

INTERVIEW I

INTERVIEWEE: Felipe Herrera

INTERVIEWER: Paige E. Mulhollan

DATE: May 20, 1969

M: You are Dr. Felipe Herrera, and you are president of the Inter-American Development Bank. In fact, you were its first and have been its only president, as I understand it.

H: That's it.

M: Did you ever have occasion to know Mr. Johnson prior to the time you became associated with the bank in the 1950's?

H: No. I met him physically, let's say, for the first time when he was already Vice President.

M: Did he, as Vice President, have any function in connection with the activities of the bank?

H: No. I met [him] more socially. I remember two or three times in the White House and at receptions at embassies. So I had just the chance to talk with him in very brief terms on a social basis, but we didn't have any, let's say special contact in relations to the bank. I knew of course that when he was a senator he was very much in favor of the legislation of the Inter-American Bank and that he was very friendly in relation to all that meant Inter-American affairs. No surprise, knowing his background and the fact that he was from Texas and so on. But really personally I didn't have much chance to contact him.

The man that I understand had a fairly good knowledge about him before he became President was our executive vice

president, Mr. Upton. Do you have him in line to--?

M: I think his name is on the list. I don't think we've contacted him yet, however.

H: I think it could be interesting.

M: But he is the executive vice president--

H: He is the second man here on board.

M: Right. And has been since the beginning?

H: Since the beginning, and he has been very important from that point of view because he represented the U. S. in the committee that negotiated the charter of the bank. And he was Assistant Secretary of the Treasury when the legislation was passed through Congress.

M: I see.

H: So perhaps if you want some reference about Johnson's position and relation to the bank in that early period, he could give you more information.

M: Right. You've served here at the bank through all of President Kennedy's administration, and then all of President Johnson's.

H: The last part of Eisenhower's administration, Kennedy and Johnson, yes.

M: Was there any change in the United States' attitude toward the bank? Comparing the Johnson administration to the Kennedy administration, was there a change?

H: No, I would say that the three Presidents that were in the White House during this period were very sympathetic to

the idea, the causes of the bank. I would say if any change developed, if you compared the three, and that is the fact that the bank has become more important as an instrument for inter-American policy. So I would say this that when President Kennedy was in the presidency, the bank was just organized and was a very small institution. Now with President Johnson, I would say we had a tremendous growth of the institution.

By the way, I am going to give you a pamphlet because last year, more or less at this time of the year, there was a ceremony in the White House, signing a bill--a law--for an increase in the recourses of the bank. President Johnson was personally very much interested in giving quite a display to this action, that the bank has meaning placed in its resources and to give it a very strong endorsement.

M: So the major change has been growth, not change of direction, really.

H: Yes, growth. I would say, although President Kennedy gave us his warm support, I would say that President Johnson from the point of view of government, from the point of view of growth of the bank, was more important. During that period we witnessed perhaps the largest expansion of the bank.

M: Other than just contributing to the capitalization and so on that all of the nations which belonged to the bank do,

does the American government or the President or his staff or his people attempt to influence the policy of the bank?

H: No.

M To coincide with American policy on any given matter?

H: This is a very good question. Undoubtedly the bank has become a very important element of inter-American policy. So undoubtedly always there is an issue related with inter-American policy. Where financial matters are concerned, there could be implications for the bank because, let's say, the U. S. contribution is very important in the institution. So to put it in an example, if the U. S., for instance, is supporting very strong let's say, the development of a country in Latin America, this position is reflected in its representative on the board--that he is very much in favor of the operation of those countries' relations to the bank, because your people are very much caught in the-_____? So the U. S. executive director who represents the U. S. in our board, I would say, received the influence and the winds, let's say, from your administration and from your Congress in relation with given sectors or with given countries or with given issues. To give you an example, in the matter of economic integration in Latin America that have received a strong support during this last period. Of course this is very much projected here in the bank, too.

M: Is the American representative the one to whom the American

government would talk rather than yourself?

H: Yes. The United States' channel is the U. S. executive director. And the U. S. executive director receives his instructions from the U. S. governor in the bank, who is the U. S. Secretary of the Treasury.

M: Right. Did President Johnson or any of his staff ever contact you directly about bank policy?

H: No. I had some contacts with President Johnson, particularly the last year, but it was more of a general support of the bank and so on, but not to discuss with me issues related with the bank.

