INTERVIEWEE: Covey T. Oliver

INTERVIEWER: Paige Mulhollan

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O: As we talk about economic integration in Latin America, I think we ought to recall that integration on the economic front has important political values too in Latin America. Let me try to explain it this way. In times of stress or difficulty, we see that there is a psychological dimension that comes into relations with Latin Americans. That dimension is made up in part of a Latin American sense of futility, I suppose one might say, in the relationship to the overwhelming proponderance of the United States in the Western Hemisphere. We are so rich; we are so successful; we are so big; there are so many of us; we are so powerful. We are a super-state. There are two super-states in the world, maybe a third one is being formed. I don't think that the super-state has yet been fitted well into the traditional pattern of international relationships, relationships based upon legal and political notions of the equality of states, before the law. I think that the American people have been trying, the North American people--our own people here in the U. S., have been trying ever since we became a super-state to do something about it; and what we have been trying to do is to help bring about aggregations, I won't say states, but aggregations of from roughly 200-300 million people in the world. We strongly supported not only economic integration in Europe, but also we had hoped for political integration of Western Europe. Now, why?

I think it's because we feel that the world would be healthier, from the standpoint of international relations, if responsibility and

power in a general sense of the term, were better distributed. I think we knew as a people that we would pay some price in terms of dissent in the future for our support of unification in Europe.

M: It's kind of contrary to the old divide and rule concept.

O: That's right. I think that's quite right. It's contrary to that. Now, take Latin America. We are so preponderant in the Western Hemisphere. The Latin Americans, even those who admire us most, and there are many of them, also feel some sense of lack of achievement in contrast to us. Here they achieved their independence from the mother country not many years after we did, but they haven't been as successful in organizing their governments, their economies, their societies as we have been. So there are little touches of shame, and little touches of envy that, when you fit them with the Latin Americans' strongly held sense of personal dignity, creates a psychological problem. And it seems to me that the economic unification of Latin America would help reduce these psychological impediments to normal, healthy relationships. There is a lot to be said, I think, for the application to inter-American relations or to Latin America's relations with the rest of the world, as a matter of fact of the political or psychopolitical I should say, utility of a more cohesive Latin America. I don't think that I will be given the time by the Lord to see 1985 which is the target date for a fully functioning, integrated Latin American economy; but I think it will be a great day when it comes because from that day forward the Latin Americans can speak with one voice on matters of trade and commerce to the rest of the world, and I think this

will mean a great deal to them in terms of their morale, their enthusiasm, and in general to, what shall we call it, the mental health of relations. And I think this must have been pretty well seen, through for obvious reasons not too specifically declared, by President Johnson and his key helpers when they worked out the plan for U. S. support for economic integration in the Western Hemisphere. I think it was a very American thing that we were trying to do.

M: All American--not just the United States?

O: No, I mean in the USA sense--our people--I'm going back to that theme that the American people since roughly 1946, have been questing, have been trying, to bring about new aggregations in the world. I don't know what the shape of units in international politics will be by the year 2000. A lot of us expect that by then we would have perhaps something approaching a world federal structure. We see that there have been many setbacks along that road, but if by the year 2000 there can at least be wider groupings of developing countries working together, the Latin Americans, the Africans, and the like, this present lopsidedness between states and super-states in the world community might be well along the road to cure, and I think that would be a good thing; and I simply wanted to record this thought for thinkers in the future to weigh. I believe that we will come to see the political importance of economic integration as being almost as important as its economic significance.

M: On the subject of the status of the Alliance, one of its major components originally was to be the participation of the private sector. We

haven't talked at all about that. How much cooperation from the American private sector have you been able to generate in regard to political aims in the Alliance programs?

