a lot of "amour propre," as they say. He had had a very good career and he didn't like this kind of game at all. Believe me. He blamed this right on Brent Scowcroft. So I went to Doug Paal and I said: "Look, Win Lord's very angry about this, and he's got connections in New York. This is not just some Foreign Service Ambassador whom you can shove around. This guy is angry, and he's

plugged in to the press and the Council on Foreign Relations. Everybody knows Win Lord." The White House staff "brushed it off." Well, you know what happened subsequently. Win Lord turned against the Bush administration. I don't say that it was because of this...

Q: But it added to the problem.

LILLEY: Win Lord was very angry. We spent a lot of time at the dinner with Win Lord "unloading on me" in this connection. However, we talked about other things and how the joint Sino-American joint ventures were going, how the Chinese-American strategic relationship was developing, and Soviet President Gorbachev's coming visit. Lord has a very good memory and a very good, organized mind.

Then I went to the White House to be sworn in as Ambassador to China. My wife had already gone out to California with our eldest son, so my sister came down. Our other son, a Marine Corps lieutenant, came up to Washington from Quantico [Marine Corps base South of Washington in Virginia]. They attended the ceremony. Secretary of State Jim Baker was there. National Security Adviser Brent Scowcroft was also there. State Department protocol officer Joe Reed was also there. It was a very small group of friends. I think that Ambassador Art Hummel came, as did the Chinese Ambassador, Hanxu. Maybe there were 20 or 30 people in all. My swearing in as Ambassador to the Republic of Korea was a big affair, with a couple of hundred people attending. We handled this swearing in very quietly.

I had been to Ambassador Art Hummel's swearing-in ceremony, when he went out to China as Ambassador in 1981. I know that he had a very careful and discreet ceremony. I thought that was a good pattern to follow. Secretary of State Jim Baker got up and made a statement about human rights. He said that we should watch this very carefully. He sensed that something was coming and made a statement to this effect, just as Gaston Sigur had done at my swearing in ceremony as Ambassador to South Korea. Everybody lectures the host country on human rights.

Then I went to California, met my wife, and we flew to Beijing. I think that we left the States on May 1, 1989, and arrived in Beijing on May 2.

Q: Obviously, the Tiananmen riots eventually submerged everything else. When you went to China, what about, say, commercial relationships? How did we see that?

LILLEY: Ambassador Win Lord had been very strong on that. He took great pride in the fact that we'd developed "joint ventures" with the Chinese. He had a good relationship with Chen Xi-tong, the Mayor of Beijing, who is now in jail for corruption. I think that he felt that an integral part of the relationship between China and the U.S. involved expanding the commercial relationship. I had done a lot of work in that field in Taiwan and South Korea. So I was aware of protectionism, government interference, and free access to their markets. I had also been fighting the matter of violations of intellectual property rights. China was interested in joining GATT [General Agreement on Tariffs

and Trade] at that time. These were all issues which were already on the table. Win Lord told me that we were negotiating on all of these matters and that this was a very important part of the job of being Ambassador to China.

There was also the matter of our commercial presence in China, including the competition which we had with the Europeans and the Japanese. Ambassador Lord emphasized that we had to develop the confidence of the American business community. So, as I arrived in China, I considered that the three parts of the job of Ambassador which struck me were: one, the commercial relationship; two, the strategic relationship in terms of U.S. Navy ship visits and the reaffirmation of the security relationship between the U.S. and China, and the "Northwest sites;" and three, the implications of the ongoing anti-government demonstrations.

Q: You mentioned the "Northwest sites..."

LILLEY: Well, let's leave that matter aside.

Q: I understand.

LILLEY: Then we had this ongoing military relationship with the F-8 avionics deal, worth $550 million. We also had a torpedo deal with the Chinese. We were discussing Chinese procurement of the ANTPQ radar, which was a kind of "proximity radar." We had the matter of the large caliber artillery shells. We had military exchanges going on. That was another part of the strategic relationship, the sort of "anti-Soviet" Chinese-American relationship, which, as we said, we had to watch carefully.
The third part of the Chinese-American relationship, as I said, was the human rights part. This included the promotion of democracy. Win Lord had visited Peking University and met the students and people like Orville Schell, who was then a free lance writer. Schell came to me and said: "You've got to see Fang Lizhi right away and make clear your support for human rights." He said that Ambassador Harry Barnes had done this in Chile. Schell thought that I had to meet with Fang Lizhi "right off the bat."

Well, I had had this same problem in South Korea with Kim Dae Jung. People told me: "You've got to establish a relationship with him right away." Looking back on it, I don't think that was very good advice. So I didn't do it right away in South Korea. I was more discreet and I think that we got a lot more done as a result. We helped get Kim Dae Jung out of house arrest and convinced the South Korean Government to give him an "amnesty." However, I did not go to see Kim Dae Jung as my first order of business. This would have amounted to "sticking my tongue out" at the South Korean Government.

Q: As a technique, it looks much better in the press than it does in practice.

LILLEY: It "plays" well back in the United States. It doesn't do much for your relationship with your host country, and when you make this your first order of business, you really don't help the person involved. But I had to make that judgment.

I was under a lot of pressure from the "human rights" community to see Fang Lizhi right off the bat. They said: "This is the future of China, this is the man who represents democratic principles." However, I also knew that Deng Xiaoping "hated" Fang and that there was real friction there. I believe Ambassador Win Lord had not seen him. So I decided to play that issue pretty carefully. Then, when I got to Beijing and saw what was going on and saw what the authorities were saying about Fang, calling him the "arch-criminal counterrevolutionary," and names like that, I knew that I had to watch my step. So we had to steer our way through this problem.
I wanted to get to know the people in the Embassy and the various Consulates. We had a Consulate General in Shanghai, a Consulate in Guangzhou [Canton], one in Chengdu, and one in Shenyang [Manchuria]. I really didn't know our people well. I knew the DCM, Peter Tonsen, just slightly. I also knew Ray Burghardt, though not well. Jim LaRocca, was the Economic Counselor. I didn't know him at all. I also didn't know the Military Attache, General Jack Leide. The Consul General in Shanghai was John Sylvester, a Foreign Service Officer and the son of an admiral.

Q: I entered the Foreign Service with John.

LILLEY: There were two brothers, weren't there?

Q: Yes. Charles and John Sylvester.

LILLEY: I think that John Sylvester was Consul General in Shanghai. This was his last post in the Foreign Service. Mark Pratt, whom I knew very well, was down in Guangzhou [also known as Canton]. I went to Phillips Exeter Academy with Mark. I didn't know the Consuls in Chengdu or Shenyang. So there was a lot of "introductory work" to do, with these other issues looming on the horizon. At that time, China was getting a lot of what we called "TDP" funds, or Trade Development Program funds. China got about 60 percent of the amount allocated to the world. We were pouring money into China for "feasibility studies." This gave us a crack at getting a big contracts. That was a big item at that time. There were some delegations coming over to China, which I had to get to right away and to help them out.

Then I had to make all of my courtesy calls, on the President, the Premier, the Foreign Minister, and senior advisers on foreign policy. All of these people had to be called on. There were dinner parties to attend, and things like that. So it was a very busy time.

Q: Who was your man on China back in Washington? President Bush, of course, essentially had your job when he was in China. Brent Scowcroft, National Security Adviser to the President, was a "European type." Who were the people, both in the Department of State and at the National Security Council, whom you felt closest to?

LILLEY: I think that at that time there was sort of a "gap." When I was in Taiwan as Director of AIT [American Institute on Taiwan], I always had a "sense" of who "the man to contact" was back here in Washington. When I was in Taiwan, it was Paul Wolfowitz, the Assistant Secretary for East Asian and Pacific Affairs. No question about that. There

was Rich Armitage over in the Defense Department and Jim Kelly and Gaston Sigur on the National Security Council staff. I felt very comfortable with these people. I knew them well. There was also Dave Greis at CIA. These were guys whom I had known and dealt with for years.

When I was in South Korea, we had basically the same team. We had Gaston Sigur in the State Department and Rich Armitage at the Defense Department. I think that we originally had Karl Jackson on the NSC [National Security Council] staff, along with Doug Paal. I felt that I knew all of these people fairly well when I was in South Korea.

