

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

DONALD R. SHERK

*Interviewed by: Charles Stuart Kennedy
Initial interview date: December 11, 2006
Copyright 2020 ADST*

[Note: This interview was not edited by Mr. Sherk.]

Q: Today is December 11, 2006. This is an interview with Donald R. Sherk. This is being done on behalf of the Association for Diplomatic Studies and Training. I am Charles Stuart Kennedy. So to begin with, I wonder Don, could you tell me when and where you were born and a little about where did you grow up.

SHERK: I was born in Ida Grove, Iowa, in January of 1936. Ida Grove is located in the extreme western portion of Iowa.

Q: We'll talk about the area, but first let's talk about on your father's side. What do you know about what your father was up to and the Sherk family; where do they come from?

SHERK: Well, the Sherks primarily trace their roots back to Germany. They came over to this country probably about five generations ago. My mother's side has similar longevity in the U.S. but from Ireland. I have both Scotch and Irish extending on my mother's side, and German on my father's side.

Q: What were their backgrounds, occupations, farmers?

SHERK: No, no, on my mother's side, I am very proud of my roots. My grandfather was a lawyer. Back in the days that he was a student you didn't go to law school, you read law in a lawyer's office. He did very well and then got into politics. He became a state senator in Iowa and had a leadership role in the Iowa Senate. One small footnote - when he retired, the state had the tradition of awarding the retiring senator with their chair that they sat in during the sessions. This chair has been handed down in my family and is now my own chair, and I will save it for my son.

Q: What was the political affiliation of your grandfather?

SHERK: Democrat. He was a good Democrat. Somehow my mother and father strayed away and became Republicans. But, true to my grandfather's roots, I return the family to the democratic fold, I am proud to say.

Q: When was your grandfather active in politics in Iowa?

SHERK: It would have been in the 1920s and early 1930s. Now, my family on the other side were farmers. I don't want in any way to deprecate their background and traditions. They were very successful farmers in the extreme northwest of Iowa.

Q: Well now, did your father and mother....what about education?

SHERK: They both went to the University of Iowa.

Q: What did your father do?

SHERK: Well, he started off in medicine, but flunked out. He tells people forthrightly that he flunked out. And then he went into insurance and was a successful insurance salesman all of his adult life.

Q: Your mother, was she a housewife, or did she have other....

SHERK: Well, when she married my father and had two boys to take care of, she became a housewife. But before that, she was an office manager. She had a degree in commerce from the University of Iowa and was heading up the Equitable Life of Iowa, which is an insurance company; heading up their office in Denver, Colorado at the time when she met my father.

Q: Did you grow up in Ida Grove?

SHERK: Yes, that's where I grew up.

Q: It sounds like something out of the musical The Music Man.

SHERK: It is very similar to The Music Man; what was the name of the play's town, River City? But that was based on Mason City where he actually did grow up....Meredith Wilson, he was from Mason City, Iowa.

Q: Tell me about Ida Grove. Did you grow up there?

SHERK: I grew up there, I was born there. I went to my preschool years, my elementary school, my junior high and high school.

Q: Okay, let's talk about what was Ida Grove....why was it there?

SHERK: Ida Grove was a town in which the economy catered to the farming families in the county. Had it not been for the success of the farming families, I am sure the town would have withered and died. But, as it was, it was a fairly prosperous little town. There was even some industry.

Q: Where did you view your family's position on an economic scale?

SHERK: Oh, I would say we were middle class. My father would regale us at the dinner table with stories about how hard it was to make it in the 1930s if you were selling life insurance, because it was one of the expenditures you could put off. I don't know, rather than get embarrassed, I have always been kind of proud of the fact that my father had some really rough times. He would tell us stories. For example, if he were out in the countryside working for a client, a potential customer, and if his car happened to run over a chicken, he would get out, look both ways, discover that he was not being observed, and would take that dead chicken and put it into the trunk of his car. We would have that chicken for dinner that night. Of course, when the Second World War came, the economy really picked up.

Q: At home, what was home life like? Did you sit around the table and talk about events, or was it more eat and run, or what?

SHERK: The evening meal was a very important part of our daily existence. I remember telling somebody that, unlike a lot of families where they would sit around with the kids and they would talk about what university or college they would aspire to, it never came up as a subject of conversation in my family. It was always assumed we would go to the University of Iowa in Iowa City just like my parents did and just like my grandfather did. My grandfather, by the way, was an excellent student at the University of Iowa. His class, which would have been 1880 or 1890, put a big boulder under which they put a metal box in which there was a lot of information about each of the graduating seniors. If you were to drive in Iowa City you would see this beautiful Grecian-style old capital building. In the front lawn would be three boulders, one of which was put there by my grandfather. They decided three was enough; they did not want the beautiful lawn strewn with many more boulders.

Q: As you are talking of Iowa, I envision picket fences, running down the streets, bicycling around, and that sort of thing...was that being a kid?

SHERK: Pretty much, but I don't recall much picket fences in my town. You didn't need a picket fence if you knew everybody, you trusted everybody, and you never locked your doors and things like that.

Q: Were you much of a reader?

SHERK: Sure, I think I was. I was blessed with some very good teachers that turned me on to various things. I had an English teacher that made sure we read Shakespeare.

Q: Did you enjoy school?

SHERK: Yes, and I did pretty well.

Q: Do you recall any of the books you were reading that grabbed you at the time you were a young boy?

SHERK: Anything with a sense of adventure in it, or anything about exploration, were ones that I would gravitate to.

Q: You went all the way up through high school?

SHERK: Except for the fact that between 1941 and 1943 my father was brought into the Army. He had a reserve officers commission and his job was to go from military base to military base and train soldiers, not sailors, but soldiers in how to detect poison gas; how to utilize a gas mask. During World War I gas was used and so our troops were prepared. The Defense Department, I guess at that time was the Department of War, they let him take his family. As a trainer, he was doing the training in the camps in the United States before the soldiers went overseas to fight. They let him take his family with him, so we traveled from 1941 to 1943; I was in 13 separate schools.

Q: Your father was obviously involved, but were you aware of the intensity of the war and the places in the war?

SHERK: Oh, probably more so than most kids because of my father who was an officer in the army.

Q: Back at home, by the time you got to junior high and high school, any subjects that you particularly enjoyed or didn't particularly enjoy?

SHERK: Well, I did very well in all my subjects. I think I graduated third in my class. I got a scholarship to the University of Iowa. I really loved athletics, quite frankly. Basketball, football, and track. All four years of my senior high experience, I earned a letter in all three sports: basketball, football and track.

Q: Was basketball a phenomenon as it was in Indiana and that area there?

SHERK: Almost, not quite...not the Hoosiers, but close.

Q: By the time you were in high school, was news important to you? Were you getting it from newspapers, television, radio or was it something you never....

SHERK: I remember we subscribed to Time magazine, and as soon as it arrived in the mail, I would devour it. I got a pretty good feel for contemporary events. We didn't get television until I was a senior in high school (1954).

Q: What was the paper there?

SHERK: The Des Moines Register, the paper of the state.

Q: Where did your family fall religious wise?

SHERK: We were Methodists.

Q: How Methodist were you?

SHERK: Church every Sunday; Sunday school when I was young that was it.

Q: You went to the University of Iowa from when to when?

