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

MANUEL ABRAMS

Interviewed by: Charles Stuart Kennedy

Initial interview date: January 16, 1990

Copyright 1998 ADST

Q: Mr. Abrams, I wonder if you could give me something about your background. Where did you come from before we get into your diplomatic role.

ABRAMS: My Foreign Service background began with the Civil Service. The first eleven years of my working life I spent in Washington.

Q: A little more about where you grew up, your education.

ABRAMS: My education at the undergraduate level was in New York City, at City College. I grew up in New York City, and I began as a math major, moved to statistics and then to economics at the graduate level.

In the government I worked in the War Production Board, and then in the Commerce Department on Export Controls. Then I moved over to the ECA which was the first set of initials of the US aid agency during the Marshall Plan period.

Q: You were involved fairly early on in international finance, weren't you?

ABRAMS: Yes I was.

Q: Was this as a civil servant?

ABRAMS: Well, to a certain extent, yes, in the Commerce Department, in the Export Control Program which in the immediate post war period involved controls for short supply reasons. Security reasons became predominant in 1948. It involved evaluating the international supply situation of given commodities whose export we controlled.

Q: How good were our statistics?

ABRAMS: Statistics were no problem; judgements were. Almost from the beginning of my experience it was clear to me that inertia played a big role in our decisions and I think that's a generalization that I can apply to my entire experience in the Government. It's easier to follow established policies than to try to change them. We maintained short supply export controls for a considerably longer period than necessary. It was bureaucratically easier to maintain controls than to decontrol.

It's very difficult to reach a decision, to make a fundamental change in policy. That is one generalization that still holds, viz., the post Cold War situation.

Q: How well were they staffed to deal with tremendous new responsibilities that was sort of thrust upon every part of our international apparatus.

ABRAMS: Well, I think the way to answer that question is that for new problems, new agencies were set up. And, there were many people who believed that the old agencies were the wrong people to deal with them. We had a term-old line agencies.

Q: So then the new agencies were not just set up to stream line management efficiency but really to bypass many of the people.

ABRAMS: That is certainly part of it. Commerce as well as State had hoped to play a leading role in the Marshall Plan administration. Nevertheless, a new agency was set up.

Q: How and when did you get in the High Commission to Germany?

ABRAMS: That was my first foreign service assignment. It was very easy. I was working in the Germany/Austria Division of ECA. When we received a couple of telegrams from Frankfurt, announcing two vacancies. I applied for both and was accepted for one, Trade and Payments Officer.

Q: When was this?

ABRAMS: I applied in the summer of 1950 and I went to Germany in December.

Q: I wonder if you could describe from your point of view as a American foreign service officer dealing with the economics of Germany. How did you see Germany at that time?

ABRAMS: It was a time when Germany was about to change very radically. It was after the currency reform of '48. I arrived in Germany at the end of 1950, several months after the beginning of the Korean War. The Germany I then saw had very severe balance of payments problems which many people thought were incurable. And it just so happened that my job in Germany was dealing with the balance of payments, which was an important factor in determining the level of US aid. After a few months of working there and working fairly closely with the German Central Bank, it became pretty obvious to one of my colleagues and me, as well as to the man we were working with within the German Central Bank, Dr. Emminger, President of the bank, that the balance of payments problem was a temporary one.

Q: What was the balance of payment problem?

ABRAMS: The problem was that Germany had gold and foreign currency reserves totalling less than $200 million. It had imports that greatly exceeded its exports. The solution proposed by the Marshall Plan Head Quarters in Paris was to stop issuing licenses for German imports. That didn't solve anything but it did at least temporarily stop the hemorrhage of German reserves. We in Frankfurt reviewed the situation and concluded that this was nonsense. The reason that the Germans had this huge balance of payments deficit was that German industry correctly saw that the Korean War would mean a sharp increase in prices of raw materials. So after the war began, they rushed out and purchased raw materials like mad. And they were very smart. Beginning about March 1951, German imports went down and German exports shot up. In fact within about a year, I wrote a memorandum recommending the end of aid to Germany.

Q: Was this breaking a lot of rice bowls for the aid program in Germany?

ABRAMS: Well, there were several problems. First of all, my immediate superior on his first reading of the memorandum was horrified. Again, the idea that Germany might not need aid had not occurred to anyone. And most Germans were upset that they might no longer be getting aid from the US. This happened in every country where we had an aid program. The initial reaction is great shock. Countries became hooked on aid. But as a matter of fact, beginning in the spring of 1951 the German balance of payments switched to a surplus and has remained in surplus to the present day.

Q: That switch took six months. What was the reaction in our government? Why did we miss see this?

ABRAMS: What had happened is that prior to the period of the currency reform, production was virtually at a standstill. The currency was worthless. There was no incentive to produce because all you would get for the goods was worthless money. But the groundwork was laid by having the work staff set up and the factories reorganized. After currency reform there was a sudden outpouring of production. Incidentally this was one issue on which the Germans were absolutely right and we were not. We opposed the end of rationing but Ludwig Erhard, Economics Minister, prevailed. (He later succeeded Adenauer as chancellor.)

The idea that Germany might not need aid was a shock, but I think the US government reacted quite well to this, after a lag required for rethinking. And it was one of the first-if not the first-major country where we terminated an aid program.

Q: How did you operate in the HICOG atmosphere?

ABRAMS: That was very different from an embassy. Considering the job we had, which involved helping to run the German economy, the staff was amazingly small and unlayered. Which was a marked contrast to Washington.

I was a relatively low level officer dealing with the major problem of whether Germany should get aid. And I reported through a division chief to the director of the US aid mission. I attribute some of the success of HICOG, and I think HICOG was quite a successful organization, to the fact that we had not yet to overstaff to the extent that we later did.

Q: So decisions could be made quickly but also you didn't have as many people really depending on the program continuing. There is self interest built into inertia.

ABRAMS: I should note that the staff was large in relation to that of an embassy. When HICOG was transformed in 1955 to the US Embassy the process involved major staff reductions. But in relation to the job, it was a lean staff.

Q: I have you going to going to Paris, the USRO Director of the Economic Division, from 1955-58.

ABRAMS: That's right.

Q: What was USRO and what was it doing and what were you doing?