O: I'm very glad you raised that. One of the finest things, I think, that's been done by the Johnson Administration is to encourage the work of the Council for Latin America. The Council for Latin America represents three hundred-odd, maybe three hundred-fifty, of our largest business establishments in the United States, companies ranging from shipping to manufacturing, that have interests in Latin America. The executives representing the companies in this group are top-drawer, thoughtful men, and you could tell the caliber of the group by my referring to David Rockefeller, who is one of the moving spirits in the Council for Latin America, and by George [S.] Moore (of First National City Bank, New York) and others; John [F.] Gallagher, of Sears, Roebuck; and Mr. [William] Blackie of Caterpillar Tractor, and a number of other very fine men. Now this group, the Council for Latin America, is directly concerned with the problems of social contributions by the private sector. They want to insure, first, that the people in Latin America realize that foreign private sector investment is not exploitative entirely--that it does make both an economic and a social contribution to the countries into which it comes. This communications problem, off on one side, is of getting the message through to the Latin Americans as against the background of a kind of an oversimplified Marxist notion of private sector investment. I'll come back and pick that point up and explain a little more in a minute.

The other side of communications is to say to the American business community, "Now for us to get the message through there has to be some substantive content to what we are saying. So, companies, be on the alert to be as modern abroad as you are at home." It's now well accepted business doctrine in the United States (A. A. Berle doctrine) that the private sector has social responsibilities as well as profit-making responsibilities. This is now generally accepted in this country. And all we need to do really is to insure that our own progressivism in business at home is carried into our business operations abroad. Now, that's the general picture. I think that the Council for Latin America and other similar groups in the United States are making a genuine effort.

M: What about the substance?

O: All right. Now, I want to come to the problem of underlying attitudes. There is a latent feeling in Latin America, I know it well, because I have lived, as I have said in the first interview, in Latin America in non-governmental capacities with the people, and especially with university people; and I know that throughout Latin America there is a concern about foreign business presence, and that concern is based upon a fear or belief that foreign stockholder investment drains large amounts of money out of the country. This belief is in part, as I said before, a sort of simplified acceptance of Marxism. And I want to dwell on that point just a minute.

In the social disciplines, including law, which is still perhaps unfortunately the leading social discipline in Latin America because

political science is virtually undeveloped, sociology is coming up, economics is now fairly well-established. But the broader policy-oriented social disciplines are not developed in Latin America, except in law, and their legal education pattern is quite different from our own in this country, as you probably know. Well, in the law schools that I know best, but this is also true of the sociology departments and philosophy departments in many countries, the instruction is by part-time teachers, most of it is by part-time teachers. Some are part-time because they eke out a living by teaching far too many hours a week at three or four universities. Others do part-time teaching in one university, taking a little time off from their professional lives in practice, to teach.

It seems to me there is probably--this may be debatable, it's just a hunch of mine--that the part-time teacher who has to prepare his lectures on the run and who wants to be seemingly up to date and modern, not too classical or 19th century, he tends to pick up something thing that's already worked out. Now what is already worked out? It is the Marxist-Leninist notion of social life. Marx and the theoreticians that have followed him have gone on a set of assumptions that I think are outmoded and now involve great errors of observation.

In other words, Marxism covers everything I suppose from cultural anthropology at one end to business management at the other. It is so simple, it is so beguilingly simple, all you have to do is talk about the Marxist theory of imperialist war, surplus value, exploitation

of labor, and above all, imperialism. So develop, the point of view that the private sector is rapacious and takes out of society more than it puts in. Well, I think that this is fallacy, if for no other reason that that in any system that I know of, development--coming now to economic development--development requires the present deferral of utilizations or enjoyments in order to accumulate the economic power to build.

Now this means essentially saving. And this means that some sort of capitalization is required, and there is no way around it. You've got to save energy to apply it to build. This is not seen as clearly as it ought to be.

M: Of course we short-circuit that with aid, too.

O: That's right. That's where aid comes in, exactly at that point. But I'm trying to develop this notion of why the Latin Americans have a latent fear of foreign private-sector investment. There's this Marxist tinge to it that I've just mentioned. Secondly, there is history; and the history of our investment pattern in Latin America is a history of heavy emphasis on extractive industries, and just physically the extractive industries look as if things are being taken out, irreplacable things. So they focus on the copper ore or the crude oil that is being taken out, and they don't stop to ask what's being put back as a result of what the companies pay in taxes and royalties. And, of course, in more primitive times the extractive industries were backward in terms of their social relations. There's no question about that. But that's history.