SHERK: I got all my three degrees there. I went there in 1954 as a freshman; 1958 graduated with my bachelor's degree. Then 1958-1959 went to Australia on a Fulbright Scholarship. Came back because I had a graduate fellowship for my PhD. I stayed there from 1959-1963 when I got my PhD.

The Army said, "Now we are not going to give you any more delays, we are going to call you in for active duty." This was during the Vietnam period. I was called in, sent down to the Basic Infantry Officers Course in Fort Benning, Georgia. The Army didn't really know what to do with somebody that had a PhD. Then I was sent to Fort Gordon, Georgia, which was on the other side of Fort Benning.

Q: Military police?

SHERK: That's right.

Q: I know Larry Eagleburger, a friend of mine, who is a graduate of Fort Gordon.

SHERK: Oh, really? I've met Secretary Eagleburger. I met him in connection with my work at the African Development Bank.

You know how sometimes in life you get to take advantage of a lucky break? I was in the platoon formation just chatting while we waited for something. Chap Nixon was in the formation and I asked him where was he going after this basic course. He said he was going up to West Point and was going to teach the cadets political science. I remember saying to him, "By golly, you know I have a PhD in economics and am being sent to Fort Gordon, Georgia." And he remembered that. He then went up to West Point and he told me this later. He said, "When our boss was walking through the offices he said out loud, 'Where can I find an economist?'" My friend Wayne remembered that conversation we had several months earlier and said, "Well, I think there is one in Fort Gordon, Georgia that has his PhD in economics, just starting his Reserve Army obligation." That was it! The Colonel went back to his desk, called the Pentagon and found out where I was, what my identification number was, got on the phone - I was just coming in from a really tough day in the field - "Lieutenant Sherk, this is Colonel so-and-so from West Point. How would you like to spend the remainder of your military obligation here at West Point teaching cadets economics?" And I remember - I probably shouldn't have been so flippant - but I remember a smile across my face and said, "Colonel, would you give me about 60 seconds to think it over?" Man, I was up there like a shot!

Q: I just want to go back. How did you come to a focus on economics?

SHERK: Why economics? Somebody, and I don't remember who, gave me the advice that I didn't have to declare a major my first year in school, and what I would be wise to do would be to take two or three of the introductory courses. I followed that advice and I signed up for Introduction to Political Science, Introduction to Sociology, and Introduction to Economics. It was very easy for me to get an A in economics, and I said that must be telling me something. So I took it and I said, "Okay, economics is it," and I majored in economics.

Q: During the time that you majored in economics, which was from 1954-1958, how would you describe economics as you experienced it then as compared to now?

SHERK: At the present time, economics has become much more quantified. Indeed, I probably would have been scared off had I started graduate work in economics right now, because I never felt I was that good in econometrics and mathematics; but somehow I survived.

Q: You were at West Point from when to when?

SHERK: From 1963-1966.

Q: How did you find it then? This was a time when they were training young men that were going to end up in Vietnam.

SHERK: And a number were immediately killed.

Q: How did you find the spirit of West Point at that time?

SHERK: Well, I was just delighted to be a part of it. It had so much tradition, and I read several books about General McArthur and his days at West Point. So, no, I felt very fortunate. I had a few friends there that were good friends. I got to know a number of the other officers who were regular army officers; we became close. I did not have a high enough rank to warrant on-post housing, but that turned out to be a blessing in disguise because one of the nearest.....do you know West Point at all?

Q: Just very briefly visited there.

SHERK: Well, it is right on the Hudson River and one of the only towns that you could find housing in if you were teaching at West Point was a little town called Cornwall on Hudson. I don't know who showed it to us but somebody showed us a small little house that had this picture window all the way across one side of the house that looked straight down the Hudson River up to Newburg and Deacon. These are two towns in New York state. The Newburg Deacon Bridge was lit up and we could see that at night time.

That reminds me of another story because you undoubtedly read about the great eastern blackout.

Q: Yep. This was when the power grid failed and both grids went up a portion....

SHERK: Turns out that that was not so. That was the original thinking. The ultimate research on that proved that to be incorrect. It is a wonderful story. My wife was enrolled in the PhD program at Columbia and so she would always get home around seven or eight o'clock at night, and I would get home about six. I would pick up our son - we had only one son at that time - and bring him home. I would settle down in a chair to read the daily newspaper. I reached up to turn on the lamp behind the chair; it was dark, the light was burned out. So I went out to the kitchen, opened up a drawer, pulled out a brand new light bulb, went back in, unscrewed the old light bulb, screwed in the new light bulb, clicked it again and it was still black! Only then did I glance out my window and saw nothing but black. The Newburg Deacon Bridge, which was normally lit up all the way across, was totally black. Newburg was totally black; Deacon was totally black. So that was really a frightening sensation.

Q: You mentioned your wife. What's her background, where and how did you meet?

SHERK: We met on a ship. I had gone off to Australia for my Fulbright and she was returning from a year in a high school exchange program. Are you familiar with American Field Service, AFS?

Q: Yeah, a high school exchange program.

SHERK: She was an AFS student from New Zealand and we ended up on the same ocean liner. One thing led to another, I told her I loved her, and we married after my Fulbright year. After my year in Australia, I came back to New Zealand and we got married and returned to the U.S. So she did her bachelor's degree and masters at the University of Iowa when I was doing my PhD. Then we came out to New York and she was accepted into the graduates program at Columbia.

Q: Obviously in New York they had demonstrations on the West Point campus about the Vietnam War. How did that play in the center of American military militarism?

SHERK: Vietnam was only starting to get on the radar screen. I remember this because the first military officer that came back to join the faculty that actually had Vietnam experience, wore his blue combat infantry badge. He was like a god. Cadets just flocked to this guy and I remember him being the first. So it wasn't until I went off and started teaching in Boston did I get even the slightest flavor for student protests about the Vietnam War. By the time I had had three years at Boston College I then moved over to Simmons College. Then I was right in the middle of a lot of demonstrations. But in the years that I was at West Point, almost no noticeable protests.

Q: What sort of economics were you teaching to West Pointers?

SHERK: My specialty was international economics, international trade, the International Monetary Fund, things like that. But everyone had to teach one section of the basic course where we taught from the textbook by Holt Samuelson, who was at MIT. Then I taught a course in comparative economic systems. One of my students was Four-Star General Wesley Clark.

Q: Oh my goodness! He was a Rhodes Scholar and...

SHERK: He even remembers me. When he had a chance to get the Democratic nomination I sent him a letter or email, I have forgotten, and he sent me back a very nice letter.

Q: How did you find the soil of the West Pointer in economics for sowing economic seeds? Was there much interest? And also the faculty. Was the course tolerated, or...?

SHERK: Traditionally, the faculty was composed of regular army officers. Now I have even forgotten the gentleman's name, but he wrote a story about the service academies. It was published in Harpers. His criticism of service academies was that they didn't have quality faculty. West Point took that to heart and began working, helped by the Defense Department, through the Corps of Officers to find out which of them had PhDs. They actually changed their rules to say they would take in some reserve officers onto the faculty, and that was what allowed me to be selected to go to West Point. So there was a small minority of reserve officers that had very good education. One had a PhD in history from Columbia, one had a PhD in history from Yale, another one from Duke. There were about five of us and we sort of hung around together. But I was with some bright regular officers; I was with two or three Rhode Scholars.

Q: For all of us who have dealt with this, we are all, I would not say overly surprised, but impressed with the quality of people who rise through the ranks.