ABRAMS: USRO had originally been OSR. It was the regional organization based in Paris, for the Marshall Plan. USRO was the mission to the OEEC, the Office of European Economic Cooperation, later transformed to the OECD. In the OEEC, we were an associate member, in the OECD, we are full members. My job was to review the economies of the member countries and to report on developments in the U.S. economy.

Q: Which at that time were

ABRAMS: All the Western European countries were members of the OEEC, as well as Greece and Turkey. At the present time in the OECD, there are countries from outside Europe, but the only countries from outside Europe at the OEEC, were two associate members, Canada and the US.

Q: Who was the head of this program in Paris?

ABRAMS: At that time we had the tradition of political appointees, generally very short term. There were two directors in the period 1955-8: Fred Payne, an investment banker from New York, and John McCarthy, a businessman.

Q: When you were there did these political appointees play much of a role or were they just sort of birds of passing by?

ABRAMS: No, not a great role. When I first arrived there, the deputy, who was also non-career but a professional economist, played a big role.

Q: Who was that?

ABRAMS: Warren Shearer, professor from Indiana.

Q: How did you see Europe at this time?

ABRAMS: I was there from 1955 to 1958. It was a period when Europe was progressing very well economically except for a brief but sharp setback, the Suez Crisis. Its political significance, which I think has not been fully appreciated, was much greater.

Q: What were the repercussions on Europe?

ABRAMS: Interestingly, it split Britain down the middle, whereas it united France. There was no significant opposition in France to the French government's role in Suez. The US, after its initial highly negative reaction, played the role of faithful ally and agreed to supply the petroleum deficiencies. We made a commitment and we carried it through.

The important effect was on the French, particularly Gallist, thinking about NATO. Our public disapproved of our allies' (Britain and France) action was, in my view, a major factor in de Gaulle's later decision to withdraw from NATO's military army and to expel NATO institutions from France.

Q: It was the first of the petroleum shocks.

ABRAMS: This was a small petroleum shock, because it came at a time when we had a surplus of petroleum.

Q: Were you part of an international group?

ABRAMS: Yes, the Economic Committee where I was the US representative. This is where we discussed the economic effects of Suez. Every European representative made the most dire predictions. Initially we were without instructions but we tried to convince them that they were exaggerating the problem. Then, as I indicated earlier, we came to their assistance.

Q: Did you see different splits in the committee, political ones?

ABRAMS: No. The Europeans all sounded pretty much alike on that. It is not surprising that after the trauma of 1939-45, pessimism remained.There was a study done at the time by a British economist named Mac Dougall which predicted that there would be a dollar shortage to the end of time. It happened to appear at the time of the Suez crisis and was widely accepted in Europe for a while. We still had a balance of payments surplus when the study appeared, but, as is well known, have run a deficit since 1957 or '58.

Q: Economists are like psychologists, you just pick the kind of answer you want and you can get it. Looking at it, your situation, you were paid by State or AID, how did you view Treasury?

ABRAMS: The Treasury had of course different interests from the Department of State or AID. The Treasury was more concerned with the US economy than the State Department was. The Treasury role I became more conscious of when I came back to Washington.

As far as the instructions went, I was not all that aware of what the problems with Treasury were.

Q: So Treasury wasn't something to get around?

ABRAMS: Not at the time, though it was true later on. Certainly.

Q: How was the backing from Washington?

ABRAMS: It was rather uncomfortable during the brief period when there were no instructions immediately after Suez. On the whole, Washington did very well in providing us with guidance.

Q: Did you feel any push for American trade then or did we have different goals?

ABRAMS: We didn't share the extreme views of the British economist I mentioned. We were not aware that we were about to be in deficit on our balance of payments. We even wanted to restrain our exports in order to allow the European countries to develop theirs. To some extent, we also overstated the dollar problem, and we were not actively pushing our commercial interests. Except in specific items where there was great political pressure from Washington. For example, we always pushed agriculture and we were always competitive in agriculture. But we agreed to permit the European countries to discriminate against US exports, something that would seem unthinkable now. We did that in the interest of the development of the European economies. Discriminate in the sense that they could have lower tariff barriers for trade within Europe but not for exports from outside Europe, including the US. Again there was the usual lag in thinking. It finally became clear in the latter part of the fifties that there was no longer justification for this discrimination, nor a justification for the inconvertibility of the European currencies. It required as much effort to convince the Europeans to make their currencies convertible as to convince them that they no longer needed US aid.

Q: How was the Soviet menace used in economic terms?

ABRAMS: In terms of the Europeans having to provide the resources for their own military buildup as part of NATO.

Q: What was the overriding principle. Did you see the development of the European economy as the best thing or was it the European economy in order to keep the Soviets out?

ABRAMS: The policy underpinning what we were doing was the belief that European unity, which began with the Coal-Steel Community would provide the basis for the resistance to possible Soviet encroachment. At the same time, this was very important in the thinking at the time in the early post war period, was that it would tie Germany to the West. There was still the memory of what had happened after the first world war, when the Germans made deals with the Soviets. So those two aspects, the defense of the West against the Soviets and the German question have played a big role in our support for European unity. While all this was going on, we had the start of European Coal-Steel Community and the negotiations which led in 1958 to the formation of the EEC.

Q: Anything else in the Paris period?

ABRAMS: No, the EEC was the last of the important economic events in the Paris period.

Q: As an economist, how did you feel about the EEC.

ABRAMS: I largely saw it as a good thing. Now I would be a little more qualified about it. This is where agencies like Treasury didn't fully agree. They were concerned about setting up an organization that would free trade among the member countries but maintain barriers against outside countries. They were concerned about the effect on the US. We in the State Department agreed that this was the case, but we considered the economic price was worth paying for the political and military advantages. I think we should have been a little more wary about the effect this would have on the US. Although I don't think it would have made any great difference as a matter of fact.

Q: Were the people in the mission pretty much agreed to it or were they doing it under instructions?

ABRAMS: Here too, the degree of enthusiasm depended on where you were located. This has always been true. In USRO there was somewhat less enthusiasm for the EEC than you would have found in some other organizations. We were in part influenced by the views of the countries who were not going to be members of the EEC.