Thirdly, at about the time the New Deal was beginning, we began to see the disappearance of long-term private credit, both internally

in this country and certainly internationally. There was a time when a concern wishing to build a railroad in a developing country could float a bond issue to finance it. And eventually, you see, a creditor disappears from the scene. But in the late twenties and early thirties we began to see a great shift from long-term credit investment--bonds--to stock investment. I remember very well as a young liberal, a New Dealer, thinking that this was fine. People take their chances in the business enterprise if they are stockholders, whereas a bond holder sits back and insists on being paid, you know, regardless of the fortunes of the business.

But now I see it somewhat differently. Because of the disappearance of long-term credit, new private sector investment in Latin America is largely in terms of ownership. And ownership, unlike creditors' rights, are enduring. They are property. They are permanent. So the Latin Americans ask themselves, "Are we ever going to be rid of these people? Or are they going to be around for eternity, or perpetuity." The difference is--take the case of the United States: when the developed countries of Europe helped us with capital they did it by credit. Are there strong foreign ownership interests in the United States now? No, not many. The creditors either get paid off, sometimes they get defaulted out; I think my native Texas had a little record of that, shall we say. And frequently the creditors get inflated out. That is, they get paid back in cheap money. One way or the other, the creditor disappears from the scene in time, but a stockholder doesn't. Especially a stockholder doesn't if the foreign parent companies that own the operating companies that are really

making the money and carrying on the economic activities in these countries, don't offer their stock for sale in the countries. Let's take an example. How could a man in a prosperous Latin American country get in on the profits made by, let's say, the oil business in that country? He can't go to the local stock exchange and buy shares in the company that is operating in that country. The shares are not traded. So, if he really wants to invest in the oil business, he's got to take his money out of that country and bring it to New York and buy shares in the parent company. Now, as soon as he does that, the economists say, "Oh, my God, there's been a flight of capital. These people are not keeping their money at home!"

Well, the question is, "How can they keep as much of their money at home as they should and yet take an entrepreneurial risk and share entrepreneurial opportunities in the actual business being conducted in the countries?" Well, I think this element comes into this pattern, too. We have an unsolved problem here, I think. For some years, it has been quite popular to talk about joint-venture companies. Now that's fine except that a joint venture won't work for all situations. A joint venture is the melding of substantial amounts of local capital and substantial amounts of foreign capital as two virtually coequal blocs. They have to decide which has the majority, but it would be 51-49 or something of that sort. And those companies have a pretty good record of both transmitting business knowledge and experience to the local investors, and of getting along in the countries where they are located.

But the joint venture requires a prior decision as to a new investment to go that route. And there's a lot of existing investment in Latin America. And thought is being given, should be continued to be given, to wider trading in the shares of stock in the operating companies in Latin America.

Now, finally, in this recounting, I must mention the tremendous effect in Latin America of [Jean Jacques] Servan Shreiber's The American Challenge. I just heard Servan Shreiber talk to the Council on Latin America in New York earlier this week, last Monday. That shows the measure of the Council for Latin America. You can judge groups, the quality of groups, in considerable part by the kinds of people they ask to come talk to them. At this session, they had Roberto Campos of Brazil, who talked about the big issues, five big issues, about development that we ordinarily don't talk about. Maybe in this conversation I can come to some of them later on.

Then Mr. [David] Rockefeller introduced Servan Shreiber, and he said about as follows (corroborating what my own impressions about his book, he's speaking about his book in relation to Latin America). He said, "First, I know nothing about Latin America. It would have been irresponsible for me to direct my remarks to Latin America." In effect, he said, "My book was written for Europeans, and the theme of the book is almost Biblical--it's go and do likewise." He did recognize and I know from travels in Latin American countries that his book is being taken by many in Latin America and is being pushed by some others in Latin America--our ideological opposition--as being a solemn warning to

Latin America that if Latin America integrates it will be at the cost of complete domination by U. S. business. They say, "You see, that's what happened in Europe. Servan Shreiber says that, as soon as Europe unified, who got in and benefitted from the Common Market? Why, the Americans." Servan Shreiber says, "I was saying to the Europeans, "Look, the Americans had longer vision than you; they believed in the Common Market more than you did; that's why they came in.