However, by the time I went to China, there had been changes in this group of people. For example, Rich Armitage left the Defense Department, and they brought in Harry Rowan. At least I think that Harry Rowan replaced Rich Armitage. I didn't know Harry Rowan at all. On the National Security Council staff Karl Jackson stayed on for a while. I knew Karl, but he wasn't a "China guy." He had dealt with Japan and Southeast Asia. Doug Paal was his assistant and formerly was my assistant at CIA. In the State Department it was in limbo. Dick Williams was on the China desk. Stape Roy was going to come in from Thailand, where he had been Ambassador, and become head of the Executive Secretariat at State. He wasn't there yet, and there was no Assistant Secretary for East Asia and Pacific Affairs. Gaston Sigur stepped down. He wanted to go to Japan as Ambassador, as you know, but he didn't get it. He lost out to Michael Armacost. Then he resigned from the Department of State.

Q: This must have been difficult, particularly at a time of crisis, when you really had to know somebody who could go right up to the top to deal with an issue. Or to deal with through ordinary channels.

LILLEY: Dick Solomon came in as Assistant Secretary for East Asian and Pacific Affairs. I knew him pretty well. I think that he came in around May, 1989. Originally, Rich Armitage, from the Defense Department, was supposed to get that job. Then Rich got better offers and I believe he had some confirmation trouble with the Senate. He pulled out of the scene at EA. Certainly, if Rich had been in that job, I would have felt very comfortable. However, he left and went elsewhere. He didn't take that job in EAP in the State Department. The position was empty for quite a time.

Bill Clark was, I believe, the senior Deputy Assistant Secretary of State.

Q: He was a China or Japan hand?

LILLEY: He had been very much a Korea and Japan hand. He was then "Acting Assistant Secretary." When I was sworn in, Bill came to the ceremony. However, Bill wanted to be Ambassador to India and was being considered for that position.

Q: So you didn't have an NSC "buddy" in Washington, more or less.

LILLEY: No. I knew Karl Jackson somewhat, but in fact I didn't know him very well. He

had worked in the Defense Department with Rich Armitage on East Asia, and when I was overseas, we always dealt with Rich Armitage. He was very much a "take charge" person. I think that Jim Kelly was somewhere in there for a while. Don Gregg was there on the NSC [National Security Council] staff as George Bush's "security adviser" when Bush was Vice President. However, Gregg was picked to replace me as Ambassador to the Republic of Korea. So he moved out of that job. This was really a time of a lot of change. There really wasn't much continuity at all.

Q: Talking about the period before June, 1989, what about developments in China? Of course, Gorbachev's visit to China was going to coincide with your time there. What about developments in the Soviet Union? Was there a feeling at that time that the Soviet Union was getting weaker and weaker? Was there any concern that we might have a problem with China getting stronger and the Soviet Union getting weaker?

LILLEY: I think that there was somewhat of a miscalculation. Gorbachev was coming to China to restore Communist Party relationships with Communist Party of China leader Deng Xiaoping. Both Gorbachev and Deng were ballyhooing this visit as a "big deal." They were sort of saying: "In your face, America." The old Kissingerites in Washington, the old "triangular pole" people, were saying: "This is bad news. The Soviet Union and communist China are getting back together." So, therefore, our U.S. Navy ship visit to Shanghai "upstaged" that visit by Gorbachev to China, to a certain extent. The visit suggested that Chinese military relationships with the U.S. were very strong. Gorbachev and Deng Xiaoping were meeting in Beijing, and we had U.S. Navy ships coming into Shanghai. Our admiral, in full dress uniform with all of his ribbons and everything, was going to go up to Beijing to be received at the "Great Hall of the People." He was going to get VIP [Very Important Person] treatment.

It became clear that we had interpreted this situation incorrectly. After I got to Beijing, I learned that Gorbachev's position was weak. The position of Zhao Ziyang, who was Secretary General of the Communist Party of China at the time, was also weak. He had been known as a "big reformer" of the party. So there was a different formula involved. All of the major media figures, including Bernard Shaw [of CNN], Peter Jennings [of ABC], Tom Brokaw [of NBC], and Dan Rather [of CBS] were all coming over to cover this Sino-Soviet summit meeting.

Q: These were the "super stars" of our main television networks.

LILLEY: All of them were coming over to cover the Sino-Soviet summit meeting, but it turned out that "THE story" at the time wasn't the summit meeting. It was the 200,000 or so people demonstrating for democracy in Tiananmen Square in Beijing. These senior journalists sensed that very quickly, because Gorbachev couldn't even get in the front door of the Great Hall of the People. He was blocked by the mass of demonstrators. The major story was clearly the demonstration against the Chinese Government. So, when I went to Shanghai in the middle of May, 1989, the demonstrations in Beijing were becoming progressively larger. The Gorbachev visit was not turning out to be worth very much to either the Chinese or the Soviets.

Deng Xiaoping was reportedly furious at Zhao Ziyang for saying, right in front of the TV cameras, that Deng Xiaoping still called all the shots. Now, this might not seem like very much to us, but in the Chinese perspective, Deng was publicly saying: "I'm stepping back from the fray. I'm going back into retirement." "Not so," said Zhao Ziyang, "You're running the whole show." It was said that that was Zhao's death knell. He was through at that point. Also, Zhao Ziyang was supporting the "reformers" in the Communist Party of China, who were in touch with the demonstrators. The reformers included Bao Tong and Yan Ming-fu. All of these people were with Zhao Ziyang and were his inner circle, as it were. They were sympathetic to the demonstrators.

Zhao Ziyang went down to Tiananmen Square. He was weeping, and he said to the demonstrators: "It's too late." Representatives of the demonstrators then went to see Li Peng, the Premier. They felt Li Peng was arrogant and difficult. The Chinese students were viscerally against him. Wuerh Kaixi got up and publicly attacked Li Peng. You could see the temper of the demonstrators rising against the Chinese Government officials and vice versa.

So, in the middle of this, I had to go to Shanghai to welcome the three U.S. Navy ships. Well, the visit of the three ships to Shanghai was historically important to me, because I was in Shanghai in the 1940s, the U.S. Navy was a big deal in Tsingtao, and John Sylvester, the Consul General in Shanghai, was the son of a U.S. Navy admiral. All of the right things were there.

In any case we went out to the flagship of the Seventh Fleet, the USS BLUE RIDGE. Of course, to get to the ship we had to get through thousands of people demonstrating in the streets of Shanghai in support of the Tiananmen Square demonstrations in Beijing. We went out to the ship, and there was Chinese Admiral Ma, from the EC [East China] Fleet. Everything was a bit strained. We boarded the ship and made some nice speeches about this visit. However, something appeared to be "wrong." I talked this over with some people, and they said: "Admiral Mauz should not go to Beijing. Get him out of here fast." So we talked to the Admiral and said: "It's all over. You should leave soon." So he left.

Then the State Department became involved in the situation. I had a ticket to go from Shanghai to Washington to accompany Wan Li to the U.S. I was told by the Department that as Wan was the Chairman of the Standing Committee of the National People's Congress and was a known reformer, was close to Deng Xiaoping, and was a personal friend of President Bush, and played tennis, I should come with him. It was a great opportunity. I was instructed to accompany him on this visit to the U.S. because I was told that I had access to "everybody" in Washington in terms of policy. I was supposed to get on the plane to Washington from Shanghai, but I said: "No, I'm not going. The situation in China looks very ugly. I'm going back to Beijing."

So I took my wife's ticket and flew back to Beijing. Just as I was going back to Beijing, there was Li Peng on television, declaring martial law in Beijing. Then, right after him, came the song, "It's Only a Paper Moon," probably played by the dissidents in the TV

studio. So I returned to Beijing by plane. My wife had to return to Beijing on her own. And right about this time there was an automobile accident in Shanghai involving the Assistant Naval Attache. It was really a complicated time. The U.S. Navy ships left Shanghai. There were no meetings scheduled for Admiral Mauz in Beijing, thank God! Can you imagine what might have happened if the American admirals had been up in Beijing and got involved around the time of the "crackdown" by the Chinese Government against the demonstrators?

So our admirals and ships got out of China. I went back to Beijing, and things were really beginning to "heat up."

Q: I'd like to go back to the time when you arrived in China. Can you talk a bit about your Embassy? Here was a situation which was really beginning to "heat up." How did the Embassy evaluate the situation at that time?

LILLEY: We were right smack in the middle of a Foreign Service inspection. We had a team of inspectors there, and the question was whether we should send them home or proceed with the inspection. We decided to let them proceed with their inspection, but we warned them: "Look, things are happening outside." We will be distracted from you.