At the start there was just six members and a number of the other European countries formed another organization, EFTA, for which we in USRO had more sympathy than the State Department in Washington did. But it was a small difference really.

Q: Then you went back to State where you were the Deputy Director of Regional Affairs. This was from 1959 to 1962.

ABRAMS: Actually I started that in '60. In 1959-60 there was another job not worth discussing.

Q: What were you doing?

ABRAMS: I was doing the Washington backstopping our OEEC-later OECD-mission in Paris and our Luxembourg Mission to the Coal-Steel Community, which later moved to Brussels and became the Mission to the European Economic Community.

Q: Did you have a feeling that either you or the Washington operation was out of sync with the other or not?

ABRAMS: In my mind the importance of the Paris operation diminished somewhat and the importance of the Luxembourg/Brussels operation went up. I think that was a logical change.

Nevertheless a large of my time was spent in our becoming members of the new organization, the OECD, which replaced the OEEC. Those negotiations went on for at least a year. I was pretty much handling the Washington end because my boss, Jack Tuthill, was sitting in Paris in charge of the US end of the negotiations.

Q: What were we trying to get out of the negotiations?

ABRAMS: The OEEC had been formed to coordinate the distribution of the Marshall Plan aid. It remained a forum for discussing and resolving mutual economic problems. After the initial recovery period a decision was made by Under Secretary Dillon, that we should transform the OEEC into a new organization with the US and Canada as full members. That sounds simple, but as a practical matter, it was very complex. Because the OEEC had developed a whole set of regulations, we had to review each regulation to determine the extent to which it might conflict with US laws, and the extent to which we would need new legislation. An important question, was whether the new organization should play a major role in trade. Most of the European countries were in favor of that but we finally decided no. And of course, we prevailed. At the same time the organization acquired a major new function. The coordination of aid by the major donor Countries. This function was actually added to the OEEC shortly before its transformation into the OECD-Organization for Economic Cooperation and Development.

Q: This would be to the Third World?

ABRAMS: Yes, to the Third World.

Q: Was there a change in what you did because of the change in administration, from Eisenhower to Kennedy?

ABRAMS: Well, not in terms of the change in administration. Douglas Dillon was replaced by George Ball. There were differences in style but not in policy matters in this field.

Q: We like to talk about styles because it gives a flavor. Was there a difference with Dillon and George Ball?

ABRAMS: From my own perspective, there was tremendous change. Douglas Dillon had one special assistant who I would say was practically a whole economics bureau unto himself. That was John Leddy. Is he on your list?

Q: No we don't have him but we have someone who is trying to get a hold of him.

ABRAMS: John Leddy practically ran economics in the State Department as special assistant to Douglas Dillon. As I said Jack Tuthill was in Paris and I really reported to Leddy during this period.

Whereas Ball's operation was very different. He had several special assistants and his interests, were much more concentrated on the European Community. He had been a lawyer for the Coal-Steel Community. Later, particularly when he moved from being Under Secretary for Economic Affairs to the Under Secretary, his interests were much broader and more political.

Q: One has the feeling that he was a true believer in this.

ABRAMS: I've often wondered what he would have said these days. My guess is not too much different from what he said then.

Q: Was this a congenial atmosphere or was it divisive?

ABRAMS: Well, this is where we had problems with Treasury and with Congress and Agriculture as well, particularly with Treasury. But this is an example of difference in organization. By this time, the State Department was a pretty big organization with a lot of people. Treasury, at least in terms of international policy, was relatively small. No Treasury employee had a problem bringing an issue to the attention of the assistant secretary. In State we could do so only if life-and-death issues were involved. This gave the Treasury one-upmanship in interagency squabbling.

Q: What were the major differences between Treasury and State over our policy?

ABRAMS: Well, I think it is an example of the fact that the differences were not really that important, because I can't think of what the specific issues were, and yet I know at the time, the battles were intense.

Q: So you think this is very indicative.

ABRAMS: Yes, I think it is.

Q: I guess what you're saying is that these were bureaucracies battling more than issue battling?

ABRAMS: Well, there were issues involved. What seemed important at the time, but receded in importance with the passage of time.

Q: One wonders what it is all about?

ABRAMS: Yes.

Q: Often in Oral History, we do run across this. There was a concentration on certain things but now, so what.

Well, are there any other things we might touch on here?

ABRAMS: No, I think that pretty much covers the Washington period.

Q: I have you going to The Hague from 1962 to 66, is that right? Where you were the economic counselor?

ABRAMS: Right.

Q: Could you describe how that was, how the embassy was set up, what an economic counselor did and what sort of staff you had?

ABRAMS: Yes. Well, The Hague was what we considered to be a medium-sized embassy. There was an economic counselor and as I recall it, two other economic officers, then a commercial attachï¿½, and assistant, two Americans, and a staff of what we used to call local employees.

This was my first encounter with export promotion. It was quite an important function.

Q: When you went out there, were you under instructions? What were your major tasks?

ABRAMS: There was a schedule of economic reports which had a name, CERPs, Consolidated Economic Reporting Program. That I left pretty much to the other two officers. I devoted a large part of my time to seeing senior economic officers in the Dutch foreign office, discussing what was going on in Brussels in the European Economic Community. Because what they did was of great importance to the US both politically and economically, particularly during the Kennedy Round, the GATT trade negotiations of the early 60's. The Dutch were a good source. We were fairly close to the Dutch viewpoints on many matters, for instance, free trade. I use the term relatively because the US spokesmen have a habit of talking as if we have no trade restrictions and it is everybody else who does have trade restrictions. That's nonsense, of course, but we at least did profess a belief in free trade and the Dutch did too. Besides he was easy to talk with, I knew him from Paris.

Q: What was his name?

ABRAMS: Karl Hartogh. He was the Director General for Economic Affairs in the Foreign Office. Then there was a Director General in the Economics Ministry on trade matters. These were the two most important people I saw on a regular basis.

Q: By this time we looked upon Europe as being a full fledged economic machine.

ABRAMS: That's right. By the sixties the lag in thinking had been made up. So there was no longer any question. The European currencies were convertible. But of course, the European community was reducing the trade barriers within the community, in accordance with the schedule set up in the Treaty of Rome. But to reduce trade barriers to the outside world required the Kennedy trade round and that's what we considered so important. We were seeing trade barriers within the community going down and we wanted trade barriers to go down to the outside work as well.