SHERK: Remember that you, as a cadet, were judged not only on your tactical expertise - how you handled yourself in the field - but you were also judged on your overall performance in academics. So you have a student body that was very motivated because it would effect their careers. And I think you were implying that there might not have been much interest in economics, but due to the fact that success or failure in economics class affected their overall standing in the academic standings, they were motivated.

Q: So you spend your reserve obligation and then moved on?

SHERK: Yes. And most of us thought that in 1966, which was the year I was mustered out, the Pentagon froze the Air Force officers in place. They call it "stop loss." So, even if you had a two year obligation or a three year obligation you would not be allowed to leave the service at this time. We all were ready for the other shoe to drop. We expected the Pentagon to tell the Army officers the same thing, that we couldn't get out at the end of our time. But it never happened. So, when June of 1966 rolled around it was, "Thank

you, Captain Sherk. You performed your service admirably and good luck in your civilian life."

Q: So, in 1966 where did you go?

SHERK: I went to Boston College from 1966 to 1969.

Q: Describe Boston College when you went there.

SHERK: It was, first of all, all male. It was before they had gone female. And it was a Catholic school. The chairman of my economics department was a priest, Father McQuin. I think that one of the things that attracted me to Boston College was that at no time during my interview -- see the interview for teaching positions all take place, not all of it but most of it, takes place in association with the annual meeting of the American Economics Profession.

Q: Sort of a meat market, as they call it?

SHERK: It's a meat market, right. So I was down there and interviewed a number of places. I interviewed with the Federal Reserve Bank and I interviewed with a couple of other schools. Boston College, I liked the idea of teaching in Boston. I thought it would be good for my wife who could also teach at another school. I was extremely, pleasantly surprised that at no time during my opening interview did they ask me what my religion was. Now, I don't recall ever writing it down on an application, so I am saying, "This is a Catholic school and they are not even concerned that I am a Jew or a Baptist, or whatever?" So that was impressive. That was one of the reasons I chose to go to Boston College for my first civilian teaching position.

Q: What was the student body like at the time when you were there?

SHERK: Bright, pretty hard working, very much interested in the subject. Mostly blue collar.

Q: How was the economic course constituted in those days? Talking about the increasing quantification of the discipline.

SHERK: Well, it was getting there, and that is one of the reasons that I moved on after three years. They hired several economists from MIT [Massachusetts Institute of Technology] and they sort of grabbed the leadership in the department. I knew that my type of economics was not viewed in a very good light by some of my hard-charging MIT colleagues.

Q: I wonder about this because I have interviewed many, Foreign Service Officers, who talk about the FSI [Foreign Service Institute] economics course that is taught equivalent to a major, but almost to a person it is a course heavy on quantitative matters which from a foreign service point of view is not very practical. It is fine if you want quantitative

economists to teach other quantitative economists. But if you want to use your economics to go out into the world and deal with matters, even in the Foreign Service, it is not very useful and I would imagine...., how do you feel about that?

SHERK: I agree with what you are saying. I think you are absolutely right.

Q: Political science is basically the same way, I think, academically. I mean, much of it is very quantitative. Now, how did you find being on the faculty of an academic institution? One hears about the problems tenure. How did you find the competitive aspect of academic life?

SHERK: It was never noticeable to that extent because I knew that, it being my first civilian teaching position, I knew probably I wouldn't stay there too long. The more I witnessed what the MIT quantitative types were doing to the department, the more it became affixed in my mind that I would probably have to look for another position at some time. Certainly in three years I did move on and I got a wonderful promotion out of it. I went from an assistant professor at Boston College to an associate professor and chairman of the department at Simmons College, also in Boston. Simmons College was and all women's undergraduate college in a prime Boston location. I used to like to write letters to my sports fan friends and treat them to Fenway Park [Ed: the baseball stadium for the Boston Red Sox].

Q: At Boston College, was the Vietnam War impacting the student body? Being a Catholic university it wasn't as prone to....

SHERK: No, you are right, it wasn't as prone. These were kids whose parents drummed it into them that they had to be good citizens and whatever the President of the United States said was right.

Q: Also, there were kids who were on their way up, their parents probably hadn't gone to college; I mean this was a real opportunity for them.

SHERK: I agree with what you are saying.

Q: At some of the other schools, kids could be sort of indulgent because they did not have the same kind of family pressure. This was a one-shot deal, so you had better do something with yourself.

SHERK: That's right.

Q: Did it manifest itself much at all?

SHERK: No. The only overt anti-war activity took place once I got to Simmons, which would have been 1969-1976. So it was during my stay at Simmons when the whole anti-war movement really grew. So many of my students at Simmons wanted to participate,

and actually did. A number of them went on down to Washington protest activities. I even joined them on one of the protests.

Q: Could you describe Simmons? Where did it fit in the academic world?

SHERK: It was all women at the time I taught there. I thought to myself, "What a unique combination." I taught first at the University of Iowa, gained my PhD at a middle western, public big-ten university, 10,000 or 12,000 students. Then I went to West Point and taught nothing but cadets. Then I went to Boston College and had a class full of young Catholic boys. Then I went to Simmons College that had, a large Jewish element, but all women. Boy, I thought I had a wonderful collection of experiences in higher education; that's how I saw it.

Q: How about the women's movement since this was coming on at the same time, how did that manifest?

SHERK: Well, as a male, you had to be very sensitive to this. When we needed a graduation speaker, I think I handled myself, at least in the eyes of the students, as a pretty sensitive male. I had a wife that was very interested in women's issues and being able to go as far as her talents would allow; I think other men couldn't say that. Other men probably stumbled all over themselves.

Q: Did you get involved in Boston? I am thinking of the busing problem - typically the Irish neighborhoods, the Catholic neighborhoods and the Jewish neighborhoods - I mean, Boston had a difficult time with that.

SHERK: I wanted to get involved in Boston politics so I decided that I needed to start off in a limited fish pool. I got introduced to folks in the Brookline Democratic Town Committee, and was quite active in that. Indeed, I ran for Brookline Democratic, no, I ran for the town....it was a kind of group where all the people in the town could run for election, so I had to campaign. I lost, but I still ran for it and one of the first things I remember doing as a member of the Brookline Democratic Town Committee was giving our first endorsement to a young Greek lawyer named Michael Dukakis. Ever since Mike and I were quite friendly.

Q: Was Brookline sort of a Jewish neighborhood?

SHERK: Yes. Mike and Kitty lived there on Perry Street in Brookline, so I remember the street name.

Q: You were at Simmons until 1976?

SHERK: I came to a point where I was thinking that I needed, as an international economist, I needed to get some exposure, some experience, actually working abroad. So I applied for a position with the Asian Development Bank, and got it. I took a leave of

absence from Simmons; I didn't want to burn my bridges. I took a leave of absence and went out to Manila for about two years.

Q: Was this 1976 to 1978?

SHERK: Correct.

Q: What were you doing?

SHERK: I was an economist, a research economist for the Asian Development Bank. Then I got involved in some actual project work. My division in the Asian Development Bank was the South Pacific Division where I worked in places like Fiji and wrote economic reports. I visited a little island called Banaba; part of formerly the Gilbert Islands until they renamed themselves Kiribati.

Q: That's sitting on top of a bunch of water, isn't it? There is nothing there except bird shit.