At that point the Inspectors told me that there was a lot of "dissension" and unhappiness in the Embassy. They said that there were a lot of factionalism and personal complaints. They said: "We're looking into this, but you should be aware of it." With this warning in my ears, I set out to get to know the people principally involved in this dissension, "right off the bat." I got to know Jack Leide, the Defense Attache. We hit it off immediately. He was a good guy. The Chief of Station was Billy Huff...

Q: You're making social evaluations now.

LILLEY: I knew him before in CIA. He had his strong points but he also wasn't terribly "with it" in some ways. He went back to a Chiefs of Station conference right at the time of the Tiananmen Square incidents and said that nothing was going to happen. [Laughter] So I said: "Well, what difference does it make?" He wasn't crucial in the situation. I knew the Deputy Chief of Station, Jim Ireland, quite well.

Q: Your DCM [Deputy Chief of Mission] was...

LILLEY: At that time he was Peter Tomsen. He was a competent guy, but he had a lot of "enemies," too. Peter was on Win Lord's staff in Washington. Winston picked him and brought him out to Beijing. He had worked very closely with Winston Lord and did a lot of the "ordinary work" of running an Embassy, including "banging heads" and so forth.

Larry Eagleburger [Deputy Secretary of State at the time] said: "I've got to get Peter Tomsen out of there. I want Peter for the Afghanistan Task Force. That is our Number 1 priority." So I then picked Lynn Pascoe to come out as DCM. He was back home, getting ready to come out to Beijing, so we released Peter to go back to the Afghanistan Task

Force, because that was the "hot spot" at the time. Ray Burghardt became Acting DCM, and that was good. Ray had been in Beijing for about three years as Political Counselor of the Embassy. He knew what was going on and had his finger on what was happening. Jim LaRocco was very good. He was the Economic Counselor and ran a strong Economic Section. Jack Leide, [the Defense Attache], was first class. He ran the Defense Attache Office well. He had some very good people. So I sensed where the strengths were in the Embassy.

Q: Could you explain, at the time of your arrival in Beijing, where the demonstrations were and what evaluation of them was coming up to you when you arrived? I think that the situation at the time of your arrival was crucial. Can you talk about the situation as you made your introductory calls? This must have been a subject of considerable interest.

LILLEY: First of all, we opened up one of those telephone lines to the State Department in Washington which were open continuously, 24 hours a day. We just kept this line open all the time to talk to the Department.

Secondly, two days after I arrived in Beijing was the anniversary of what they called the "May 4 Movement." This was the anniversary of May 4, 1919, commemorating the initial demonstrations for democracy in China. This demonstration was "anti-Japanese and pro-democracy." So that was a big celebration, and there was a large march around Beijing on the anniversary of the "May 4 Movement."

Q: This was government-sponsored?

LILLEY: Yes, in part because this was the 70th anniversary of this event. So when I went out of the Embassy, I saw all of these big processions all around Beijing, marching on the occasion of the celebration of the anniversary of the "May 4 Movement." When my car went by these demonstrators with the American flag flying, this is when I saw the demonstrators making the "V for Victory" sign with their hands. The demonstrators obviously felt an emotional attachment to the United States.

Later, I put on old clothes, went down to Tiananmen Square, and talked to people I met in the square. I didn't tell them that I was the American Ambassador, but just an American visiting Beijing. I got the sense of how "passionate" these kids really were about this demonstration. We also had other Embassy staff members talking to people in the Square. We had set up "watch posts" at the Beijing Hotel and in the western and southern part of the city. Jack Leide, the Defense Attache, had done this and provided his people with mobile phones, breaking domestic rules. So we really had a feel for the pulse of the situation.

Q: Was Leide also keeping a finger on the various Chinese military units?

LILLEY: Yes, very much so. The people in the Consulates contributed to our reporting, particularly the Consulate in Shenyang [Mukden, Manchuria]. They tracked the situation very well. They reported that the various Chinese armies were moving down to Beijing

and also reported on the various demonstrations there. There were some very good, young, Chinese-speaking officers in the Consulate General in Shanghai. They got out and learned what the mood was in Shanghai. We also had good intelligence coming in from other sources, which were telling us about the movement of armies from the Wuhan, the Jinay, and the Wu Han Military Regions toward Beijing.

We also got some reports of alleged clashes between military people. We would run out and check out these reports. It turned out that these clashes hadn't happened. The erroneous reports on these alleged clashes involved troops in the 38th Army in Beijing, the 27th Army out of Shih Jatwang, and the military coming down from Shijiazhuang. Jack Leide was really watching the evolving military situation very carefully. He had his Chinese-speaking officers out in the city covering developments, especially Larry Wortzel, a superb officer.

Q: When you arrived in Beijing, what was the Embassy's analysis of what was happening within the central government? When you arrived in Beijing, were there already large groups of students in Tiananmen Square?

LILLEY: Yes, there were large groups of students there. They were coming up from Hong Kong and from all over China. They were carrying banners, there were hunger strikes, and there were loud hailers in use. Representatives of Chai Ling, Wuerh Kaixi, and Wang Dan were all out there, leading the situation.

We sensed that there were splits in the central government between the "Liberal Wing" led by Zhao Ziyang and others. We had known for six months that Zhao was on his way out of the government, partially because of inflation. They couldn't stand for that. Inflation was up around 20 percent. That is a real, "red flag" issue in China, at any time.

Q: Oh, yes.

LILLEY: There were also charges of corruption and nepotism. Zhao was struggling. He went up to North Korea. He came back and then made his famous trip to Tiananmen Square, where he wept in front of the students. He seemed to know that he was through. Li Peng was getting ready to push him out of his job as Secretary General. The hard liners were beginning to move in, caricatured by this guy, Yuan Mu, who was Li Peng's "hatchet man" with the university students. He was a much disliked man.

On the other hand there were people like Yan Ming Fu, who was tied in with the old, "Liberal Wing" of the Communist Party of China. There was another man, Bao Tong, who was very much a part of this group that was supporting liberalization. We sensed that there were struggles going on. Some of the reports were exaggerated. Some of the reports were that Chinese armies were fighting with each other. That turned out not to be true. It turned out that the 38th Army was less willing to shoot than the 27th Army, who were the real "knuckle draggers" and were ready to fight. They were a peasant army from Central/North China.

Then we got a sense that the Chinese students were talking to the military. There were two "crunch issues." The students had turned back Chinese "plain clothes" police who had been infiltrated into the student movement to undermine it. These guys were spotted immediately by the students. The students sat down, put flowers in their hair, and said to these police: "Go back home. You're not needed here." These guys then turned around and left the square. That was very humiliating for Deng Xiaoping. Then, of course, the big "Liberty Statue" was brought into the square.

That seemed to do it. And then some hoodlums threw paint at the picture of Mao Tse-tung. However, it's interesting. The students took those "vagabonds" who did this and "turned them in" to the authorities. In this series of incidents, the growing stridency of the student leaders and the splits in the top leadership were becoming very apparent. We sensed that events were beginning to accelerate, including the appearance of the so-called "Liberty Statue."

I had been writing daily telegrams to the Department of State, giving my views on the situation. On May 26, 1989, I said that a collision was coming. I reported that Deng Xiaoping was an "Old Testament" man. I said that he was not going to put up with this situation much longer and that he was going to "crack down" on the demonstrators.

Q: As an outsider, somebody watching the situation from afar, you know that any, responsible government does not usually allow something like this to "fester" for as long as the Chinese Government did. I keep wondering why it did so and for so long. Fairly early on, you either do a quick "crackdown" or you conclude that the lapse of time will give everyone a special dispensation. You say, "Yes, we're going to listen to these complaints and we're going to have a Joint Committee to hear them." However, finally, you have to "lance this boil," as it were. The agitation went on for so long a time. The equivalent in our Embassy of those who were once called 'Kremlinologists' in Russia must have tried to figure out who was where and why this or that was happening, and gone out and talked to people.

LILLEY: That was going on all the time. We had some very good people in the Embassy who spoke Chinese fluently, who were working with Chinese military people, with students, and with the opposition. There was no lack of reporting.