Now in relation to the U. S. administration as a whole, of course, due to the fact that we are here in Washington and so on, I have many good contacts with the Treasury, with the State Department, and so on. Sometimes I have approached directly the U. S. administration for some specific issues. But generally this has all been through the U. S. executive director or with his information, because my policy has been to preserve the multilateral character of this institution. We have given channels to go indirectly through our own government.

M: You mentioned awhile ago Mr. Johnson's known interest in Latin America and his Texas background and so on. Did you find that to be true? Did he really have a special interest in Latin America as compared to other parts of the world or other policies in the world?

- H: I would put it in this way. Of course he had a very difficult period, I would say, from an international point of view--particularly the Viet Nam crisis. So of course I understand that the pressure on him came more from other areas. But leaving that aside, I would say theoretically he was very pro-Latin America. He had a type of emotional link to Latin America. When I talked with him he always stressed that.
- M: His own personal link, he stressed?
- H: Yes.
- M: Did his administration, for example, in your opinion support such concepts as economic integration of Latin America effectively? Or did they conduct policies that perhaps slowed down the realization of that idea, that I know the bank has--
- H: No, I would say that the Johnson administration supported very strongly, let's say, progressive concepts in relation to inter-American policy and in relation to Latin America. The best expression of that was the declaration of Punta del Este. You'll remember--
- M: The 1967--
- H: Exactly. April '67. There was preparatory work done, particularly on the U. S. side by Lincoln Gordon and by Sol Linowitz. It's a very good document. The position of Johnson there was very much in favor of development of economic integration in Latin America.

- M: You mean the subsequent policy was consistent with that document so far as you could tell?
- H: Yes, I would say. Of course, sometimes government cannot do all they have in mind, but I would say these years--'64, '65, '66, '67, '68, five years--were from our point of view as an Inter-American Bank were very positive and constructive. Of course, I don't want to give an overall evaluation. The Johnson Administration had some serious difficulties, particularly the Dominican issue, you know--
- M: How seriously do things like that affect the operations of a multilateral agency such as the IDB--the Dominican intervention, or later the Peru difficulty?
- H: Well, they affect the situation indirectly, of course. Take the Dominican case. During a long period we were not able to assist or to operate in the Dominican Republic due to the political confusion that prevailed there. So although multinational institutional character has been created precisely to avoid political problems, in some cases you cannot help it to live in a given world, whether you like it or not.
- M: Did Mr. Johnson ever, for example, consult you about the Dominican problem or anything of this nature?
- H: I would say that during the Johnson period I had many very good contacts with the people in the U. S. treasury, and with the State Department--with all the assistant

secretaries of state that were in the Johnson period. Many times they consulted me, particularly with Lincoln Gordon (?), who was my very good friend, very close friendship and relationship; with Sol Linowitz, the same case. So I would say in a modest way I caused some proportional, some projections of our own thoughts, not only of my thoughts but the thoughts prevailing here. The director--officials of the bank--are mated to your own government.

M: Has the United States government generally speaking, in connection with the Bank's policy, encouraged the funds for special operations as opposed to the regular bank type loan?

H: I would say that the U. S. position has been in favor of the growth of the bank as a whole. It never has been taking partisan positions, saying, "Well, we'd prefer this type of operation, not this other type." Of course, the nature of the funds, as you know, are different.

M: How seriously have the things such as the American balance of payments problem during the Johnson Administration affected United States participation in the Bank?

H: That's a good questions. They affected the participation as far as -- the U. S. contribution to this special fund was made, I would say, more rigid. Before, I would say, the year of '65 or '64 or '64-'65, the U. S. contribution was completely free. We could utilize our resources all

over the world. After '64 the U.S., according to charter of the Bank, restricted the utilization of its contributions only to the U. S. and to Latin America, so non-member countries like the European countries were not eligible for purchases.

M: But Latin American countries were?

H: Yes. So that was one restriction. And after '67 there has been a tendency on the U. S. side, for instance in matters of financing of local costs, to reduce the financing and to encourage more purchases in the U. S.

M: Didn't the ratio of American participation in the capitalization change--

H: No.

M: --some time in here from five to one to three to one, something--?

H: Yes, you're right. I see that you have studied. You have done your homework. You are right, in the Special Fund.

M: In the Special Fund.

H: It changed.

M: Was this a fallout from the balance of payments problem?