SHERK: That's right. So I went out there, did that, and I enjoyed it very much. Came back and taught for, I guess it would have been by now, 1978 or 1979. The president of the college told me that there would be a fellowship available to a Simmons faculty member who wanted to go to Washington. It was to be in an exchange program. The American Council of Education was sponsoring this and would take faculty members and put them in departments within the Executive Branch of government and take people in the Executive Branch and give them a year's experience of teaching. So I went down and, because I had spent two years out with the Asian Development Bank, and because the U.S. Treasury Department, not the State Department but the Treasury, had legislative oversight responsibility for multilateral development banks....

I got a little off of the subject. My American Council of Education fellowship put me not in the State Department, although the State Department asked for me and USAID (U.S. Agency for International Development) asked for me, but I decided that I would be better off going to the Treasury because I would be able to start with that knowledge of how the Asia Bank worked, etc. So I went to Treasury and worked on the multilateral development banks.

Q: I would like to go back to your two years, 1976-1978. What was the Asian Development Bank doing then in the Philippines?

SHERK: It was headquartered there and it was only there because of peculiar events, the very strong personality of Ferdinand Marcos. Marcos was able to convince the Japanese - the Japanese were for the first time coming out of their shell and they wanted to be recognized for their international importance and stature. So they promoted the idea, the Asian Development Bank. The World Bank was started in 1944, the Asian Bank didn't come along until the early 1960s. It got the southeast Asian countries to join forces with them and the question became, for the U.S., did the U.S. go in? We said, "Why have an

Asian Development Bank, we've got the World Bank?" It's the whole question about influence. Yes, we had the World Bank, but the Asians were unhappy with how little say they had in what was going on at the World Bank, so they wanted to create the Asian Bank. The Japanese joined forces with them, and finally the U.S. had to decide: Are we in, or are we out? They decided we were in. And so the U.S. took an equal shareholding. The Japanese and Americans had a parity in the shares that they owned, which would allow them not to be number one and number two, but co-equal.

Q: What sorts of things were you looking at in Kiribati?

SHERK: There was a project to link two of their islands together through a causeway so that there would be easier transportation and easier access.

Q: An island or an atoll?

SHERK: Tarawa, which was the major island of the chain, was a proper island.

Q: There was a major battle there during World War II.

SHERK: Oh, I know. I walked those beaches and I saw those places. I did the reading on a terrible mistake that our commanders made for not reading the weather forecast adequately. They didn't have enough... how should I say... the landing crafts got about halfway in and then stopped because they could not go any further on the underlying sand. So our Marine landing crafts opened up and the Marines came out and they had to slowly walk through this water about 400 yards to the beach. They were sitting ducks for the machine guns. This was a real tragedy for Americans on the island.

Q: I get the impression that these small Pacific islands had subsistence economies.

SHERK: Well, Fiji isn't like that. Fiji had sufficient land for farm products. They grew a lot of rice and, what else did they grow....they grew sugar cane, a lot of sugar cane so there were a couple of sugar refineries on the island of Fiji. And Fiji became a very attractive spot for American tourists.

Q: After these two years with the Asian Bank, what sort of impression did you come away with about the practicality of aid to these areas?

SHERK: Well, first of all, the Asian Bank was a small-scale World Bank. The projects that they financed in their area, Southeast Asia, India and Pakistan, were very similar. You couldn't tell a World Bank project from an Asian Bank project. It was multilateral development and regional development banks; new American banks focusing on just the Latin American and Caribbean. Asian Development Bank focusing on southeast Asia and south Asia, and the African Development Bank focusing on essentially Africa. They were small-scale versions of the World Bank. Did they need them? Probably not. But, politically, they were extremely important because it meant that the U.S. was less of a voice in the operations of these. This was one of the reasons I found it so fascinating.

Trying to be a U.S. representative in an institution in which we weren't that powerful, meant that you had to work a little harder at convincing your colleagues from other countries that your interest in supporting the institution were benign and you weren't trying to take it over. I am getting ahead of myself, but I particularly enjoyed the challenge of convincing my African colleagues that America was their friend and not their foe.

Q: Well, then you came back and ended up working for the Treasury for one year?

SHERK: I went to Treasury in 1979 and worked there for a year and decided that I enjoyed that work so much that I wrote the president of Simmons College and resigned my full professorship, tenured position. Not many academics do that.

Q: What were you doing initially at Treasury?

SHERK: Because I had spent those two years out in Manila with the Asian Development Bank, they put me in charge of the Asian Bank in the Treasury. I was called the Asian Development Bank desk officer.

Q: Did you find that through the Treasury we were trying to gain more of a voice in the Asian Development Bank, or were we quite happy being one among equals?

SHERK: Very good question. Most of the cases where we had a policy dispute with some of the other countries, we either tried to work with our European allies to get them to be on board with us and not with Japan, or with Australia or New Zealand, which were also important members of the Asian Development Bank. Never while I was handling U.S. interests in the Asian Development Bank did I ever get involved with an attempt to raise our vote in the institutions so as to be clearly the predominate member country, never.

Q: In a way it must have been a certain relief, wasn't it, not to always be number one.

SHERK: Absolutely.

Q: It's just a little lonely there.

SHERK: Absolutely. And you can imagine what it's been like to be a representative for the U.S. in the last four years during the Bush administration.

Q: Oh, yeah! Let's date this time; it was 1978 when you went there, or?

SHERK: I went there on a leave when I was on faculty at Simmons in 1976 or 1977. Then I went back and spent another year at Simmons teaching, and then went to Treasury in 1979, 1980, 1981.

Q: Let's take 1979-1981. How did we view Japan from your position at Treasury? Was Japan pushy? Were we pushy? Good colleagues, or what?

SHERK: Well, this wasn't a time when the United States was quite interested in Japan. Having reconstructed its economy, having built up its economic power and base, we wanted to have a friendly allied nation help us with the many obligations in the foreign aid realm that we were experiencing. So here was a case where we were trying to work harmoniously with the Japanese. I would say, on balance, that was achieved. If there was really a hard knuckled, bare knuckled issue, the Japanese, being pretty new to this game, would not really fight hard.

Q: What were the great issues because, you know, for Japan this was certainly a time when balance of payments was a real problem. Did that intrude into your work at all?

SHERK: Not that I remember, no.

Q: What were some of the major things you were involved in?

SHERK: Well, when I was at the Asian Development Bank they published something called The Asian Agricultural Survey. This was done by a group of bright, young agricultural economists, most of them from the U.S. that came out and said, "Here is what is necessary." This was about the time of the green revolution, the Ford Foundation, and the Rockefeller Foundation - miracle seeds, pushing those sides to it. We wanted to encourage - if there was a dispute, it might have been centered on the fact that we wanted the Asian Bank to be more active in the South Pacific than the Japanese wanted to be. From like your point of view, the Japanese saw these islands as not very favorable; whereas the U.S. didn't want to be the sole supporter of their economic activities.

Q: At that time I think our major policy was strategic denial, so the main thing was we didn't want the Soviets plunking down naval bases on those islands.

SHERK: Yes, that was true.

Q: Were we concerned at that time about over Japanese fishing interests?

SHERK: Never crossed my desk.

Q: I am surprised because.....

SHERK: Remember, that was over twenty years ago.

Q: How did you find Treasury?