The reason that the Chinese communist leaders put up with this situation for so long is that the "old men" among them couldn't make up their minds. After Hu Yao Bang's death they tried to end the situation with a very tough article that appeared in "People's Daily." The article said: "This situation cannot continue." However, the top leadership tried to ignore what was happening. They called on the students, they brought them in, and they tried to reason with them. However, the Chinese communist leaders were arrogant, and the students said, in effect, "To hell with you." The Chinese leaders tried to send young people to talk to the students. They tried to do a number of things. They sent in plain clothesmen. They asked whether they could get the plain clothesmen to undermine the agitation. However, everything that they tried to do was clumsy and ineffective.

There were splits in the top leadership, and they just couldn't decide on what to do. Members of the Standing Committee of the Politburo were arguing with each other. We knew this. Some of these leaders were saying: "Don't use force!" Zhao and Qiao Shi were saying this, but they still had difficulties in making a decision. They couldn't decide until, finally, and almost in a fit of rage, Deng Xiaoping said: "This is the end! Hit them!" He said this on June 3, 1989, one day before the "crackdown."

Q: Were we receiving any reports about what Deng Xiaoping was up to during this time? Or was he sort of off to one side?

LILLEY: We weren't getting very much on Deng's attitude. In a crisis like this the Chinese communists tend to "hunker down." They "pull down the screen," as it were. I couldn't talk to any senior officials beyond the Foreign Ministry to establish contact with the top leadership. I tried to pass messages to them from President Bush. He wanted to talk to the top leaders on the phone. He wanted to send letters to them. The people in the Foreign Ministry said: "We'll handle this for you." There was no way that we could get through.

In South Korea the situation was very different. I could go to the Foreign Minister, and I was immediately passed on to the President. In this case, the top Chinese leaders "hunkered down." Nobody saw them.

Q: During this period did you feel that you were more or less "on your own"? Did you feel that Washington was aware of what was happening?

LILLEY: I think that Washington was a bit "overwhelmed" by this situation. I think that top American leaders tended to see it in slightly different terms. They saw it in terms of a "power struggle." I think that President Bush was told that Deng Xiaoping would probably not "crack down," although CIA Director Bob Gates claims that the Agency gave the President other advice. However, I don't know what it was. Bill Webster was, in fact, Director at that time.

Q: Regarding the letters that came from Washington, were they the usual thing? Where did the initiative come from?

LILLEY: The initiative came from Washington.

Q: Did we advise the Chinese not to use force?

LILLEY: Yes. That was in President Bush's message to Deng Xiaoping.

Q: What did you get in reply? Was it a sort of "Thank you very much" response?

LILLEY: I think that at one time I raised the situation with Li Peng, during my call on him. There were comments scrawled on the walls here and there saying: "Li Peng Xia Tai" [Li Peng, step down]. He was the target. In talking to him I quoted to him a

comment by John Hersey on demonstrations at Yale in the 1960s. Hersey said that Yale President Kingman Brewster commented: "If you lose your youth, no amount of crisis management will make much difference in the long run." I made some reference to this in talking to Li Peng, as I recall. Li Peng's response was: "No responsible government would ever tolerate that kind of disorder in the middle of its capital city." He said this when I called on him, perhaps two or three weeks before the Tiananmen crackdown. I reported this immediately to Washington.

Regarding the other Chinese communist leaders, I had a very cordial meeting with Yang Shang Kun, who was then the President of China. I used the old expression: "I'm coming back to my roots." He was very polite and nice. I met with Qian Qichen just before I went to Shanghai for the visit of the Seventh Fleet ships. I told him that I was going to Shanghai for this ship visit. I said that I thought that things were happening quickly and suggested that he should be very careful. I said that: "If you 'cross' the media, they'll attack you like mad dogs.'" I could see him smile, and that exchange turned out to be rather prophetic.

We passed on the message from President Bush: "Don't use force." We made other demarches. I suppose, in retrospect, that they could have been more forceful. We could have demanded to see Premier Li Peng and said: "Don't use force or we will do the following."

Q: This question is a little like the old question, "Who lost China?"

LILLEY: Well, we called the shot. We said that a crackdown would probably happen about three days before it actually did. I understand that message never got to President Bush. I determined later that it did not reach him. When President Bush queried me after the Tiananmen incident, he said that an old friend of mine came to call on him. He really wasn't much of a friend. This "old friend" said: "I told Jim Lilley that I had looked at the cables and said that there was going to be a big 'crackdown.'" President Bush sort of "twitted" me on this. I said: "Did you ever read this message I sent in on May 26, 1989?" He did not reply, and there was no further response from him.

Q: In the communist system, they always train you to look at things that happened earlier on during the Russian revolution and pre-revolutionary period. The conclusion was that every time they fired on a mob, it usually ended up badly for the rulers. Was this topic ever discussed with the Chinese?

LILLEY: No. If you look at the Chinese mentality regarding events like this, there was quite a bit of support for the students among the bureaucracy. Among officials at the Foreign Ministry and other government departments, the buses blocking the street, the disruption of traffic, and the upsets in the normal life of Beijing were truly disturbing events.

So the students had a lot of support, and many people joined them in the big demonstrations. However, there was a certain amount of irritation among the people at

the disruptions. I think that feeling was particularly strong in the countryside. The government said that these were "disorderly, elitist, student punks." The ordinary Chinese peasant wasn't "seized" with their cause. I think that some of the studies done in the countryside after the fact by Zweig, up at Tufts University, said that about 70 percent of the peasants were probably against the students. In urban areas support for the students was much higher.

I think that what particularly affected the mentality of the Chinese was: "Look, we went through the 'Cultural Revolution,' we went through the 'Great Leap Forward.' Millions of people died or were killed. We take casualties when we try to accomplish an important, political objective. If you're going to make an omelette, you have to break some eggs. This is the inevitable result." Hundreds of thousands of people were 'purged,' committed suicide, or were killed during the 'Cultural Revolution.'"

This so-called cultural-mob movement was on a mammoth scale and lasted 10 years. Nobody ever 'sanctioned' China. It was covered by the media, but it didn't cause any particular outrage. As I think Deng Xiaoping-ping himself was quoted as saying: "You do these things you have to do, and the Westerners forget. In the interest of law and order this has to be done."

The biggest fear in China is chaos. Historically, that is the bane of China. Those who reestablish order are considered to be, or can be, "heroic." However, I think that the Chinese leaders miscalculated. They did not know how to deal with the information revolution. They didn't understand. They didn't know what it would do to them to have representatives of the four major [TV] networks [in the United States] sitting there in China and covering this movement. You can't get up and tell fictional stories about what happened, because everybody actually saw it. The Chinese tried to do that. They said that it was no "big deal" and that nobody was killed in Tiananmen Square. They said that the people were attacking the People's Liberation Army and that the soldiers fired in self-defense. And, of course, they got the "horse laugh" around the world.

Q: When the crackdown came, what were you doing then?

LILLEY: I think that I had been out with the head of the SINOCHEM chief, Mr. Zheng. He invited our group out. We had people on watch all over Beijing and we were in constant touch with them. However, you didn't disrupt your schedule if you're going to deal with a very important Chinese official. So we went over to Diao Yu Tai on the other side of Beijing with Mr. Zheng. Then we came back through Tiananmen Square and saw the demonstrations firsthand building up. We went back to the Embassy and spent the whole night there, as events began to break.
We got excellent reports from our people in the hotel in western Beijing where the worst of the killings were taking place. The tanks came in and fired down the street and into the buildings. We had our observers at the Fu Xingmen Hotel. They were watching developments, and we sent their observations right into Washington.

Q: Did Washington get active? Did Washington officials play any role or was it mostly a

matter of your reporting what was happening?

LILLEY: At what point?

Q: When the crackdown came.

LILLEY: I think that officials in the Department of State were dealing with the Chinese Embassy in Washington and making their concerns felt. I think that they prepared letters for the top Chinese leadership, expressing our concern about the use of force in Beijing. I think that they were meeting to discuss the events. I didn't get much reflection of what they were doing, except for these other things that I have mentioned.

Q: At that point, when the crackdown came, and even before then, did you more or less feel that a wholly different Chinese-American relationship was developing? What did we do after the crackdown?

LILLEY: After it happened, the major focus was on the evacuation of American citizens and getting them out of China. First, this evacuation was voluntary for our embassy people, and then it was "involuntary." Then, of course, there was the matter of dissidents, who came to the Embassy and asked for refuge. That was a major consideration which happened after the events.