Q: Did you see any particular areas that we were getting frozen out of, I am thinking particularly of the chicken war?

ABRAMS: That is a good example, because I was involved in that.

Q: Could you explain what the chicken wars were all about?

ABRAMS: It was the hottest issue of the time. It involved our Senator Fulbright because Arkansas happened to be producing a lot of chickens. I guess he European community was considering some sort of tariff on the chickens. We started the process of producing factory chickens rather than farm chickens. We were able to export at prices way below European prices. I remember when I was in Paris, the price on the market was about three times the price in the US. In any case this became a key issue. We made so many representations that at one point Mr. Hartogh said, "I am wondering when your ambassador will raise this matter with the Queen."

Q: You worked under two ambassadors, one was John Rice, a non career ambassador.

ABRAMS: That was brief, less than two years.

Q: Then you were with William Tyler. How much attention did he pay to the economic side?

ABRAMS: Working with Tyler? Marvelous. For me it was a change from night to day. Because there was an interim, one year we had no ambassador. We had a chargï¿½. Rice was a very nice man, but he knew little about what was going on. It was too bad that we had him at the time because he was no match for Mr. Luns, who was the foreign secretary. Mr. Rice had delivered Pennsylvania delegates to Mr. Kennedy so he became ambassador to the Netherlands, but with no background at all for the job.

Whereas Bill Tyler was the model of a career ambassador. I had worked for him in Washington when he was the deputy assistant secretary.

Q: I wonder if you could explain how, in a country such as the Netherlands, where traditionally we have sent political appointees, sometimes there's the feeling that embassies run by themselves and all that. Can you think of anything that might have been lost as far as how we operated by not having someone who knew what they were doing?

ABRAMS: Well, the big issue at the time I arrived was a political issue between us and the Netherlands. But particularly Mr. Luns, who made it his own personal issue and this was Indonesia. Mr. Luns had never quite reconciled himself to the loss of Indonesia. There was a big fight between the Netherlands and Indonesia about some of the islands. We were involved in this fight because we were taking a world wide anti-colonialist attitude. And while we understood the Dutch concern about these islands, one was called what was called West New Guinea, now West Irian, I think the Dutch had some basis but they were hanging on and our representations might have been more effective with another ambassador. In the end Mr. Luns had to fold.

Q: When you get instructions that it has to be the ambassador, it has to be the ambassador and no matter how much backing you can give, its the ambassador....

ABRAMS: If you want to talk to the Foreign Minister normally you have to send the ambassador.

Q: And you have to know what you're saying. Otherwise it cuts your effectiveness.

ABRAMS: Again, in the long run, it didn't matter too much but at the time it was a terrible problem between the US and the Netherlands.

Q: The one thing that seems to crop up again and again is the KLM landing rights to Chicago.

ABRAMS: You're absolutely right. That was one of the big fights.

Q: Could you explain what the problem was?

ABRAMS: The problem was when you have a big country like the US, and a small country like the Netherlands, trying to arrange reciprocal landing rights, its just skewed to begin with. What can the Netherlands offer us other than Amsterdam? Nothing. It's the only place you can land. But having just New York is not very great for KLM or for any of the European airlines. I had exactly the same problem when I was in Italy. Ruth had the same problem when she was economic counselor in Brussels. These small countries can't offer us reciprocity. What you have is a big fight. So as long as Washington insists on reciprocity, there's no resolution.

We finally worked out something with KLM. But we did find, in most countries, a way out. The Dutch have a queen, the queen could visit the US and butter up people, and a deal was worked out. But logically, there is no real reciprocity. If we give KLM New York and then also give them Chicago or Atlanta or both, there is nothing that the Netherlands could give us in return.

Q: Two more parking spurs, or something like that.

Then these airlines got better, and more competitive, and our airlines didn't want them to come in because they were cutting in.

ABRAMS: In the theory of landing rights, we were justified in not providing them. But the theory was defective I guess. It didn't take into account the differences in the countries.

Q: I have you going as economic minister to Rome in 1967 until 1969. What was the change for you? Here was Italy and it was quite a different matter.

ABRAMS: For me, the big change was work. Not the subject matter but the operation. Now in the Netherlands as I mentioned, there were at least two senior people, there were a number of others, whom I saw regularly, and if I had to see, would pick up the telephone, "Can I come see you?" "Sure, come on over."

Not in Italy. In Italy, working was very difficult. No government official, at least in the Foreign Office, was available in the morning, because they were busy with other things. Then came lunch which was 1:00 to 4:00, plus siesta, and then they'd get back and they'd have a few things to do. So you got to see them at seven. And then if it was an important issue, then you'd have to come back and write a telegram, go out. Work, as such, as not all that important. The social life was the big thing. So it was a very difficult place to operate in. I was lucky because I was a representative of the US, so I could get the door open. My poor Swiss colleague whom I had known in Paris, told me he was utterly devastated. He couldn't get to see anybody. They had no time for somebody from Switzerland. They were not being difficult for the sake of being difficult. They really didn't have time because the "they" in the Italian government was a small group of competent officials; the rest of the staff was dead wood. It was a waste of time to see any but a handful of officials.

Q: Italy is a difficult country. I was consul general in Naples. It was a very difficult bureaucracy to deal with. The hours are peculiar and there are a awful lot of time servers.

What were the major issues you had to deal with?

ABRAMS: Alitalia and landing rights was an issue, and there too I reported on what was going on in Brussels as seen by Italian eyes. The Director General for Economic Affairs in the Italian Foreign Ministry was top notch, as were a few of the other senior officers, but there was much dead wood.Trade was another important issue, as well as developments in the Italian economy.

Q: The Italian economy, if you look at statistics, looks like a disaster yet it has this black economy. For example in Naples, which has no glove factory per se registered in the world and yet it is the largest producer of gloves in the world. How did you first look at the economy, as a instrument and then how did you report on this peculiar economy?