SHERK: I was going to Treasury in the last year or two of the Carter administration. When the Reagan administration came in, all of my superior Treasury officials were fleeing. They left Treasury. I had signed on as a civil servant, so my job was secure. A brand new crop of bosses came in and the civil servants in the Treasury were worried about the new White House, the new administration didn't care much for development

banks. Only thing we could see was that because the Carter administration had been pretty favorable to the World Bank and the regional banks, that the White House said, "We don't need to copy the Carter administration. We want to make sure that these multilateral organizations are worthy of us." So there was real thought to maybe pulling out of some of these organizations. I was one of about six Treasury officers that published that document.

Starting in early 1982 what we were able to do was to convince the Republican party, the Hill, and the White House that the banks were definitely in our long-term strategic economic interests. We showed that the money that went from all of the banks to borrowing countries pretty much matched what our political objectives were in respect to these countries. There was almost a one-to-one correlation in terms of development funds going to a particular country and how we would rank that country. We worked with the State Department to get this ranking in terms of importance. So, lo and behold, it was this document that said there is a lot to be said for what these banks are doing, because they are helping these countries. If they weren't helping these countries it would be up to U.S. taxpayers to help these countries. The whole notion of being able to leverage our 15% or maybe 20% that would lead to a multiple of that going to countries that we favored, not to our enemies, but the countries we favored. You can see how that would carry a strong message and, quite frankly, we Treasury types that did this were really proud of the success that this document had in convincing the Reagan administration that the banks should be supported.

Q: Today is the 5th of February 2007. When the Reagan Administration came in, was there a change in attitude toward what you were doing?

SHERK: Sure, of course.

Q: How did that play out?

SHERK: I think incorrectly the Reagan administration felt that the Carter administration that had preceded them had relied too strongly on these organizations in which the U.S. was not the sole decision maker. So in the document that I was referring to in the previous session, I tried to show that we had a lot of voice in these multilateral organizations. For the most part, the policies that were followed by the multilateral banks were the policies that we tried to follow with our bilateral aid program. And as a matter of fact, I have a copy of the famous multilateral development bank report that was done by the Treasury.

Q: I will put this in: The U.S. Participation in Multilateral Development Banks in the 1980s, Department of Treasury, Washington, D.C. It was published in February 1982.

SHERK: I covered some of this in the previous session. Treasury put together a small group of economists and we interviewed people in all the banks and came up with this document that basically argued for a continued strong role of the U.S. in the multilateral banks. We argued on the basis that we could achieve policy reform in a lot of the

developing countries. And we could do it, if you will, on the cheap because multilateral institutions combine funds from many countries. In a sense, the U.S. was able to leverage its contribution by the contributions of all of the other countries. We didn't have to do it all. For every dollar the U.S. put in, other allied countries put in five dollars, roughly. Off the top of my head, that is the kind of rough order of magnitude.

Q: How did this play with the new administration?

SHERK: Well, I thought, pretty reasonably. I thought that it wasn't too long before we were able to get President Reagan to be able to go up to the Congress and defend the banks. The banks were always the targets for various projects on the Congress. They could criticize almost anything. They spent an inordinate amount of time criticizing the salaries that the banks paid their senior staff.

I can remember writing talking points for senior Treasury officials that would address this question that, you know, there is no difference in the salary scale than any U.S. corporation.

One of the things I noted particularly is that back at this time the question of what were the environmental rules and regulations that the banks followed became a hot topic. A few Congressmen got influenced by the environmental NGOs (non-governmental organizations) and took a pretty tough stand. I think this was one of those kinds of pressures coming from the Hill that was favorable to the banks. The banks then began to build up their cadre of environmentalists, change their rules, and I think they were more environmentally friendly after this process. The pressures came from NGOs to various key committees on the Hill, and from various key committees on the Hill pressure came down on the Treasury. It came to the Treasury, then went on to the banks in the form of U.S. instructions to the U.S. director. So that circle of influence, I think, was pretty effective.

Q: How long were you working with the Reagan side?

SHERK: I worked at the start in Washington at the Office of Multilateral Development Banks. Then in 1982 I went out to Manila where I was on the board of the Asian Development Bank. I was the deputy to the U.S. executive director. Then when he was called back to Washington to become chairman of the Export Import Bank (he was a political appointee), because I was in place as the deputy I got to be the acting executive director. Normally, executive directors required Senate confirmation, and I was just a civil servant so I was not the official executive director. But for all practical purposes I was the executive director on an active basis. [Ed: The Ambassador in Manila from March 1982 to April 1984 was Michael Armacost.]

Q: How long did you do that?

SHERK: I did that for a year. Then the White House sent out another political appointee to be, in essence, an ambassadorial post. Ambassadors at post are wanted, as you know,

and so after a year I had to step back and continue in the deputy position. The political appointee was a gentleman that I won't mention his name because he and I did not get along very well. That was, in a sense, one of the best things that happened to me, not getting along with him. Treasury had appreciated the work I had done and when they realized that the political appointee executive director and myself were not seeing eye-to-eye, like oil and water, the Deputy Assistant Secretary of the Treasury came out to attend the annual meeting of the Asian Development Bank. He tapped me on the shoulder and said, "We would like to send you to Africa." So his way of solving this problem between the executive director and the deputy executive director was to get me out of town. They got me out of town all right! They got me way over to west Africa.

Q: Let's talk about the Asian side of things. How would you evaluate what the Bank was doing and its effectiveness?

SHERK: Well, effectiveness of economic development strategies has been a constant argument, as you know. Still today, people are uncertain about the amount of development that is actually being achieved. I don't know if you saw Sunday's Washington Post, but in the Outlook Section there was a very wonderful story by a woman who worked on a project in Afghanistan.

Having said that, I think that the Asian Development Bank was important in a number of ways. The Japanese economy, after going through its period of reconstruction under the McArthur leadership, Japan wanted to re-assert itself in the developed nations' category. One of the ways that they tried to do that was to help support this thing called the Asian Development Bank. It wasn't going to be the World Bank, but would be patterned after the World Bank. There were some southeast Asian countries like Malaysia and the Philippines that felt that at the World Bank the decisions were essentially made by the rich countries and that they didn't have a lot of say. So there were pressures building in southeast Asia to create an Asian Development Bank which would be much more controlled by Asian nations than the World Bank, perceived as controlled by north American and European nations.

The Japanese saw the Asian Development Bank as a clear avenue for them to gain back some prestige and become part of the whole western leadership in the developing process. Japan wanted the presidency, and they got it. Japan also wanted the bank location. They wanted the bank to be located in Tokyo, but Ferdinand Marcos at the time was very shrewd and he said, "No, you have the presidency and that is enough. We would like the headquarters to be located in the Philippines." And that is how it happened. He convinced enough of the southeast Asian nation leaders to support him, and that is how the Bank ended up in Manila. It brought Japan out of its shell; it brought the southeast Asian nations into it.

The U.S., for a long time, said we don't need an Asian Development Bank, we've got the World Bank. But then when the U.S. realized that the other southeast Asian nations and Japan were quite serious about going ahead, we didn't want to be on the outside. So we said we would join as well. They worked out a peculiar type of arrangement between

Japan and the U.S. They didn't want either country to be number one like at the World Bank where the U.S. voting shares were the largest. So in the sense the U.S. named the president, the World Bank headquarters was in Washington. To sort of play down that conflict of having one most powerful country, they said Japan and the U.S. will be in the parity position in terms of the votes so that they would each have the same capital contribution to the Bank. That was their answer: Let the two countries be parallel, have a parity. So we joined with exactly the same number of shares as did the Japanese.