Then it was a matter of getting the Americans out voluntarily, but few volunteered to leave. I think that around June 7, 1989, evacuation became mandatory when the Chinese forces fired at the diplomatic compound.

Q: Who fired?

LILLEY: Troops of the 38th Army. They were moving down what they called Jianguomenwai on the East side of the city. As they left, they sprayed bullets at the Diplomatic Compound. They claimed afterwards that they were trying to get a "sniper" off the top of the roof. Actually, this was a ridiculous claim, and we knew it.

At the time that the firing broke out, we were having a meeting. Some of the people in the Embassy became quite hysterical. Then a message came in from Washington ordering all dependents to leave Beijing. We also had to go out and try to get the students out of the universities and assemble the dependents of American businessmen and tourists. We began to get them out, and this effort turned into a real "mess." The press got on to this story and gave us a very hard time. People complained. This was really a very chaotic period for us.

At first, many of the American students didn't want to leave. We had to send caravans out to get them. Some refused to leave. Then they changed their mind and decided that they wanted to leave after all. It turned out that some of them said that they didn't have any money. We had to get funds for them. There were all sorts of calls coming in from all over the world, perhaps 2,000 telephone calls a day coming through the main

switchboard.

Chinese who had been in China for 20 years suddenly decided that they wanted to leave. They said that they were American citizens and showed us their passports. Then they started saying: "I'm taking my grandchildren out." They were obviously getting their grandchildren into the States, using the riots as an excuse. If we turned them down, they'd go right to an ABC correspondent and say: "That cruel Consular Officer refused to get us out." Things were just exploding.

We also had people in tourist groups coming into Beijing who wanted to get out of China. The question came up: "Should we charter planes? If we can find planes, will the Chinese allow chartered planes in?" Should we coordinate with the Canadian and other Embassies to get these people out? It was a chaotic period. We were aswarm with people all over the Embassy office building. There were students camping out and complaining. There were calls coming in from the States with someone asking: "Where's my son, Johnny? He's disappeared." He would turn out to be in a town 50 miles away in the U.S. from where the call was made.

And Washington was having meetings. They would get bulletins out and instruct us: "Get these people out right away. It's essential for us to do this. Get chartered planes in." The idea was to fill these planes up, and out they would go. Then the Chinese wouldn't let the chartered planes in. We had to negotiate this matter. We had to get the people in to the Embassy, arrange for them to get some money, and then get them on the plane. We had to use cars, trucks, and buses. Believe me, it was a chaotic situation.

Q: Were the Chinese authorities asking you: "What's the problem?"

LILLEY: The Chinese said that there were an awful lot of Americans. Some of the Americans would tell us: "I don't feel at all threatened here. Why are you making me leave?" I can tell you that some of the American dependents were very hard to handle. The Chinese authorities were saying: "Well, we just took a few shots at a 'sniper' when shots were fired at the embassy's diplomatic compound. What's the 'big deal'? Why are you pulling out? Why did you put out a 'travel advisory' suggesting that Americans leave? This is a 'safe' country. There are no bodies in Tiananmen Square. You're exaggerating this situation." We talked to the authorities about the situation, but our people back in Washington insisted on an evacuation.

Eventually, we got everybody out. Not a single American was hurt. Every American got out of China who wanted to get out. However, there was an awful lot of unhappiness. I can tell you that.

Q: Was the thrust for evacuation coming from Washington to get everybody out?

LILLEY: Yes.

Q: We ran into a similar situation at various times during the trouble in the Middle East.

The Department seems to call for evacuation before the people "on the ground" feel that it is time to do so.

LILLEY: As you well know, I think that Washington, at a time like this, tries to "micro-manage" a situation. They begin to have meetings in Washington. Somebody at one of these meetings wants to know how many planes are available, how many people can be transported on each one, when are they going out, and so forth. Of course, in a chaotic situation, you can't do that. First we had the Embassy set up "convoys" to go out and pick up people. Finally, Jack Leide, the Defense Attache, came to me and said: "You know, the civilians can't handle this evacuation. I've got colonels who can do it." I said: "Okay." I took this job away from the Embassy Officers and gave it to the Military Attaches, and they did a much better job.

Q: Oh, I'm sure they did.

LILLEY: The Defense Attache Office had a guy named Larry Wortzel, who was a real "street man." He was down to earth and spoke Chinese well. Actually, he got a tip off from a Chinese contact that the Chinese Army was going to begin firing at the Diplomatic Compound. We got some people out ahead of it.

The word wasn't gotten out in time to get more people out. Bullets came ricocheting through my old apartment on the seventh floor. There were two small kids in the apartment. The amah threw them on the floor to protect them, and the bullets barely missed them.

Q: You're talking about missing them by a foot and a half. Was this firing done by troops from the 38th Army?

LILLEY: Yes. They were pulling out of Beijing.

Q: We knew that they were going to do this.

LILLEY: We had indications that this was going to happen. We saw armed people going into the building across the street from our Diplomatic Compound. We didn't know what that meant. Later we got a "tip off" that something might happen.

Q: Was this a "message" that the 38th Army was sending you, or was this a "rogue army?"

LILLEY: No, I think that this firing was a calculated move. The Chinese had an old expression: "Guan men da gou" [close the door and beat the dog]. They wanted to get the foreigners out of the diplomatic compound, to the extent possible, so that they could straighten this situation out in their own way. They pulled the plug on the CNN correspondents, they wanted all of the foreign correspondents to leave, and they beat up some of them and threw them in jail. They wanted to handle this situation their way and to lower the foreign presence. I was quite sure that this decision was coming from higher

authorities.
Q: What about the Chinese students? I mean in particular those who were seeking asylum.

LILLEY: Well, Fang Lizhi was the only one who did this. I think that one other dissident tried to get into the Embassy, but we talked him out of it. As you know, an Embassy is supposed to take these people in and say to them: "Seeking refuge from us is not the answer to your problem. If you do this, it will complicate our relationship with you and your country." We are obliged by Foreign Service Regulations to make that explanation to an asylum seeker. However, in the case of Fang, we initially convinced him to leave the Embassy. He went to the Jianguo Hotel, with, I believe, the Time magazine correspondent and a U.S. college professor. We reported this and then were given instructions from Washington to go out and bring Fang and his wife back into the Embassy.

Q: I'm surprised that you didn't get a bunch of Chinese students, sitting in the Embassy, like the Pentecostals in the Embassy in Moscow.

LILLEY: Well, they didn't do that. There were Chinese guards out there to keep them from seeking refuge in the Embassy.

Q: What about other Embassies? Were we...

LILLEY: We kept in close touch with the Australians, British, and Canadians.

Q: Were they doing the same thing as we were doing, as far as getting their people out?

LILLEY: Yes.

Q: So it was not a matter of our being out in front.
LILLEY: The Japanese Embassy handled this matter in the best and the quickest way.

Q: But in Beijing there was real concern that the situation might get worse?

LILLEY: We were concerned that it might get worse, in the sense that the situation might break down into civil war. But nobody was sure what was going to happen.

Q: First of all, you had to stop all of the commercial activity of the Embassy. At the time, did you see these disorders as a "temporary blip" or...

LILLEY: No, I think that as time went on it began to look more and more serious, in terms of the way the situation was being handled by the media and Congress in the United States. There were strong condemnations of Beijing's attitude. We reported on the number of deaths. We had very good reporting officers in Tiananmen Square. Jim Huskey, for instance, visited the hospitals and made the initial casualty assessments. Other people talked with Chinese to find out what was happening. It looked as if it was

going to be a "bad, bad show." The initial official denials by the Beijing authorities were transparently false. The Chinese attitude of "hunkering down," refusing to see anybody, and being obstructive to our efforts to get things done were matters of concern. The authorities became hostile. They claimed that this was a "bad rap" on them. You could see the situation building up.

Then, of course, what really began to tilt the situation is that they put some of these kids on television. The police had shaved their heads and tied their hands and arms behind their backs. They appeared to be in the course of being led off to execution. Oh, boy, that played right into this hostility against the Chinese government.

I think that was one of the things that inspired the original trip to China by National Security Adviser Brent Scowcroft, because President Bush felt that he couldn't sustain the Chinese-American relationship if the Chinese kept doing these things.

Q: When was the Scowcroft trip?

LILLEY: In late June, 1989.

Q: Was this trip at President Bush's initiative?