H: I would say so. Undoubtedly, as you say, the U. S. balance of payments problem has created some restrictive issues. For instance the access to the capital market, to give you an example, since '64-'65 was more difficult than it was before. Due to all these problems there was always a concern to see how far the operation of our bank could affect the U. S.

balance of payments. This is undoubtedly a factor. I would say, speaking of names, that although both of them are very good friends of the bank, Fowler and Dillon-- with Fowler we had a much more tougher position in relation to access of capital market.

M: Did President Johnson ever intervene on your behalf, or did you ever have to talk to him about this problem?

H: No. I knew that Joe Fowler was doing the best he could do. I would say that he treated us very fair. Sometimes, of course, he had his own difficulties. But on the substance we cannot complain because let's not forget that in '67 the U. S. decided to increase the resources of the Bank in a very heavy proportion--three hundred million dollars a year for the Special Fund and then the increase of the ordinary capital--four hundred million dollars. That was the largest increase of resources on the side of the U.S. that was done under Johnson-Fowler.

M: So it wasn't all one way.

H: Exactly. So we realized the good spirit to increase activities of the Bank. So due to that we realized that sometimes the utilization of those resources were not very flexible.

M: Mr. Johnson's critics often say that the Viet Nam problem generally had a very bad effect on our problems elsewhere in the world. Was that true in the general area of economic development in Latin America?

- H: I would put it in this way. Undoubtedly the Viet Nam problem has affected your whole economic setting, internally and externally. It has affected the mood of Congress in relation to foreign aid, and so on. So from that point of view the cuts of funds for foreign aid is the fruit of distrust. I would say it's not only, let's say, the fault of the Johnson administration, I would say it's the overall position of the country. In that respect undoubtedly I would say, to put it in this way, that I'm quite sure if no Viet Nam would have occurred the U. S. cooperation during this period of Johnson would have been much more generous, I would say.
- M: Some of his critics also say that the United States has emphasized economic development much too greatly at the expense of social and political reform. Do you think that's a fair criticism?
- H: Yes. I would say that compared with the Kennedy administration that the emphasis was more or less the same.
- M: No drastic change?
- H: No, there was no change. I would say that. I am speaking of course from my own experience here at the bank. We didn't have difficulties in our activities of a social nature, let's say housing or education, compared with the previous period. This is in relation to investment. Now from the point of view of reforms, I would say that the Johnson administration was as interested as the Kennedy administration on that point. In

terms of overall politics in Latin America, perhaps the Kennedy administration was a stronger supporter of democratic governments. That criticism made to the Johnson administration wasn't very realistic. I would say didn't depart very much from the Kennedy administration, but undoubtedly was more realistic, tried to avoid, to look to the color of the shirt of confidence in Latin America. Many times, you know, military governments in Latin America, for the U. S. is very difficult not to deal with them.

M: That's intervention just as surely as if we sent troops--only different people complain about that type of intervention.

H: Exactly what happens. Many times when you have in a country a coup d'etat, as you say, to try to rectify things or to punish a given government in relation to a previous government, it's very difficult not to let--it's very complicated.

M: You've sort of answered one of the questions I like to ask people in your types of position--the kinds of men that Mr. Johnson had working in the general area of Latin America. You've mentioned the ones you thought were very good, Lincoln Gordon and Fowler and certain others. Generally speaking in the State Department and the Treasury and in agencies you had to deal with, were the Americans sympathetic, understanding, well qualified?

H: I would say that they were quite understanding towards Latin America. Some of them were very good friends--most of them,

I would say. Somebody could say, "Well, he was a nasty person" or "Somebody was a very rough guy." Of course, the teamwork for the State Department for the Dominican crisis, they had a very bad period. But that again was the result of so many other things.

M: I don't want to cut you off or keep you from saying anything you'd like to say. Are there some subjects in which you had contact with the President that you think are important and we ought to know about?

H: Yes. I am going to give you this pamphlet.

M: Yes, I can attach that.

H: Because it's interesting. Your job is only of recollection, or are you going to elaborate material?

M: Our job right now is only collection. We don't anticipate doing anything of an actual putting together because a lot of the material will be restricted for a considerable length of time, up to twenty years in many cases.

H: What I can add as a personal recollection was that in the year of '68 that when a group of countries proposed my reelection to the presidency of the Bank he was all in favor. He invited me to the White House. [interruption]. I have a photo with him. Would you like to have it, too?

M: You want to keep that for your own personal memento, don't you? You keep that. I'll be very happy to have the pamphlet.