ABRAMS: As you know, there's a large part of the economy that you can't report on, because there's nothing available on it. Another interesting thing about the Italian economy is its flexibility. For example, Mr. Kennedy in the election of 1960, promised U.S. textile manufacturers to do something to restrict the flow of imported textiles. He fulfilled that promise with a textile agreement. Part of this agreement involved restricting certain types of textiles. But every time we specified which textiles were being restricted, there was a group of manufacturers in Tuscany that would get around the restrictions by changing the product mix. No matter how hard Washington tried, it turned out to be impossible to prevent the flow of textiles from Tuscany. Nobody was ingenious enough to devise specifications that would keep out those Italian textiles.

Q: How did you feel about the Italian economy?

ABRAMS: The Italian economy during the period I was there was doing quite well. That was a period of very low inflation, happily for me. This is one of the problems that the Italian economy runs into periodically. They did later on, bouts of inflation, 10 to 20% a year. All through the post war period, you'd look at the economy and think, "Gee, there's all sorts of problems," and somehow it has gone on and done well. This is true to the present day.

They have an interesting mix of government and private initiative. They have these large government companies which operate to a large extent like private companies.

Q: Well, Alfa Romeo is one, ...

ABRAMS: IMI and IRI are the initials I remember, IMI is the petroleum group and IRI is steel.

Q: Who were your ambassadors?

ABRAMS: When I first came it was Freddy Reinhardt. He left in early 68 and then Gardner Ackley came in and left in mid-69 with the change of administration.

Q: Can you do a little comparing and contrasting?Reinhardt was a career and Ackley a non career.

ABRAMS: Yes, Gardner Ackley was a first rate economist and a first rate mind. Being an economist, he determined when he came to Rome, that he would devote 90% of his time to matters other than economics. He concentrated on political, public affairs, and so forth. I remember, everyone was commiserating with me; how can you be economic minister to Gardner Ackley? Well it was very easy, because he read whatever we turned out, and if he had any question, he called, but he did not try to get involved with the details of the economic work.

2ND INTERVIEW DATE: January 30, 1990

Q: We were talking about some things in Germany that we hadn't mentioned, not just balance of payments but support costs that were extremely important at that time. I wonder if you could tell me just what that involved?

ABRAMS: So long as we were an occupying power along with the British and the French, we received occupation costs, funds and facilities to help maintain the troops who were doing the occupying. When it was decided that the occupation and Germany would become a member of NATO, the question arose as to the transitional financing of the forces which would remain stationed in Germany. This was around 1952, '53, when the negotiations to end the occupation began. There was a whole host of things that had to be settled before the occupation ended. As a matter of fact, the occupation did not end until May 1955. It took about three years of negotiations to work this out. The big financial question, aside from old German debts, was the financing of the troops stationed in Germany, to help maintain the peace in Europe. This turned out to be the most difficult subject to be tackled and was the last issue to be resolved.

There was an agreement in principle with the Germans early on that for a limited period of time, as they slowly built up their own forces, they would continue to provide funds and help maintain the Allied forces but that it would be limited in time and limited in amount. Then the question was what would be the timing and what would be the amount. This was difficult because the German program for building up its forces was unrealistically rapid, which we knew and I suspect they knew as well. It was finally worked out in time for ending the occupation in 1955.

Q: Whom were you dealing with at that time?

ABRAMS: It was principally the Finance Ministry, as well as the nucleus of what would become the Defense Ministry once Germany regained its full sovereignty.

Q: Were they saying that their superiors said that this was going to occur quickly?

ABRAMS: They were trying to make the case that the speed with which the troops would be built up would limit the amount of money available for support costs. As it turned out, even our own estimates were optimistic as to amount of time required for the German buildup. Interestingly enough, the greatest shortage turned out to be non-commissioned officers in Germany. That's what kept the pace of rearmament very slow.

Q: I'm surprised because what really made the German army great in the two wars was the strength of its non commissioned officers.

ABRAMS: There was a problem in finding experienced non career officers and a considerable lack of enthusiasm. It was a very slow process.

Q: After Rome, you went to Brussels as the Deputy Chief of Mission to the US Representative to the European Community. This was in 1969 to '72. What were you doing?

ABRAMS: I was assisting in running the mission which meant all relationships between the US and the European Communities (EC). It's usually called the European Economic Community (EEC) for short but actually there were three communities involved. In addition to the Economic Community there were a group dealing with nuclear matters and the Coal-Steel Community.

The big problem that was facing the Community in 1969-72 was British entry. In addition here was the perennial issue of trade, particularly the Common Agriculture Policy (CAP). Earlier the British and their partners, the Scandinavians and Switzerland had tried to form a free trade area with the EC but this had failed. After much soul-searching the British applied for full membership in the Community. We were very much involved in this, probably more than we should have been but we tended to be extremely active in all matters connected with European integration.

Q: How were we involved?

ABRAMS: As a matter of fact, we were involved from the beginning. After the failure of the Free Trade Area negotiations, the British visited the United States and talked to George Ball, who was then Under Secretary for Economic Affairs. The British asked what the US thought the British should do and Mr. Ball said they ought to join the Community.

There were a number of reasons why we should have been involved, political, military as well as economic. We thought the European Community would be strengthened as a result of British membership. We also thought that the European Community would have more liberal economic policies, particularly with respect to trade, if the British were members. In particular, we thought the Community would have a much more open agricultural policy if the British were members. We also thought that it would help to strengthen NATO. This was a period when the Cold War was moderately warm.

Q: If you got Britain and France fully involved it would act as an anchor to Germany?

ABRAMS: Yes, that always underlay our policy with respect to the Community. We wanted Germany fully anchored to the West.

We followed the negotiations between the British and the Community in great detail, on a day to day if not hour to hour basis.

Q: How was that working out. Were the negotiators running back and forth telling us what was going on?

ABRAMS: In a manner of speaking, yes.

Q: Did we ever get involved as an intermediary?

ABRAMS: No, we did not become involved in the negotiations as such. But we talked to the people in the negotiations, and we knew exactly what was going on.

Q: What difference did it make?

ABRAMS: It's a good question. I don't think it made as much difference looking back as we thought at the time. But again it's one of those activities that tend to be self-generating. Once you get started you keep doing it and it seems a good idea to keep on top of things and know exactly what's going on. But it didn't really make that much difference.

Q: But there were underlying instructions to steer things.