LILLEY: I think so. I went back to the States around this time. I was called back and instructed to make it a secret trip. I did as well as I could to make this trip secret, having been trained in that sort of thing. I sort of got away with it. I said that I was going to see my wife, who had been evacuated, along with all of the other dependents. I think that she left Beijing on June 9, 1989, and went up to South Korea. That was my cover story, but I flew to Washington. I was called to the White House and told: "If the Chinese authorities don't do something about this, we don't think that we can save the Chinese-American relationship. We're going to send Brent Scowcroft over, along with Ambassador Larry Eagleburger." Eagleburger never liked this idea. I give him credit for this. He didn't like it.

Eagleburger talked to Brent Scowcroft and thought that he should use his own judgement. Secretary of State James Baker stood aside.

Q: That's interesting. It has happened a number of times. Usually, Secretary Baker has been the guy with his 'fingerprints' all over what happens.

LILLEY: Baker saw this situation as a "real turkey." He thought that it was going to turn "nasty" and he was right. There was a meeting in the Oval Office of the President, which I joined shortly after I arrived in Washington. They asked me: "What do you think of these executions? Do you think that we can get them to stop doing this?" I said: "If we intervene publicly, they'll shoot them privately. You won't save these students' lives but you may reduce the pressure on the Chinese-American relationship."

Then a "leading American," and, of course I won't say who it was, said: "You know,

Taiwan has 'bought into' this Fang Lizhi and his wife," sort of hinting that Taiwan was at fault. This is typical of what Americans do. I said: "Look, if you want to get into whom Taiwan has 'bought off' in the Chinese Government, you'll find that they have 'bought off' many of the senior officials, including provincial leaders and all kinds of other people."

I felt that Washington had basically a good idea. They wanted to go to the Chinese Government and say: "Look, we want to preserve the Chinese-American strategic long-term relationship. However, we can't do it unless you begin to give us some ammunition. Cut these damned 'show trials' out and begin to treat these people better." I think that turned out to be the essence of the message which Scowcroft brought to China on this occasion. President Bush said to Brent Scowcroft: "Even if you can't get at the top Chinese leadership, I'm going to send you out anyway. But be sure that you try to get to Deng Xiaoping. And he added to me: "You're not going with him. You're immune from this."

Q: There was a feeling that this connection was to be given no publicity. You were to be separated from this. I'm surprised at this. Why wouldn't a mission be given instructions to tell Deng Xiaoping this or that and have this be announced publicly? It could be announced, with the comment that "We're sending a representative out because..."

LILLEY: Because the administration had announced that we were not having any high level exchanges with the Chinese as part of the sanctions we had applied to China since the Tiananmen incident.

Q: That sounds like, "don't just stand there, do something." You talk about the decision to have no "high level" exchanges with China...

LILLEY: That gives you almost a "Clintonesque" approach, you see. Technically, these were not "exchanges." They were "visits." Obviously, this distinction didn't work, because once it became public knowledge, we were "savaged" regarding it. I think that Larry Eagleburger "smelled" this coming.

Q: Did Scowcroft's meeting with Deng Xiaoping have any effect?

LILLEY: I think that the Chinese started to handle this matter more quietly. They began to move back and avoided being as publicly vindictive against these students as they had been. Meanwhile, a lot of the student leadership had disappeared from sight. The Australians had somebody in their Embassy, seeking asylum. This never "leaked" to the press. By contrast, Marlin Fitzwater [President Bush's press spokesman] spoke publicly about the application of Fang for refuge at the American Embassy in Beijing, at a press conference two days after Fang had entered the Embassy. Then it all came out. The Chinese government claimed that I was harboring a criminal, violating Chinese law, interfering in Chinese internal affairs, and all of that sort of thing.

Somewhat later, we got a hint that the Chinese might enter the Embassy and arrest Fang using a SWAT [Special Weapons and Tactics] Team. We made a demarche in

Washington right away, saying that if they did this, that would be "it" as far as Chinese-American relations were concerned.

I think that by this time we began to get more control over the situation. We had evacuated our women and children. We were presenting demarches on stopping the public executions and insisting that they send in no SWAT teams to the American Embassy. We made it clear that we weren't going to turn Fang back to the Chinese, because he was on their black list and they might shoot him.

Q: Did communications between the Embassy and the Chinese Government sort of cease, or were you able to get an impression that there had been another Chinese coup d'etat, another takeover by the "hard liners?"

LILLEY: No. It was pretty much the same team in the Chinese Government. The only people who were "missing" were Zhao [former Chinese Premier] and his group. Some of them were arrested, and some of them fled. Zhao was placed under house arrest. Otherwise, the same team was in office: the same President, the same Premier, the same Vice Premiers, the same Foreign Minister, the same guy behind the scenes, Deng Xiaoping. We were dealing essentially with the same team, except that Zhao and his group were gone.

Q: Was any thought given to withdrawing you as Ambassador to China?

LILLEY: Yes, some people back here in Washington spoke about this. In Congress, of course, it was immediately proposed that I be pulled out. However, President Bush said: "No, Ambassador Lilley is going to remain as Ambassador to China. We need a representative in Beijing at this time."

Q: It always strikes me that when relations get bad between two countries, there is someone to advocate pulling out our Ambassador. However, this is the stupidest thing that you can do. This is long established diplomatic practice, but...

LILLEY: I think that President Bush saw that right away. He made it clear that he wasn't about to do that. Some members of Congress from the Democratic Party were using this issue to "bash" President Bush with. The phrase commonly used was: "Send them a signal" by withdrawing our Ambassador. President Bush made it clear that he wasn't going to do that.

We had imposed sanctions on China, including freezing military relationships, halting sales of military equipment. OPIC [Overseas Private Investment Corporation] and TDP [Trade Development Program] funds were frozen. High level visits were stopped. We prevented China from getting any loans from international financial institutions. That was something that really hurt them.

Q: Did that last throughout the time that you were in Beijing?

LILLEY: Yes. That was one of the major bones of contention with China. It was part of

the bargain involved in lifting martial law, granting amnesty, and getting Fang out of China. We made it clear that we would gradually support the "Third Yen Loan" package between China and Japan, which was just coming up during the summer of 1990, and a gradual lifting of our opposition to the granting of World Bank loans to China for humanitarian reasons. That was the greatest leverage we had on China, it turned out.

Q: When did that take place?

LILLEY: I think that the move toward the Chinese was probably made in December, 1989, when Brent Scowcroft and Larry Eagleburger came out to Beijing. Larry laid out a road map in terms of what we needed from the Chinese and what we were prepared to do. It was a very "sensible" road map. I think that the Chinese took that on board and, basically, it worked. We made it clear that we would gradually lift our objections to the extension of international financial institution loans. At the same time, the Japanese would proceed on the "Third Yen Loan" package, which was a separate matter. We said that we would look into some kind of restoration of the Chinese-American military relationship. They, in turn, would release several hundred prisoners, they would release Fang, and they would lift martial law in Beijing and Tibet, all of which they did.

Q: This sounds as if it was strictly the United States trying to tell China what to do. Normally, the "Central Kingdom" doesn't respond well to this kind of treatment. Did we sort of represent the "other world...?"

LILLEY: I think that Larry Eagleburger handled it very well. He said that we have an old saying in the United States, "Good cop, bad cop." Now, Brent Scowcroft was supposed to be the "good cop." He wanted the strategic relationship continued. He would say that China and the U.S. have interests in common. There was the war in Afghanistan, and a lot of other things happening. There was the Cambodian problem, which was being solved. We still had common problems with Russia, with the Soviet Union. We had to continue our relationship. Larry Eagleburger said: "I'm telling you that we have to make some concrete moves. We have to move on certain things and we are prepared to move on our side."

Unfortunately, the Treasury Department didn't get the 'word.' So when they went to a World Bank meeting in Paris in February, 1990, the Treasury representative said: "No more loans for China." The Chinese heard about that and came roaring in to complain to me. They were furious. They shook their fists and declared: "You said that you would begin to lift your restrictions on World Bank loans." Well, I think that we turned that around and began to parcel out loans for humanitarian reasons. The Chinese were really "hooked" on these World Bank loans. They are the largest recipient of such loans: $2.0-$3.0 billion a year. These loans were very important to China. The Japanese Yen Loan package amounted to $5.6 billion.