Secondly, they brought managerial skills and techniques that you weren't using." And in effect, Servan Shreiber said, "I am saying to the Europeans, 'Get with it!'"

M: It's not too late.

O: It's not too late. "Get with it." But as to Latin America, the error in interpretation is hard to extirpate, and I do think that we have to pay considerable attention, our private sector has to pay considerable attention, to the form of this future investment and to the extent to which it shares opportunities with people in the countries in which these investments are made. A related problem--I think that we ought to be doing more work in the future on what I called the "phased concession contract." Say for the oil business. What usually happens is that a concession arrangement is made between a host country and an oil company, and the payout provisions are written in the contract as if valid for the whole life of the contract at particular ratios of sharing between the company and the country.

As times goes on, the people--politically the country begins to get restive for one reason or another about what the company is taking out.

And the company naturally gets nervous about the permanence of its contract, because business wants to be sure of its ground. It wants to know the ground rules under which it works. So if a country comes along and repudiates a concession contract, that causes shock waves throughout the investing community and that response builds up psycho-political pressures in the countries themselves.

M: And in the United States.

O: And in the United States. It seems to me that we ought to be able to apply some business forecasting to concessions and to write the contracts to be performed in stages. In the early development stage, whatever profit is made should be divided largely on the basis of a big share to the company and a small share to the country. There ought to be the principle, certainly, of as early as possible recoupment of original investment. But then as the concession matures, the wells are all production and the oil is moving, then you move to a different stage of sharing, and as that stage itself matures you could conceive of going through a third stage of sharing. And finally a phase out the other way in which the company take would be relatively small and the country take would be fairly high. I think mathematically and analytically this is possible. And I think it would be a useful thing to think about.

M: All these examples are ways to improve the relationship of American private sector investment with still essentially extractive industries. Has there been any movement to make investments in non-extractive industries, in other words, industries that might look better to the Latin Americans?

O: Oh, yes. Everything I said before I brought up the topic of "phased concessions" related to generalized U. S. private sector investment in Latin America.

M: Has this increased, this non-extractive type?

O: Oh, yes. Oh, yes, indeed. It has increased in part because the United States government, through the foreign assistance program, offers investment guarantees protecting business against a certain type of non-business risks in the countries to which private-sector capital is invested. The risk of nonconvertibility of dividend payments; the risk of loss through uncompensated nationalization; and, the risk of loss through civil insurrection and war.

There are various types of coverages, and they have in and of themselves attracted additional amounts of foreign capital to Latin America. This trend in our conversation tempts me to mention one very big theme that I'm glad Dr. Roberto Campos mentioned to the Council on Latin America in New York the other day. That's the problem of labor-saving machinery in relationship to development. Latin America is not yet able to come anywhere near giving jobs to its potential labor force. We've got a serious problem in the future about the machine, the labor-saving machine, in relationship to man in these developing countries. You know, as a historian, that we have all been conditioned to believe that the man who wrecked Cartwright's spinning jenny--the Lollards?

M: The Luddites.

O: The Luddites--were bad people. That they were against progress. I suppose that generally that's true. But I tell you--it was hard for me to smile on several occasions in Colombia when I was Ambassador, when

I was Ambassador, when I was asked to attend the opening of a new plant, financed say by joint venture, to be shown a two-or three-story machine and told by the owner, "Mr. Ambassador, this machine can produce X tons of our product per shift with only three men per shift." And there I was in a country that roughly can absorb only 10 percent of the new people coming on the labor market each year. Now what do we do under those circumstances? What do they do? If you go in for antiquated machinery that is more labor intensive, as they say, then, of course, the comparative disadvantage of the country in its foreign trade looms up. But, it may be that the way out, here again, is a common market.