Q: During your time there, was the U.S. and Japan also on the same track?

SHERK: Very rarely did the U.S. and Japan get into a dispute over any policy issues. If there were disputes, they tended to be from the developing countries side and not from the Japanese side. So Japan and the U.S. saw pretty much eye-to-eye on the proper economic policies and approaches that the developing nations of Asia should follow.

Q: In your view, particularly at this timeframe, did the Asian Development Bank have a different approach than the World Bank?

SHERK: That is a question that depended on who you asked. The Asian Development Bank literature made a lot out of the fact that this was an Asian bank, for Asian nations, for Asian methods, Asian recipes; that there should be a particular Asian way of looking at the problems of development that emanated from the Asian Development Bank. When you ask for examples of that, they were hard-pressed to find exact examples where the Asian Bank differed from what the World Bank was doing with its project loans. And as a matter of fact, I have always felt that the rhetoric was not truthful. I think because most times if the World Bank sponsored an energy project in the Philippines and the Asian Bank turned around and did an energy project in the Philippines, the staff of the Asian Bank would follow or copy the procedures that the World Bank adopted. So there was no great difference between the projects of the World Bank and the projects of the Asian Development Bank in a particular country. The only difference was the World Bank, having more money, tended to have larger loans. So the smaller loans were from the Asian Development Bank. The Asian Bank also said that it had a special comparative advantage in the South Pacific islands, the small island nations. You might ask, "Did the comparative advantage come from attacking them in the Second World War?" But we were too kind to do that.

Q: I have only observed one of these islands, I went to Ponapei about ten years ago and there is nothing there, I mean as far as anything you can do.

SHERK: I know, other than tourism and some fishing.

Q: And the fishing has sort of gone down; the Japanese scooped it all up....reminded me of West Virginia during the Depression. Was there anything other than essentially handouts that you could do there?

SHERK: In some of those islands there were mineral deposits. In other islands they did try to encourage tourism and that was a source of foreign exchange. But, you are right, there was not a great deal you could do in terms of building up a vibrant economy in one of the island states. Fiji is a little different, I would say. Fiji had quite a sugar industry.

Q: Did the Asian Bank and the World Bank ever get into competition or get in each other's way at all during your time?

SHERK: If the World Bank refused to finance a particular project on some grounds that either the country wasn't ready for the project or the country didn't have the right prerequisites for a particular project investment, then the country could go to the Asian Bank. In some cases, the Asian Bank would go to the country and say, "We think we can do this." It was always an attempt on the Asian Bank's part to identify itself as a unique financial institution that was different from the World Bank. They tried to make that case. It didn't want to be seen as just a carbon copy of the World Bank. But making the case was difficult; making the case was really difficult.

Q: During your time did you have the feeling that you were dealing with countries were really beginning to show tremendous spurt of productivity and prosperity, the little tigers they were called?.

SHERK: Sure, South Korea, Taiwan, yeah. Taiwan was a member, as you know, of the Asian Development Bank. Whereas the World Bank, to try not to alienate the People's Republic of China, asked Taiwan to leave. But by the time the decision was taken at the Asian Bank on how to treat Taiwan, there were people in the U.S. Congress that said if they followed the same policy and terminated the membership of Taiwan in the Asian Development Bank, you could say goodbye to U.S. funding. That was a powerful spur to keep Taiwan in the Bank because the People's Republic of China came in as a major shareholder. Taiwan was not kicked out. So that was the first multilateral institution in which both China from the mainland and Taiwan were in the same organization.

Q: How did that play out within the organization?

SHERK: A lot of time and energy went in on terms of what would be the terms and conditions. I remember a great deal of energy was spent on how to refer to Taiwan. The final decision was "Taipei, China." That took an enormous amount of time to come up with and have everybody on both sides happy with it. It was at a time when I was acting U.S. director, and I met with the Chinese ambassador and with the Japanese president of the bank. We had two or three really intense meetings that went on for several hours before we could finally come to agreement on Taipei, China.

Q: What was mainland China getting out of this? Was it getting loans too, or no?

SHERK: It was getting loans from the World Bank.

Q: It wanted to be a member, to be a player?

SHERK: It was prestigious to be a player, right.

Q: Did you find that their bankers had the same sense of financial values?

SHERK: Oh, sure, I think so.

Q: I would have expected that. The Chinese know their money.

SHERK: Look at what they are doing today. Fantastically well.

Q: You moved to Africa when?

SHERK: In 1985 and I was there for four years, 1985 to 1989.

Q: Where were you located?

SHERK: Cote d'Ivoire. I don't have a map of Africa here...it's in west Africa and it is right near Ghana.

Q: In Cote d'Ivoire, was this the World Bank?

SHERK: No, it was the Africa Bank.

Q: Was this an offshoot of the Asian Bank?

SHERK: No. The Africans wanted to be in the big leagues just like the Asians wanted to. Therefore, the Nigerians, who at that time had some oil revenues, said that they would create the bank and invite in all the African nations. And then they realized they really needed the European and North American states to be financiers of the organization. If they were to rely strictly on African country donations, the bank would be a small shell of what it is today. So they opened the bank's capital window to non-African countries; but they established several prerequisites. One was that the Africans would always have to have the majority of the shares. They came up with the notion that two-thirds of the share capital would be African, and one-third could be divided among the OECD countries. So our shareholding in the African Development Bank was smaller than it was in the Asian Bank and in the World Bank. Here, again, we wanted to be a member because we did not want to be on the outside looking in. And, I think about two years ago, they revised the shareholding from 66-2/3 to 33-1/3, down to 60:40. It allowed a little more capital from the developed countries.

Going from an African point of view that they didn't want non-African states to be members of the bank, they decided that they still needed some contributions from the OECD countries. So what they did was to say, "We would like the developed nations to be members of our soft-loan window." Do you know the difference between International Development Association (IDA) and the World Bank?

Q: No.

SHERK: IDA is called their soft-loan window, which is a much lower rate of interest. World Bank loans are at market rates of interest. IDA, which is a branch of the World Bank, loans out at one percent for 40 years. So it is an extremely subsidized rate of interest for loans coming from IDA.

The African Bank's equivalent of IDA is called the African Development Fund (ADF). They allowed the non-African nations to make contributions to be members of the ADF but without being members of the full-scale bank proper, which included the more commercial terms for the loan. The U.S., in about the 1960s, joined the soft-window, but we didn't join the hard-window or the bank proper until 1982. I was only the second executive director of the U.S. at the bank when the U.S. was in the entire bank. A guy by the name of Harold Dooley preceded me.

Q: How did you view the African development financial scene compared to the Asian one?

SHERK: I think what you are getting at is that those countries were a long way from the Asian countries in terms of their capabilities, and that is true. But the African Bank could follow the World Bank and Asian Bank and Inter-America bank procedures and fund projects very much like the other banks did. And that is basically what they did.

Q: How did you find operating in Abidjan? What was the atmosphere of the headquarters there?