We knew, when the Chinese sent the head of their State Planning Commission to Japan in January, 1990, that he really needed this money. They were not pulling punches about where they really were hurting. They were going into a "retrenchment" campaign. They

hit hard against capitalist tendencies. They wanted to close down their rural credit program and "Stop this business of urban construction." Boy, did that have an impact on them! Li Peng didn't like the village controlled enterprises because they smacked of capitalism. So we said: "Pull back the credits." The Chinese Minister of Agriculture told him quite frankly: "If you do that, we won't have 200,000 people in Tiananmen Square. We'll have two million people there, including peasants! This is wrong! You're cutting down on urban construction while you're forcing people out of work in rural areas to come into the cities by lifting rural credit."

Well, the Chinese were doing some questionable things. As you know, Deng Xiaoping reversed this in February, 1992, after I left China. He made his great southern trip. He reacted slowly to the situation. However, the Chinese Government was running into some real problems. I went to Harbin in Manchuria, and the Mayor told me: "I've got 25 percent of the people unemployed in my city. Urban construction activity has been frozen, and I have these peasants coming in from the countryside. We're losing enterprises."

I made a speech in Hong Kong in November, 1989, and laid it out to the Chinese. I said that the Chinese were imposing sanctions on themselves. This speech was basically drafted by Jim LaRocco, my Economic Counselor. He's now U.S. Ambassador to Kuwait. A hell of a good guy. Actually, I got him a job as the equivalent of the DCM [Deputy Chief of Mission] in Taipeh, after he left Beijing. Stan Brooks thought that Jim was terrific, and he went on to get other good jobs.

Then I met Henry Kissinger in Hong Kong. I had gone down there to address the Asia Society meeting. Henry and former President Nixon both came over to China in the fall of 1989. They had been encouraged by the Bush administration to talk to the Chinese Government at the highest level and to indicate that we wanted to get this relationship moving again.

I had a long talk with Henry Kissinger down in Hong Kong. He invited me to his reception, but Henry doesn't invite you to his "one on one" meetings. [Laughter] He used to take Winston Lord to some of these meetings, because Winston was his man. Anyway, Henry and I had a long talk, and I think that we got along.

I was really very impressed with President Nixon, when he came out to China on this occasion. I thought that he really showed that shrewd diplomatic and political skill that he has. He came up to Beijing in November, 1989. We had a dinner party for him. Nixon laid it on the Chinese. He said to them: "Look, you've done something that's caused us real pain. I'm a friend of yours, and I'm telling you this as a friend. We've got one hell of a problem, and this is felt across the board in the U.S." The Chinese said: "Oh, no, only 24 nations sanction us, 120 nations don't, and we don't know why you're making such a big deal about it." Nixon said: "No, I'm talking to you in terms of reality." He said: "The other reality that I don't like is seeing my Embassy surrounded by Chinese troops with automatic weapons." He said: "I never liked that." And they were gone the next day, though they came back a week later, after he left China.

I think that President Nixon really got to the Chinese. He spoke to them as a friend, expressing deep concern. He visited Beijing in November, and then Larry Eagleburger and Brent Scowcroft came in December, 1989. Then we started re-negotiating on getting Fang out of our embassy. We began to see World Bank loans trickling into China. We saw the Chinese lift martial law in March, 1990. Of course, they could not do this in direct response to us. They did it because it was the right thing. If you make a suggestion in December, they may do something in the following March. That is, after a decent interval. It had to appear to be at their own initiative.

Q: Were you running across problems with both the American press and Congress? Did anyone from Congress come to Beijing at this time?

LILLEY: No. Only one person came out, and that was former Senator Warren Rudman. I think that President Bush sent him out. He was a lieutenant in the Army during the Korean War and fought against the Chinese.

Q: Rudman had been a Senator from New Hampshire.

LILLEY: He came to China and met some of his Chinese military "buddies" who had fought in the Korean War. He talked frankly with them. He later talked with us and said: "Listen, I tried to reach the Chinese military and tell them that, although we'd fought each other, it was now important that we deal with each other. The sanctions were an inevitable part of what had happened at Tiananmen Square. We had to impose them, because the pressure to do so in the United States was too great." He said that in the meetings he had with them he had gotten a very "sterile" lecture from the Chinese. He said that the Chinese were very defensive.

The American businessmen who came to China at this time got the same kind of lectures. The Chinese had sort of "hunkered down."

Q: Was there much in the way of business activity during the time you were there?

LILLEY: I think what we tried to do then was to keep the Boeing deals going. Boeing had big sales in China. Somebody had said: "You've got to take the 'black boxes' out of the airplanes because they have military applications. You have to store them in Hong Kong and have the planes pick them up there later on. They can't remain in the airplanes in China, because the Chinese might steal them and so get advanced technology."

Q: These are the "crash boxes" which record critical aspects of aircraft performance. They are used mainly after a crash of an aircraft to determine what went wrong.

LILLEY: These were guidance systems. I think that we really scored points with CAAC [Civil Airways Corporation of China]. They very much appreciated the fact that we had kept their Boeing aircraft flying and kept the equipment there in Beijing, to the extent possible. Also, the other thing that we did was to move ahead with the sale of satellites.

That has become more controversial since then, but at the time, if the Chinese made one pitch to me, it was on the Boeing's and satellites. They said that they had kept them going and they needed our help badly. They said that they were American aircraft. They had bought them from us, paying cash. They said that these sales were good for the United States and that they were not military equipment.

The second thing was the satellite launchings of the "Long March" rocket. This was a new satellite, which was important for Chinese national prestige and for commercial purposes. There were 24 transponders involved in this system, covering the area from the Indian Ocean to Hawaii. They could be used by anybody who had the money. The Chinese said that they had sold the space and they asked us not to delay delivery of equipment related to this system. Secretary of State Baker got together with Brent Scowcroft [National Security Adviser to President Bush], and they decided to approve the necessary waivers to allow this system to go forward.

The Chinese had mixed attitudes on this. When I went down to the launching of the Hughes satellites associated with the "Long March" satellites on April 7, 1990, near Xi Chang in western China, the Chinese flew us down in one of their planes. The Minister of Aeronautics, Lin Zong Tang sat next to me. He was a very nice guy and really benefitted from this.

There also were Chinese hardliners there, and they didn't know quite how to treat me. On the one hand, I had this dissident in the Embassy, and they were furious about this. On the other hand, we had entered into this deal with them, so it was sort of a sweet and sour mix. Well, they evidently decided that they were going to put me at the second ranking table. They said that I could make a short speech. They were playing their little games, but I could see that they were having arguments among themselves.
Li Kahsing, a big Hong Kong billionaire, had an investment in this satellite, which was launched perfectly. It went up, went into orbit in space, and the transponders went on. One of the justifications for this program was that we were bringing the outside world to China. We thought that this was important for the whole business of "opening China up." This was also a national prestige item for China. I think that basically the Chinese people benefitted. We had very tight controls on this project. We had observers with them the whole time, watching everything that they did. The one type of technology that they really needed was that which covered the detachment of the nose cone from the rocket. This is a very tricky thing. We worked with them on that. It was all under tight control, with the U.S. military watching every step of the way. So I would say that this project worked, in a commercial sense and we protected security of our sensitive systems.

Then I flew out to Tibet in 1991 on a Boeing Aircraft Company plane. That was to convince the Chinese that in a two-engine plane, with one engine "out," they could still land in Lhasa [capital of Tibet, at an altitude of some 15,000 feet]. This flight proved that, even with the Ambassador on board, if one engine went out, it could still land successfully. This aircraft was a new Boeing 757, which Boeing was trying to sell to the Chinese.

Then, as relations loosened up, we tried to get AT&T back into China. They were out of favor with the Chinese at the time. We made demarches to the Chinese to admit AT&T to this market, including switching systems for central China.

There were other American business firms that we were trying to help along. We had a very good relationship with the American business community, whose representatives in China we met with frequently. We talked with them. We had a good Commercial Counselor in the Embassy, in fact, Tim Stratford. He had been educated at Harvard Law and was a Mormon. I think that the commercial relationship between the U.S. and China recovered pretty well.

The military relationship turned sour. We had to suspend that, and there was nothing that we could do. They really got angry about that.

Q: What about student exchanges? In a way, they are part of the future of China, because so many Chinese students have come to the U.S. to study.

LILLEY: The Fulbright Program was put on hold. Official programs, including the USIV [United States International Visitors] program, were put on hold. China had the largest IV [international visitors] program in the world in 1989, and it disappeared in 1990.