If the Latin American countries deliberately, were deliberately to decide to be more labor intensive, though at higher costs, and protect themselves by a common external tariff and adjust by lower tariffs between each other their interal trade relationships, that that might, because it would give them a protected market of scale, might solve their problem. Of course, this problem of machine and man is going to face all of us. There are factories in Philadelphia where I live that produce a tremendous quantity of cookies, as I recall, with practically no people.

M: "Untouched by human hands," they advertise.

O: That's right. The tape tells them when to dump in three tons of flour and I guess a hundred pounds of baking powder and tells the ovens how to cook it, and so forth and so on.

M: This might be a relevant place to ask what's an important point, I think, have the Latin Americans learned to place the priority that we think is

necessary to place on the non-industrial, agricultural sector in absorbing our aid?

O: They are in agreement with us on that. There again President Johnson's position at the meeting of the Presidents at Puenta del Este in April, 1967, came down very strongly on the side of agriculture and education, you see. There is no dissent from the importance of agriculture. There are still some problems about particular crops.

That would get us into the matter of diversification, in coffee and sugar and crops of that sort which we could pick up if you think it material.

M: No, that's written in various places. The point is that they have learned that they can't jump to twentieth-century industrialization without at least establishing a sound agriculture sector first.

O: I want to say on the private sector investments side that I fully recognize the necessity of private sector investment for the development of Latin American countries. The amounts of capital that will have to be transferred for Latin America to develop are very large, and public sector investment or assistance can't meet it all. So there's a valid place for private sector investment.

I do think that the private sector should continue thinking and studying the attitudes of people in these countries. It seems to me the way to begin is to have out, to dredge up to the level of discourse and cognition, these latent fears and concerns and face them clearly and in some instances make some changes in our patterns of investment. And I would like to say that I did talk to President Johnson on just this latter point that I mentioned, and I explained to him what my outlook was. It might not be exactly the same as that of some

of my predecessors on matters of this sort, and the President said, "I understand, you go ahead and do what you think you can. If you get any criticism or objections from the business community, don't let it bother you." I felt that it was useful for me to know-- I want to be constructive and helpful in these matters. I know that sometimes the issues that I have touched on are charged with considerable emotion. But I think it's better for business to look ahead and take these latent fears and beliefs into account than it is for business to awaken to a rude shock of outrageous treatment in some highly charge political, emotive attitude in this or that country.

It's better, too, to go in on a plan of sharing opportunities than it is to await the countries taking remedial action even though it is measured and rational, remedial action; remedial action as seen by the country. What I am referring to there is the Mexicanization Program. I grew up on the Border. I can remember as far back as 1915 anyway, and there is just no question about it: one of the reasons that we had trouble with Mexico from 1910 or until 1923 or so was that Americans simply owned too much of Mexico. There is just no question about it.

And I think the same thing occurred in Cuba. In the case of Cuba, when Castro came in we received him with expectation and recognized him right away. When Castro came into Havana, American interests just owned too much of Cuba, including the syndicates and other organized criminal groups were in there, you know. All right, in the case of Cuba, we know what happened. That was a psychopolitical escalation that has left very bitter and dangerous results. The Mexicans took a

different tack after their revolution was over and after the oil problem because history. They began a program of "induced," shall we say, sale of substantial portions of shares of foreign business to the Nacional Financiera this is a national asset-acquiring organization. The Nacional Financiera intends and probably is, I'm not right up to date on this, to acquire shares in this way to reduce the degree of foreign ownership and then sell those shares to Mexicans.

M: You come out with a kind of phased concession?

O: All right. There has been some fluttering in the dove cote of American business about the Mexicanization Program. It isn't deterring new capital from going to Mexico, by the way, because the general prospects are seen as good by the American business community.

But it's been a little bit of a shock, and the point I'm getting at is, isn't it better to foresee and plan changes than it is to let things go by until something unexpected or severe happens? And I'm glad to say that President Johnson backed me up. I think I can say that safely in this particular attitude. So I venture to speak along the lines of this reminiscence in public. And I can tell you that the response in Latin America has been excellent. They were very happy to hear it. I have lots of letters to that effect. I have some gripes from business, but not many.