SHERK: Well, until two or three years ago, it was quite good. President of the country was Houphouët-Boigny, grand old man of Africa, and he really handled the country quite well. It was peaceful. He allowed a lot of non-Ivorians to come into the country in search of work. Then he died and the leadership of the country was taken over by someone else that was never very stable and there began to be a dispute between the Muslims in the north and the Christians in the south. I went over there in the 1990s as an advisor to the Bank after I had left the Bank, and it started almost as though a civil war, shooting and.....I had just left the country about a week before there was shooting in downtown Abidjan. The president of the bank, who was a Moroccan, asked his board of governors (the U.S. Secretary of the Treasury was our governor to the African Development Bank) for permission to move the bank if the conditions for his bank staff got too dangerous; there would be a worry about being able to keep them safe and secure. So, about two years ago, the entire bank was moved to Tunis, Tunisia. The president of the bank, being Moroccan, had to ensure that he was not seen as favoring one of the Muslim north African countries. He hired a group of consultants from Britain and the board of directors established a set of criteria - what was needed in the move, what did they have to have to be able to run the African Bank from this new location efficiently. They needed office space, they needed housing for their staff, they needed transport in and out of the country, they needed telecommunication, to be able to email and things like that. All of these

things on the checklist were looked at as what the bank would need. Then this consulting team went around to about at least six, maybe closer to twelve, countries in Africa that had put their hand up and said we would like the bank to come within our boundaries as part of our nation. There was a perfect amount of foreign exchange that would come in through having this thousand-member bank staff in your country. Ghana wanted it, Kenya wanted it, but the consultant firm, which was not Muslim, decided that Tunis met the best of the conditions for the bank to move in. The president could show this to outsiders that said they favored Tunis simply because they were Muslim. He would say, "No, because we had a British consulting firm and they came up with the way of evaluating the various sites. And there was not a Muslim in the group." So they moved to Tunis; they established the bank. The bank found office space, the bank found housing for its people, and it began to operate. It was, how shall I say...the move was surprisingly smooth. I have been up to see the new headquarters and I talked to some of the staff. Some of the staff are quite happy because Tunis is a relatively well-off city. But some of the staff wish that they were still in west Africa, in Abidjan. The Ivorian staff. That was the first time a multilateral financial institution made up of many countries - in the case of the African Bank there were over 75 members - literally had to depart one country and move to another country.

Q: What sort of projects was the bank was financing?

SHERK: The standard projects: irrigation, agriculture, power, trade, banking, the same sectors. Look at the sectors in a World Bank annual report and look at the African Development Annual Report - you won't find much difference.

Q: Did you find a difference in the effectiveness of this standard approach to Africa compared to projects in Asian countries?

SHERK: It is very hard to be judgmental about an African Bank that is attempting to service over 50 African nations. Some of them, like Sudan, the Bank would be crazy to go into. Others like Zimbabwe, the Bank would be concerned about its reputation, going in to support a country run by a guy like Mugabe. Other countries like Ghana, it makes a lot of sense to go into. So they would have to pick and choose which countries they go into. But once they are in a country that is relatively stable, I think they do as good a job as the World Bank does. They've got good technicians that have PhDs from good western universities, so I don't think they give up a lot on the skills side. For example, Ethiopia is a problem. Ethiopia is now possibly going to go to war with Eritrea. For a while, Liberia and Sierra Leone were problems, but now with a new lady president of Liberia [Ed: Ellen Johnson Sirleaf took office in January 2006], the Bank is very eager to help her. I know her, President Sirleaf, as a matter of fact. So it is hard to make statements that are inclusive of all of Africa. South Africa, by the way, is doing extremely well.

Q: Were they a player?

SHERK: After Mandela became president, they became a player. The thing that always puzzled me is that they had a chance to get the African Bank headquarters located in

South Africa, but they chose not to. I asked around and I never found a good, plausible reason for the South African government to reject the African Bank.

Q: Putting the headquarters of the bank up in an Arab country, it seems to me, makes it more like it is part of the Middle East instead of Africa, symbolically.

SHERK: No, it's Africa. I think if you went there today you would find this whole question about black and brown. There are many Egyptian staff members and there were Libyan staff members. They are all brown as the black we have had from sub-Saharan Africa, but we can't make these sweeping statements about color.

Q: Yeah, I understand from the appearance, sometimes the appearance...

SHERK: Well, I am speaking of appearance. I think they look as mixed as the Asian Bank looked. You know the Asian Bank had many different varieties of Asians, and the African Bank had many different varieties of Africans. Some of them very black, some of them very light skinned.

Q: What about the comparison between the Asian Bank and the African Bank on corruption? Some of the states, such as Nigeria and Indonesia, have abysmal records of corruption.

SHERK: Sure, sure.

Q: How did you all deal with that?

SHERK: I think the best way to describe that is corruption is still a problem in much of Africa. The African Bank knows that better than any of us, but has established a set of procedures and rules that allow them to track every dollar spent on a particular project. What they have done is to say that if there is corruption in association with an African Bank financed project, then this country will be put on a black list and will not be allowed to borrow in the future. Same thing with the Asian Bank. They established rules and procedures that staff have to follow religiously. And if they follow them religiously, they will have an audit trail that is clean. They will be able to show that if there were \$10,000 as part of this loan package and it went for two tractors at the rate of \$5,000 a tractor, there are indeed two tractors that were purchased, there is a purchase order, these were shipped, there is a shipping order, these were received, there is a receiving order at the docks; all of this paperwork can be tracked. The banks knew that the worst thing for them would be to get a reputation that their own projects were involved with corruption. So you can invest and follow through with a project in Indonesia or in Nigeria. Even though there is corruption going on, it doesn't necessarily mean that the corruption is influenced or seeped into the bank project.

Q: How did you find your relationship with the Treasury Department? Was there a difference between the two posts that you had?

SHERK: That is a good question. If anything, I had a little more freedom of movement in Africa than I had in Asia. Africa was not as much on the radar screen at Treasury when I was there as Asian Bank was on the radar screen. More heavy hitters went out to the Asian Development Bank.

Q: Our Secretary of Treasury and secretaries of everybody else's was going to all sorts of Asian meetings all the time.

SHERK: That is right. Although I must say, that when I was executive director at the African Bank we had both George Shultz and Jim Baker come at different times. It is funny because....Can we mark a place in this because I do not know if what I am about to say I want you to record?

Q: Okay, we can record this and you will get a draft and you can do what you want with it.

SHERK: The whole question was on who would come out to represent the U.S. at the annual meeting. Usually, at the World Bank the Secretary of the Treasury went as a U.S. representative. In the regional development banks, they would pick a lower level official, maybe even an assistant secretary of state. But who would be there, the Assistant Secretary of Treasury or, in a few cases, the Deputy Assistant Secretary. So this year I found out that Washington was considering sending the Deputy Assistant Secretary out to be the head of the U.S. delegation. I wrote back - in these days these were telexes, we didn't have email - I wrote back saying, "You know, I can't think of a better symbol for the U.S. to show its support for Africa than to have the new Secretary of State, Jim Baker, to come out to lead our delegation." He was then Secretary of Treasury, before he became Secretary of State. Several telexes came back for me and said, "Don Sherk, you must be smoking grass because there is no way in hell that we are going to get a Secretary to go out to the African Development Bank. Forget it." So I said, "Okay, it is your decision." But my telex got read by Baker. He knew that he was going to be the next Secretary of State and he saw it as a chance to build up some African credentials. So all of a sudden it came back saying, "Well, we thought it over and, yes, Secretary Baker would be delighted to come and head the delegation." I felt so vindicated.