ABRAMS: To some extent yes. If in the course of the negotiations there would appear to be a development which we strongly disliked we might well make representations. That was certainly the case but that was exceptional. Most of the time it was just a matter of knowing exactly what was going on, and trying to encourage a successful conclusion. Because we did have strong views. We did want the negotiations to succeed.

Q: Did you feel that those who were negotiating were also keeping the United States in the back of their minds as far as if we do this, this is going to create a trade war?

ABRAMS: Yes, I wouldn't have used the word trade war. I happen to think it's been overused. But yes it would cause difficulties with the US if certain things happened. And there were differences within the Community and sometimes one of them would talk to try and exert some influence. So there was that as well.

Q: How did you view the French at that time. This was the time when we thought of them as the _____.

ABRAMS: From our viewpoint which very much paralleled the British viewpoint, the French were the difficult negotiating partner. The Benelux countries were very strongly in favor of British membership. The Italians wanted British membership. The Germans were not quite as strong but they were certainly positive. The French were skeptical. And looking back at it with the usual benefit of hindsight, the French were justified in being rather skeptical of what role the British would play. If you now look at the future of this, namely 1992, the brake on the movement of the community is the British. But that is of course another matter.

Q: Your ambassador there was Robert Schaetzel?

ABRAMS: Yes.

Q: How did he operate? What was he doing and what was his interest?

ABRAMS: He was keeping in close touch with the commissioners of the community and with the ambassadors of the countries, the European Community members plus the British, the Danes, etc. He was a very strong advocate in all this.

Q: Was he put there because of this?

ABRAMS: In part. I was not in Washington at the time. He went from Deputy Assistant Secretary for NATO and OECD Affairs in Washington to the ambassadorship there. He was not a foreign service officer. And this was his only overseas assignment. He was a career civil servant.

Q: Did you find his being a career civil servant, did you find that you spent a lot of time in the running of the embassy?

ABRAMS: To some extent, yes. But I wouldn't attribute it to his being a civil servant. It is fairly normal in many embassies that the DCM does more of the running and the ambassador spends more of his time seeing other ambassadors and high officials.

Q: How did you feel about the reports coming from our embassies in Bonn, Paris and Rome, London and all of that?

ABRAMS: Of course we looked at them. The reports, to a great extent, reflected the quality of the people preparing them.

Q: Was the reporting from one post weaker than others?

ABRAMS: Oh, yes. This is always been true.

Q: Which ones?

ABRAMS: It has varied. Since I'm going to say something complementary. When Joe Greenwald was our number two man in the economic section in London, the reports from London were excellent, among the best I've seen. Other people, not quite as good. Same post, little later. This was a big factor. It also reflected the ability of the people in the posts to see the right people in the capitals who were not always available.

Q How did you feel about the directions from the White House. This was the period when Henry Kissinger was in National Security Council. Did you feel any conflict between the National Security Council and the State Department as far as how they felt about this?

ABRAMS: Well there was a conflict toward the end of the time I was there between Washington and my ambassador which ended with my ambassador being fired. So, it that sense, I felt it.

Q: How did that come about?

ABRAMS: I might mention that supposedly he resigned. But as a matter of fact he was fired. And the reason he was fired was that he was making statements which were not in agreement with what was coming out of Washington. So your question is well put because there were differences at that time. Within Washington, and between Washington and the field. Theoretically there was no differences between Washington and the field since we get our instructions from Washington, but in practice there were.

Q: What was the issue?

ABRAMS: The issue was the degree to which Washington was prepared to support things in the European Community which people in Washington, some people in Washington felt, were not very useful for the US and therefore lessened support. Bob Schaetzel was a very strong pro-European, pro-integration. And in a sense the Europeans couldn't do anything wrong.

Q: Well are you pointing out one of the problems that had been dealt with by the Department of State and sometimes with justification? That is we tend to see things in political terms, sometimes to the detriment of our commercial, our economic interests.

ABRAMS: Yes, I would say that there is some element of truth to that. We sometimes tended to exaggerate political importance at the expense of economic detriment to the US.

Q: Do you think that the support of what the Europeans were doing was getting overly strong without really thinking about what America ...

ABRAMS: Yes, I think so.

Q: Were you there at the time that he left?

ABRAMS: I left just before him. I was there at the time of the break between Henry Kissinger and Bob Schaetzel occurred.

Q: Were you able to see if he was diverging?

ABRAMS: We tried to tone down the sort of things our ambassador was saying or writing. We did this to some extent but not enough. Later he did write a book that was highly critical of US policy. Q: This is a major problem within State. We have political interests and we have economic interests and they are not always the same.

ABRAMS: On the other hand, some of our economic interests could not have prevailed. The prime example is the Common Agricultural Policy. Almost from the day it was born, we began to fight against it but we have had very little effect, except on some specific items. For a long time it was the major accomplishment of the Community. It was the one thing they put together in common. It was a great boon for their farmers, but not for their consumers, let alone our farmers.

Q: We are of course talking about politics. European politics. The farmers there are very important.

ABRAMS: A very potent force, far in excess of what you would expect looking at numbers. The number of farmers in Europe, as in the US, has diminished rapidly. Now it is a very small proportion of the population. Interestingly enough they have played a big role in the most industrialized country of Europe, Germany. The farm vote was extremely powerful in Germany.

Q: They tended to go towards the CDU, didn't they?

ABRAMS: Or in Bavaria, the CSU. So we would normally would have expected Germany to be our ally in the Community, because they were such an industrial country but it turned out to be wrong. They weren't. It was too big a political issue within Germany.

Q: Were you able to get this across to Washington, or was this not seen as...

ABRAMS: We got it across to State. We may not have succeeded with the Department of Agriculture. But we could not declare economic war against the European Community. And the other side of it is that the US has a great tendency to see the faults of other countries and not its own because at the same time we were inveighing against the European Common Agricultural Policy, we had agricultural and other policies that were pretty restrictive too. If you look at our press and listen to the Congress you would think that this country is completely open to exports from other countries, while evil people in other countries maintain restrictions on US exports.