M: No, I can see they would rather be able to plan than they would meet something unexpected, like the thing in Peru right now. When something like that occurs, such as the recent difficulty with the oil interest there, Congress has specified in some cases what policy you in the State Department have to follow, particularly things like the Hickenlooper Amendment and others. Does this type of thing limit the options

of what should be done?

O: Yes, I think it does. I think it does. My job as an appointee of the President of the United States is to carry out my Constitutional duty. I took an oath to preserve and protect and defend the Constitution of the United States. That constitution lays on the executive branch the duty to see to it that the laws are faithfully executed. And I faithfully executed. But, as a citizen I think it is short-sighted for Congress to attempt to intrude by law which is not specific--general law--upon international situations. I'm always ready to, and any other officer in the government should be and is, I am sure, ready to accept a Congressional oversight after the fact, including unfair oversights sometimes. "Why did you do it this way?" I'm willing to take my lumps on that, but it's not good in the field of foreign affairs to be told when to cross the "t's" and when to dot the "i's". That's just not good policy,and I am very much concerned about executive-legislative relationships in the field of foreign affairs as a whole. I'll get into that theme a little bit now. When I was in the government before, from 1942 to 1949, the major problem that I encountered was disharmony and lack of coordination in the executive branch of the government. I was here in the days of the classic struggle between Cordell Hull and Henry Morganthau with the Treasury attempting to get too much into foreign affairs operations. I was also involved here when State and the Defense Department, or one might better say the Defense Department as the backstop for our proconsuls--and I use that term in the Caesarian sense--our pro consuls in Germany and Japan as to occupation policy. These were bad days. The interdepartmental knifing

and fighting that went on was far more taxing and far more frustrating than anything I've encountered in this second unexpected tour of duty in government.

The executive branch, beginning with National Security Council coordination under the National Defense Act of 1949 and continuing through President Johnson's NSAM 341 and the SIG-IRG mechanism, is much more harmonious than it used to be. The fact that the executive branch seems to have licked its problems of coordination and decision making on the whole makes all the more evident the serious discontinuities between the legislative and the executive branches of our government.

For some years as a professor, I've been working with the Dean of our law school, Dr. Jefferson Fordham, and others in an American Bar Association committee, and through other channels as well in trying to devise ways of bridging the separation-of-power gap in foreign affairs. I think the most serious thing ahead of us in government, the federal government, is just that.

Montesquieu gave us the separation of powers. The Latin Americans copied it from us. With us, separation of powers has protected us from tyranny. In Latin America the same doctrine has given Presidents the power to become dictators frequently, unlike our own situation. With us, the separation of powers isn't working well in foreign affairs inasmuch as foreign affairs operations have come to depend on the expenditure of fairly large sums of money, whether it is for mutual security or foreign assistance. Big money is involved. And you have a tremendously complicated and slow-moving legislative process.

Just think how much doing it takes to get a mutual assistance package through Congress, including military as well as economic assistance! You've got two houses and at least three committees in each house that are concerned and at two stages of legislation the authorizing legislation and the appropriating legislation. And at each of those stages, two houses, six committees, two cuts at it, (and I'm making a slight pun there) each committee insists that as high level an official of the executive branch as they can get come to make the presentation. Just the time it takes for Mr. [Dean] Rusk and Mr. [William] Gaud and even me to attend the multifarious hearings is something.

And secondly, there is the problem of Congress' being sporadic. Some call Congress irresponsible in foreign affairs. That may be too harsh, though sometimes everyone outside of Congress thinks that Congress is irresponsible in foreign affairs; but at least Congressmen are discontinuous in their attention. They come in like a ton of brick, they raise hell, maybe they put something into law that makes our jobs overly difficult and inflexible, and then they leave town to run for election or get replaced or some other interest occurs to them. And then you can't get the time of day out of them.