Q: I think that is very good. Nothing wrong with that.

SHERK: But my point was I started out by saying I think I had more freedom of maneuver at the African Bank than I had at the Asian Bank because we were less under the radar screen.

Q: At the State Department the African hands enjoyed being African hands because, as one person once said, "Ya know, (this was during the Nixon period) Henry Kissinger really didn't know where Africa was, and thank God." You just didn't have that hand of somebody at the top interfering. Were there any, either in the Asian Bank or...

SHERK: I am going to stop you, because I want to add something that your comment just made me think of. Maybe I was idealistic, but I wanted to convey to my African colleagues on the board the notion that even though the U.S. was the number one in the World Bank and shared number one status in the Africa Bank, the fact that we were a minority shareholder didn't mean we had to run the show at the African Development Bank. We were content to be a player, not the number one player or the number two player, but a player. I thought it was good for our country to be able to be in an institution where we didn't have to have all the clout, etc. And so I tried to be, in everything I said, I tried to make it constructive but not in terms of "the U.S. says this," you know. That was my goal. You would have to ask my African colleagues whether I succeeded.

Q: There is the problem that we do tend to come on heavy-handed and we are not always right.

SHERK: I must say, in that vein, one of my dearest friends on the board at the African Bank was _____. He and I got along magnificently. The president of the bank knew that so that whenever there was a real tough issue, he would ask the board to adjourn, have a coffee break, and ask Mr. Sherk and Mr. Shariff to go see if they could sort out the problem. I would go and Shariff and I would have a small cup of coffee and talk about it, and we'd come back in and say to the president, "We think we got a compromise." The fact that the Libyan and the American could agree on this, nobody else could disagree with that. It was a wonderful strategy on the part of the president to pick the American executive director and the Libyan executive director and say, "The two of you work out a compromise on this." Then, nine times out of ten, it sailed right through.

Q: Did the Libyan feel he had the Qadhafi government leaning over, or was he pretty much left alone too?

SHERK: He was pretty much left alone.

Q: This was a period of rather active, fairly aggressive Libyan attempts to exert influence in the African world.

SHERK: I would say it was in the Lockerbie tragedy.

Q: Were there any, either in the Asian or the African thing while you were there, any great issues or crises?

SHERK: The question of Chinese membership at the Asian Development Bank, wasn't a crisis, it was a big issue. At the African Development Bank, there is nothing that comes to mind that would be seen as sort of monumental. The U.S. participated in a major capital fund increase for the bank. The bank got capital increase that caused everybody to increase their contributions to the bank. The U.S. administration went into that looking that the Congress would be able to support it, and the Congress did support it.

I want to come back to the fact that the bank is in Tunis, because if you ask any member of Congress how to help poor people they will immediately think Africa. They don't think, but maybe they should, but they don't think India or China, they think Africa. They think sub-Saharan Africa as if the Muslim states in the north are kind of on their own; they don't really have that much to do with them. But in sub-Saharan Africa, we want to help poverty, we want to focus on sub-Saharan Africa. So, the problem with moving out of Abidjan into Tunis was that you lose the symbolism of here is a bank right dead center in sub-Saharan Africa where the poorer Africans live. Now the bank is up there in north Africa, maybe Mediterranean. You know the connection: if I help the African Development Bank, am I really helping poor sub-Saharan Africans?

That is a problem the bank will have to deal with. It is already losing its head. A lot of the OECD countries are not happy with the bank being in Tunis. I know the Canadians want it to get back to sub-Saharan Africa. It is easier for them to sell to their own Parliament that this contribution is necessary for poverty relief in sub-Saharan Africa. The last I looked into this, I think there is a committee now that is being asked to come up with a plan; but they still haven't moved back.

Q: Was there much congressional interference or investigations? Stephen Solarz, whom I have interviewed, for a while he had the African folks over here, and he was sort of a ball of fire when he would come on working trips. How did you find him and maybe others?

SHERK: Well, one congressman that jumps to mind is Jack Kemp. He was very interested in the Asian Development Bank. He was the one that kind of got this message across that if the Asian Bank got rid of Taiwan, they did it at their own peril. Kemp had access to Ronald Reagan, access to George Bush. He carried a lot of prestige and so he was able to prevail in that case. Comparable figures in the House in terms of the African Development Bank....Well, whenever the African Development Bank president visited Washington, he would always go upTreasury would always organize some visits to the Hill, usually the African Committee of the House, and maybe the Corporations Committee. These would be the sort of standard, "Hello, how are you; how are things working?" But no major issue that involved the bank, as such.

Q: Which was fortunate.

SHERK: Absolutely. They had the best of both possible worlds. They were known as a way of reaching Africa's poor people, but they weren't known as a major source of controversy.

Q: You left the African thing in 1989. Where did you go?

SHERK: I went to the private sector.

Q: Have you been in since then?

SHERK: Off and on. I went to the OECD for a couple of years and worked with the Development Assistance Committee.

Q: What was your impression of the OECD?

SHERK: I thought the Development Assistance Committee did some very useful things. The reason they hired me is that they were focusing mainly on bilateral aid and the head of our office wanted to get more of the....you see, the OECD has country representatives. There is an American representative to the OECD and they would take the U.S. point of view. But the only substantive thing I could say about the OECD involvement in the development issues is that they didn't really relish the idea of looking at multilateral development concerns that would affect the multilateral development banks. They felt, I think erroneously, that these decisions ought to be made by the boards of those institutions and that the OECD should focus on bigger policy issues. So my being there was kind of to try to get the focus more multilateral. I must say we weren't really successful.

Q: Did you get involved in the breakup of Yugoslavia?

SHERK: No. I am sure part of the OECD did, it's a big organization.

Q: In a way, I kind of worked for them for a little while only as an elections observer in a place down in Bosnia. So, in general, now you are working in the private sector? Has there been a significant change in assistance and investment, would you say, in the last decade or so?

SHERK: I don't know what you mean by significant.

Q: Well, in other words, has there been sort of a diminution of investment from the government side, more from the private side, or vice versa?

SHERK: I would say so. I think there is somewhat greater reluctance to fund USAID, or fund our contributions to the development banks. The argument is that this should basically be left to the private sector. That battle is always fought year in and year out, but I think maybe the private sector side is getting a little more influenced today than it has in the past. I think one of the things that clearly has to be brought out about differences today versus yesterday is that not only the U.S. Congress but parliaments everywhere want much more hands-on control of what they fund. They want to be assured that the development assistance is to make a meaningful difference in the country to which it was directed. And to do that means that they have to look at the whole question of how you evaluate projects, how you measure the benefits, what do you do to ensure people that if you say the water supply is now three times larger than it was before we went in there, you are able to show the numbers and the statistics to back that up. So, evaluating what aid does, what is the impact of aid, much more attention is focused on that than ever before. Which is a good thing, because what it says is that they want to be

able to assure the American public that the tax dollars did make a difference, they weren't squandered, they weren't sent off into some crook person's spending account.

Q: One of the great complaints has always been that the bank's job was to provide the seed money to get the project in place after which the project was to self-generate which it wouldn't. Once the funding was in place the pot would just dry up.

SHERK: That is why more and more of the project documents have spent a lot more time on implementation and on follow-through and follow-up. And what was the impact and how are you going to maintain this project once the funding stops. All of that now you will find in your typical loan document.

End of interview