There's an interesting anecdote that I could relate. We received an instruction to go see the Community and protest a specific Common Agricultural Policy. I called my Australian colleague, because we had worked together before on many protests. I told him that I had this instruction, and asked whether he would like to join us in protesting to the Community. He replied in an unusually jocular manner, "You know I'm always prepared to join the US in making a protest. I do hope you realize one thing though. The restrictions that the US has on its agricultural imports affect a larger proportion of Australian exports than do the Community's." I had never thought about that and he began ticking them off. And he was right.

So this was part of the whole problem, and it remains it to this day in dealing with US commercial policy. It happened to be a time when we had quotas on imports of meat, which Australia exports. We had, as we always do, restrictions on sugar, which Australia also exports. We were exporters of grain but never had any imports. We had then, as we still do now, restrictions on imports of dairy products. If you added it all together, it was pretty bad from the Australian viewpoint.

Q: This is always a problem. I know. When I was a consular officer and we used to protest vehemently the attempts to draft American citizens residing in a country who were originally of the nationality of the country, saying they're Americans and all that, and yet the Vietnam War was going on and we were drafting people on visitor's visas if they stayed too long.

Any other issues you were dealing with in Brussels?

ABRAMS: Aside from the negotiations between the community, the British and the others, there were the day-to-day issues of our economic relations.

Q: Did you find yourself tripping over some of the embassies in Europe? These extra embassies that were put in always seemed to be in a way a bit awkward. They made a lot of sense but then you also had an embassy in Brussels, one in Bonn, in Paris and others. Just from an operating side, was this a problem?

ABRAMS: No, it was no problem whatsoever. It so happened that at that time, and it may well be true today too, all of the people involved were a group who knew each other well. We had annual meetings of the senior economic officers in the embassies and the missions to the EC and the OECD, and we would review our common problems. Washington was present at these meetings and would give us their viewpoint. I think this was a case where the coordination was pretty good. There weren't any problems that I know of. There may have been a few individual cases, but it was not a general problem.

Q: You left Brussels in 1972 and then you were an inspector for a couple of years. What would a foreign service inspector do?

ABRAMS: It would partly depend on when he inspected because like so many things, the ground rules changed frequently. I think I was lucky in the timing, because it happened to be a period when the inspection included not merely administration and personnel, but also policy. This I thought added a great deal of interest to what I was doing. About the time I left the policy part of it went out.

Q: The Bureaus are so jealous of policy, that to allow an independent body ... now I think the emphasis is on catching waste, fraud and mismanagement. Which is really a small part of the picture. But it attracts the attention. Well, where did you inspect?

ABRAMS: More of Europe than I thought I would have, because one interest I had in joining the inspection corps was to learn something about other areas. But my second inspection was Mexico, which was a very different place from Europe. I spent some time in the Far East as well, which I found fascinating.

Q: What was your impression of going to our whole huge embassy apparatus in Mexico? Looking at the policy and all.

ABRAMS: Well, Mexico struck me as one place where disease was a bit rampant, the disease that's known in the foreign service as localitis.

Q: Could you explain that?

ABRAMS: Localitis is a disease which someone in a foreign post acquires and it means that he becomes so interested in the problems of the country with which he is dealing that he may at times forget that his primary purpose is to represent US policy. That is interest in the country as it relates to US policy and not the country itself. Of course, in order to do the job you must have a measure of sympathy and understanding, a great deal of understanding of the country itself. But it should not go to the point that you become more concerned with the country's problems with you, than about the US problems with the country.

That does happen from time to time, and it has been labeled localitis. And Mexico is where I found some of that. Some embassies don't suffer very much from that. For some reason or another.

Q: I think that there is such a feeling particularly in intellectual and foreign officer circles in Mexico of mistrust/distrust of the United States that it sort of permeates SPP everything. How did you find this localitis manifested?

ABRAMS: In the way the objectives of the embassy were written up. That was the starting point. I was amazed to read it and find our interest was in dealing with the problems Mexico has with the US, for example, with the polluted water that flows from the US into Mexico. This is a problem that we have to deal with but it was written in terms of the Mexican aspect, not in terms of the US. There was a problem at the time, and as far as I know, it still exists, of trying to stimulate industry in northern Mexico by permitting the import of raw materials from the US into Mexico, then have them transformed into manufactured products and then reexported to the US without any duty.

Q: I think it is still there.

ABRAMS: On the whole it was a very good program. But dealing with that program, the sort of viewpoint I found in the messages being sent out of the embassy of Mexico, was the viewpoint of the Mexicans. Not simply reporting the viewpoint, which they should do but looking at everything from the viewpoint of the Mexicans. There were problems for US labor involved in this sort of program, but the embassy hardly recognized those at all.

Q: Did you inspect the consulates, too?

ABRAMS: I inspected five of them. There were two teams, and I did the north.

Q: I recently read a book called More Than Neighbors saying that Mexico City and the political atmosphere there is almost poisonous as far as the feeling of many of the people there towards the United States who were in power. Yet when you get up along the border, many of the officials and so many overlapping ties that it is really a whole different world.

ABRAMS: I would agree. There was much more of a tendency for the people in the border cities of Mexico to look north rather than to look south to Mexico City. There was much more admiration for the US and less of this feeling that the gringo is out to get us.

Q: Did you find that the consulates were reflecting this kind of area more. In a way they were sort pursuing a northern Mexican/American relationship more than our embassy was?

ABRAMS: I think that's right. It was a very different atmosphere. Now I didn't inspect consulates in the south, so I don't know. But this was certainly true in the north.

Q: The real ones, of course, were Tijuana, Monterrey, Hermosillo.

ABRAMS: Yes, I went to all of those.

Q: But you did find it to be a different world.

ABRAMS: Yes, very different.

Q: Did you feel that the inspectors had some clout in the bureaucracy?

ABRAMS: Very limited. Marginal. That was the best you could hope for. Some marginal effect, but not much more. The bureaus were in control and the inspectors could not do very much. But it so happened that I recommended that one of the consulate posts be abolished and it was. It hurt me in a way to do it, because it was one of the border posts that I liked most personally, but I didn't see it was serving any function. So one could have some effect like that.

Q: You went to the Far East too?

ABRAMS: Yes, I was in Seoul, Japan, Hong Kong.