As you know, we offered political asylum to the Chinese students in the United States. Congresswoman Nancy Pelosi [Democrat, California] introduced legislation to this effect, but President Bush accomplished it by Executive Order. The Chinese Government people weren't pleased at all about that. However, Chinese students kept coming in to the Embassy and applying to go to the States. It became more difficult for them to get permission to leave China. I know of only one case, involving a kid who was going to Harvard for training in museum art. We didn't think that was controversial at all, but the Chinese Government tried to block it, because he had been politically incorrect during the Tiananmen affair. My wife became very much involved in this case. He was a wonderful young man and we helped get him to Harvard.

The Chinese students were desperate to get out of China. The United States was very popular with them at this point. We had people trying to get into the Embassy compound and who virtually besieged me. Then we had one kid slash his wrists outside the Consular Section, because he was turned down for a student visa to go to the United States. You know what the three criteria for obtaining a student visa are. That is, you have to have the money to pay your costs in the U.S., you have to have the academic qualification, and you have to show that you're going to return to China. The Consular Officers were faced with a dilemma.

Q: I've been a Consular Officer.

LILLEY: We were pretty liberal about giving visas to students to go to the United States.

Q: I imagine that, as a matter of policy, you sort of say to yourself: "Let's not be too tough on these visa applicants."

LILLEY: By and large we were trying to help these students as much as we could. It was tricky. The Consulate General in Shanghai had a very high rate of visa refusals, because it was very apparent that these applicants for student visas were going to go to the U.S., stay there, and bring their families in. This was part of a long-range plan that they had.

Q: Did you find that the "Communications Revolution" was beginning to have a big impact? I'm talking about telephones, satellites, the Internet, computers, and all of that. Was that making much of an inroad at that point?

LILLEY: I think that it was, particularly the use of faxes. The Chinese tried to keep that confined to the foreigners and diplomats. However, the Chinese in China were getting access to faxes one way or the other. In short, the word was getting through to China. Television broadcasts from Hong Kong and Taiwan were getting through to the coastal provinces of China. CNN was getting into all of the hotels. Other people were tapping into it illegally.

The Chinese authorities tried to do certain things. They tried to ban certain newspapers, such as The Asian Wall Street Journal and The International Herald-Tribune. These papers would quickly be snatched off the newsstands. The authorities would say: "You can't read this crap." Then, three weeks later, these American newspapers would be on the newsstands again.

I remember that I offered to buy a helical antenna for Fu Dan University in Shanghai. The Chinese authorities looked at me and said: "We don't think that this is a judicious time for you to do that, but you can give the university a year's subscription to the International Herald-Tribune." So I bought that for them. Even so, that was censored. However, they weren't ready to accept an antenna to receive TV.

It was a mixed time. I think that our Consulates General in Shanghai and Guangzhou [Canton] had many fewer restrictions than we did in the Embassy. Until Fang left China in June, 1990, we were really restricted. People wouldn't come and see us. We had armed guards all around us. This kind of surveillance was lifted in June, 1990. Then, gradually, things began to open up more broadly. We began to see more people, I got out to visit people in one or two private houses, I took a lot of trips, and that was the way we got a feel for China. We took trips and put our impressions down on paper about the new, potential leadership that was emerging. What different attitudes they had. The people we met were achievement oriented, mostly college-educated, and really pragmatic people who were coming up in the new leadership. We met fewer and fewer of the old Communist Party cadre types in the government.

I had a chance to meet people like Zhu Rongji, the Deputy Premier. I had a couple of sessions with Jiang Zemin. I didn't see that much of Li Peng. Then we got very much involved in "Desert Storm" [war in the Persian Gulf], starting in January of 1991. That involved dealing with the UN, and we were trying to persuade China to "go along" with sanctions against Iraq and the resolution on the use of force. We spent quite a bit of time on that. We also spent quite a bit of time on Cambodia. Assistant Secretary of State for

East Asian Affairs Dick Solomon came out to China. We wanted to get the Chinese to "come on board" on a solution to the Cambodian situation.

We were moving ahead on all of these things. The Chinese were quite supportive on "Desert Storm." People may not realize that.
Q: They don't.

LILLEY: The Chinese voted for the resolution on sanctions against Iraq, and they helped on Cambodia in the UN Security Council. And on Afghanistan also. That situation was still going strong. I took some exception to Afghanistan support. I didn't see that we should be buying arms from the Chinese to supply the Afghans. I said: "This doesn't make any sense. It goes against our sanctions." However, I was instructed to do that, since the war in Afghanistan was too important for us.

Q: What about Tibet? How did we treat Tibet?

LILLEY: At that time, just before 1989, there was an outbreak of riots in Tibet, which some of the British television crews picked up. There was some brutal Chinese treatment of Tibetans. Tibet at that time was pretty well "closed off" from the rest of the world. Some Scandinavians got into Tibet, but the Chinese didn't want outsiders to go there. I didn't get there until April, 1991, when we were able to make a four-day trip there. We made a visit to Drapchi Prison. We got in a visit to the countryside and met with various Tibetan leaders. We had a chance to talk with some Americans who were teaching in Tibet. The French medical missionary group, "Medecins sans frontières" [Doctors Without Borders], had people working in Tibet. We were able to take a pretty good pulse reading on what was happening.

Q: Did we officially press the Chinese to do anything about Tibet at that time?

LILLEY: Not much.

Q: In other words, looking at our time problem...

LILLEY: I have something at the Nixon Center at noon.
Q: Okay. Maybe this would be a good time to close this for now. You left China in...

LILLEY: May, 1991. Stape Roy had been named as my successor. I had recommended him for the job. He was a good choice to be Ambassador to China. I had spent two years in China and I think that Secretary of State Jim Baker accepted this. I didn't want to stay longer than two years.

Q: When you left China, what did you think of the direction in which China was going?

LILLEY: I had a sense that things were moving better. The Chinese were defensive, and we got a surprisingly good deal on concluding the F-8 aircraft avionics deal. We were holding in the States all of the equipment which they wanted and had paid for. We had

frozen the program. We demanded payments from the Chinese to keep it going. They made two payments and then they said: "That's it." So they canceled this program, and we didn't have to pay any penalty.

We eventually resolved that matter when I went back to the Defense Department. On other matters, on the mutual property holdings in the States and of our Consulates in China, we got a very good deal. We made a start on an agreement on intellectual property rights. We negotiated a memorandum of understanding on that. We got the education agreement extended. The Johns Hopkins-Nanjing Agreement was extended. Some of these deals, over property, we had been looking at for years. We finally reached agreement on them. They bought it.

We got the Consulate in Chengdu fixed up. It was previously a very asymmetrical situation. The Chinese did what they wanted to do here in the States, and we remained under very tight controls there in China. We said that there had to be more "reciprocity" in this matter, and we ultimately got it.

Back here in the U.S. I decided that I had to deal with the poisonous environment in Congress regarding China. I had never realized how ugly the mood was in Congress and in the media about China. It was shocking to me.

Q: China is a country that we like to beat up on. We either get infatuated with that country or we beat up on it. It's a problem for the American psyche.

LILLEY: In large part the atmosphere was becoming very partisan. George Mitchell [former Republican Senator from Maine and majority leader of the Senate] was just giving President George Bush "fits."

Q: Now the shoe's on the other foot.

LILLEY: Yes. The situation then was rough. I tried to work on it. I said to Secretary of State Jim Baker: "Let me talk to Senator Mitchell." However, Baker wasn't terribly enthusiastic about that. I went over to Capitol Hill and talked to about 16 or 19 members of Congress, lobbying for an extension of "Most Favored Nation" treatment of China. I think that we persuaded two of these members to go from a negative vote on this issue to "abstaining." However, I really got a flavor of how people felt on this issue in Congress. I don't think that the Bush administration had done that good a job in explaining what we were trying to do.

Q: It's a difficult issue anyway, because for some reason or another, Congress blows "hot" or "cold" on China. It's been like that for a very long time, almost from the beginning of our relations with that country.

LILLEY: In 1991 Congress was very "cold" on China. Even when relations were fairly "good," the attitudes in Congress were still "bad." It was very disappointing. Then, of course, I left Government service in June, 1991, and went on to Harvard for a semester. I

came back and went to work for the Defense Department.

Q: I think that this is a good time to stop.

LILLEY: Yes. I'd better run now.

End of interview