H: Then, as I say, he invited me to the White House. It was May last year. We had a very long talk. He congratulated me on

the Bank and said nice things about our activities. Then he figured out the idea that in the way that this increase of resources was going to take place and that the legislation had to be enacted, that he wanted to have a big ceremony for this purpose. As a matter of fact, we had it. I would say it was the first time that an increase of resources of an international institution merited this special show in the White House. Of course he told me very frankly that he took this as an occasion to present his interest in Latin America. My impression was that he was very much upset with the criticism that he was receiving that he didn't care about Latin America.

M: This was after he had announced that he wasn't going to run again. Did he say anything about that in the course of the conversation?

H: It was in early June. When did he announce?

M: March 31st.

H: Yes, that was after. No, the only thing he said to me that he repeated--you're going to have the text of the speech--that he wanted to see the activities of the Bank in the field. He was very warm towards the Bank. Then during the ceremony he made some comments, and I spoke.

Then I had a chance to talk with him at his ranch. We were invited twice. He invited Latin American ambassadors and heads of regional institutions in--

[interruption]

And the last invitation was, I would say, in '68. Yes, that was after the signature must have been--July '68. This was combined with a visit to the Hemisfair, on the 4th of July, yes.

M: Over in San Antonio.

H: On the other opportunity, it was a very nice party that we had at his ranch with a barbecue, again, with all the Latin Ambassadors. That must have been previous to Punta del Este. It must have been April '67.

M: What kind of personal ambassador was Mr. Johnson on occasions like this? Was he effective?

H: The people liked him. He was very authentic. What's that word in English?

M: Sincere?

H: Sincere. One got the feeling that if he liked somebody, he expressed that to him. He was very receptive to some type of things that touched him in a close way. I think he had a very good humor in contact with the Latin ambassadors, with the President at Punta del Este everybody was very happy with him.

M: You're very well acquainted with the Latin American presidents, I'm sure, and they did react--

H: In a very positive way. They liked his personality.

M: Because some of his critics have said that he wasn't very tactful and that he overpowered the people.

H: Yes, you know what happens is, particularly with more sophisticated people, they understand that the temperament of the people are different. He was no Kennedy who was always very charming and smiling. He was a tougher type apparently. But immediately you realized that this was something only on his exterior, because really his human approach was very much of warmth and of interest toward those people. That was my own feeling, and I think the people who dealt with him had the same feeling.

M: The informality of the ranch didn't both the ambassadors?

H: No. On the contrary, I think that that was one of the good--
[interruption. Mr. Herrera is showing photographs.]

M: This was at the signing of legislation to increase the resources. We'll attach this to the transcript, and that will complete the record.

H: There are the remarks.

M: That's mighty fine, and we certainly thank you for giving us your time in the middle of what I know was a very busy afternoon. I'm sorry that we've had to be so persistent in making connections.

H: No. If there's anything additional--of course, your own researchers are going to have the whole official material of the Bank. What you wanted as more type of candid impression.

M: And that's what you've been very nice in giving.

H: I'd say that the overall balance in relation to this five years,

of the Johnson administration, for the bank have been very, very good; and from the point of view of personality and so on. Myself, although I cannot say that I developed friendship with him because there were not many occasions, but I have the way we say in Spanish "simpatia"--a very good feeling. I know that today I could phone him and say, "I would like to visit you and go again to the Ranch." The same relation to Mrs. Johnson, a very charming person.

M: You think this is probably true of most of the Latin American chiefs of state, ambassadors?

H: I would say that they have the same feeling--the people who have dealt with him. In that respect I would say that, as it happens many times, that as you say, this image of coolness and stiffness that he may--outside the people didn't know him. The people who knew him, there was quite a difference. Perhaps this has been told to you by other people. There was quite this adjustment in that respect.

M: Apparently he was better in small groups sometimes than he was in great large groups.

H: Yes. I brought to him that day a book.

M: Yes, on the economic integration of Latin America. He was a great one for having pictures taken.

H: And then he took me outside. [shows pictures]

M: Lovely, I'm sure you prize those.

H: We have copies. If by any chance you want to put this--

M: I think that copies of these are probably in the presidential photographic files.

H: I see.

M: And there's no reason to take your copies of them, so I'll let those go.

H: Very good.

M: Thank you very much. It was a pleasure meeting you.

H: Thank you very much.

[End of Tape 1 of 1 and Interview I]

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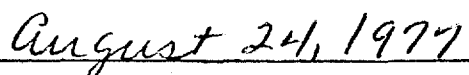
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