Q: Did you get a different feeling about how things were being conducted there? Your real experience had been in Europe. And with all three of these you're talking about real tigers in economics.

ABRAMS: Yes. Well, not Seoul at the time, but it was beginning. It so happened it was my second visit to Seoul after about six years and the change was startling. That was also true of Hong Kong and Tokyo.

Q: Did you have the feeling that we were overadmiring the progress of these places were making or were we trying to look after our own interests?

ABRAMS: At that time, we weren't because the progress was just beginning. On the whole I found our consulate general in Hong Kong and certainly our embassy in Tokyo very well run. Much better than in Mexico City.

Q: Your final position in the foreign service, I have you in Geneva in the US mission from 1974 to 1977, again as the deputy chief of mission. What does the mission in Geneva do?

ABRAMS: The US mission in Geneva does two related things. One it has a regular staff of representatives to the various organizations of the UN in Geneva, and the second related thing is that it plays host to the hordes of Washington delegates to various Geneva meetings.

Q: Other than playing host, which could be a time consuming thing, did you try to provide some continuity between the visits of delegations and all?

ABRAMS: That's where the regular staff was involved. In the case of Geneva the meetings and the visits are a much bigger role than they usually are in an embassy.

Q: Did you have problems meeting the desires, of the delegates?

ABRAMS: No there wasn't any real problem. There was real continuity. Many of these Geneva organizations are very old and predate the formation of the UN. They were taken over by the UN when the UN was formed. They have a long tradition of getting together and working out international standards or whatever the case may be. And the people in Washington were ones who had been doing this for years, so no it was not a particularly great problem.

Q: Any particular episodes that you would focus on?

ABRAMS: One interesting episode that occurred when I was there was our walking out of the ILO.

It was the first time we walked out on any UN body. We have since done it in Paris at the UNESCO. I really thought at the time that UNESCO was the worst but ILO was pretty bad too. Bad, in what sense? Bad in the sense that this organization, which was supposed to set labor standards and review labor activities and encourage good working conditions in various countries was getting itself involved with all kinds of political matters that it had no business getting involved in. This was an interesting example, where the field and Washington saw eye to eye and at the same time.

The initiation of the walk out began when the UN mission in Geneva sent a telegram to Washington making a recommendation that we do just that. Washington agreed with the recommendation and then we went through a process of sending letters and so forth and having all sorts of meetings with our allies, some of whom had meetings with us trying to dissuade us. We finally did walk out.

Q: There must have been something that sparked it.

ABRAMS: Yes, we had that sort of thing in other UN/Geneva organizations. Such things as the attitude towards Israel, or the PLO, in the days when we would hardly admit there was such an organization. When the ILO began to debate political problems, we left.

Q: Puerto Rican nationalism was brought up, and these were things that were brought up to tweak the United States.

ABRAMS: That kind of issue also arose, but we never let it bother us very much.

Q: Were there any attempts on our part to make the organization understand that we wouldn't hang around? Was the problem one of other nations or was one leading sort of a cadre in the ILO, carrying the ball?

ABRAMS: There was a fair amount of sympathy for our view, not openly, on the part of the ILO employees. But the problem was the other countries. Certainly we had a general problem of a double standard in that the investigations into unfair labor practices in the east bloc was very different from investigations anywhere else. But that certainly troubled me less than other things because once you admit a country such as a USSR, which has independent labor movement, into the ILO, you have to have different standards.

Q: How did you view the role and the effectiveness of the Soviets in this kind of international organization?

ABRAMS: They had a good mission. It was interesting. They had a number of capable people. They were the only mission with three DCMs, one of them KGB, of course. So in terms of carrying out Soviet policy they were effective. In terms of their role there, sometimes they did well; they were able to line up countries on their side quite often. But this was a period when the Cold War was not at its height or at its depth. It was also a turning point in terms of ending the war in 1975, when the Armistice was signed by Israel and Egypt and Syria. It was before Carter. This was the Nixon/Ford Administration. It was the time of the Kissinger Shuttle Diplomacy. It was the Kissinger Shuttle Diplomacy that resulted in the Armistice, which incidentally was signed in Geneva and I was very happy to be able to observe that.

Q: Were there any other international agencies that gave you any problems?

ABRAMS: Not particularly. The WHO (World Health Organization), too did a bit of dabbling in political matters but leaving that aside, they were a very effective organization in dealing with health matters. It was nice to see a UN organization that effective. One interesting thing about the Geneva organizations, as compared with the organization in New York, is that most of the agencies in Geneva have specific functions which most of them carry out quite well in the interest of the world. Rather than the debating society you have often had in New York.

Q: So you felt you were dealing with a lot of technical people, dealing with technical problems, for the most part. Obviously things would crop up.

ABRAMS: Also there was one activity that was more along the lines of my experience, which was GATT.

Q: That's the General Agreement on Tariffs and Trade.

ABRAMS: Part of our staff was a permanent mission to GATT. Q: I take it that you were pretty happy to be there at that time dealing with people dealing with general problems.

ABRAMS: That's right. They dealt with real problems and in a real way.

Q: Did you retire in 1977?

ABRAMS: Yes I did.

Q: Looking back on your career, what gave you your greatest satisfaction would you say?

ABRAMS: It could be looked at in various ways. In terms of work and relationship to the people in the country I was in, I would say that the experience in the Netherlands was the most satisfying. Wonderful group of people to deal with, it was easy to talk to them, even when we disagreed which inevitably happened; we understood each other's viewpoint, which is not always the case. On the other hand, the most exciting one, was the very first job in Germany, operating in an occupation and helping to bring the occupation to an end. I am fortunate in that I enjoyed every assignment I had.

Q: How about today? What would happen if a young economist would come to you and say, I'm thinking of joining the foreign service? How would you advise him or her?

ABRAMS: I would have some difficulty advising him or her. For one thing, I would want to know what sort of economist he is. If he is an economist who is interested in the technicalities of economics, the foreign service is not the place. It's very different from the economics you learn in school. I think more important is the interest of the person in learning about other countries, in learning other languages, in foreign relations. Even if he wants to specialize in economics, his primary interest should be foreign relations, if he wants to go into the foreign service. But it can be a very exciting career.

Q: Well, I thank you very much. I appreciated this.

End of interview