We have worked very hard in the Johnson Administration on Congressional consultation. Now the President's own work in this field is of course magnificent. I mean when he brings the leadership in and talks to them, etc. But when his assistants are sent around--suppose we want to do X which is clearly within the executive power but the doing of X might fluster some people on the Hill, we don't want them flustered because we depend on them for money, for say funding IDA in the World Bank,

or to replenish the soft-loan funds of the Inter-American Development Bank, or even to get a new aid program through. So we get lists, and we go down the Avenue and wait in their offices; we try to see them, and most of the time they say, "Well, don't bother me with that. Go ahead and do what you want to and if we don't like it we'll deal with you later." Now, that's the old-fashioned way of doing it, and of course if this were a general view in Congress, you wouldn't have to bother with consultation.

But there are some always who want to get in the act. "Ah, ha, you've come to me, well I'll tell you what I think you ought to do." And sometimes that's helpful and sometimes it isn't. All I'm saying is that we have a big, unsolved problem here, so much so that I have in my own private thinking considered the possibility that maybe, maybe, maybe the United States is mature enough politically now to consider something in the way of movement toward ministerial responsibility.

M: In foreign affairs?

O: Well, what I mean is the ministerial form of government.

M: Altogether?

O: Yes, but of course you know that raises the question of how the presidency would be structured and we don't want a monarch, we don't want a figurehead, so I suppose that's out the window. I don't suppose we'd get this fine old Constitution of 1787 which I think is now one of the most venerable documents of government in the world, that we could get it modernized in that way.

So we have to do something else. We have to live within the Anglo-American tradition of cut-and-try in governmental matters, and a big prize in public recognition and indebtedness is due to the man or men

who can improve executive-congressional collaboration in the field of foreign affairs. I must say that I am not as deterministic about the Senate's being the channel for this as say Senator [J. William] Fulbright is. I think his well-known doctrine of advice and consent on non-treaty aspects of foreign affairs is supererogation as to the Senate. We have a bicameral federal legislature, and it doesn't follow that because the Senate was given the power to give advice and to consent to treaties that it should be the Senate alone, if we are going to have collaboration, that should give advice and consent as to foreign affairs. Not all foreign affairs matters are treaty matters.

M: Few of them, in fact.

O: Few of them are, in fact. Of course, the Senate tends to be a little bit that way, as we all know who have observed it over time. I can't do more than to record the views of an observer at this moment in time, that the government of the United States, the Federal Government of the United States, should work out a better system for continuous and therefore responsible collaboration between the legislative and the executive branches of the national government. This is quite serious, especially at this moment. It has been a long time since we have been able to apply to congressional-executive relationships, the doctrine of an eminent student of "Politics," as he called it, Professor Woodrow Wilson. Professor Woodrow Wilson's view was that the President leads and the Congress follows if the President is the sort of man who has captured the spirit of the American people in his time, because he can go to the people. In other words, even by Wilson's time we realized that party discipline was not achieving coordination. Wow, that's completely gone, completely disappeared. There's no party left in that sense, no

party discipline. Wilson shifted it from party control to achieve collaboration between the executive and the legislative to, shall we say, personalismo as they would say in Latin America, the leadership qualities vis a vis the people of the president in office.

Well, Wilson was struck down by, literally struck down by stroke, when he was out trying to put his doctrine into practice as to the League matter. What's happened since? We've had Roosevelt and Johnson who have had tremendous leadership qualities in Congress, though they both had their setbacks. Mr. Johnson more than Mr. Roosevelt but even Mr. Roosevelt couldn't purge the Senate. Party discipline has broken down. Personalismo works sometimes and sometimes it doesn't. On the other hand, you've got a repetition now of presidents who are not the beneficiaries of a clear mandate from the people and even presidents who have to contend with a Congress of the opposite political persuasion. So we are in an incipiently chaotic situation in the United States as to the actual process of formulation of basic governmental policy. And chaos is especially noticeable and dangerous in foreign affairs. It's not good anywhere. This is a big question and a big problem, and I'm sure it is one that President Johnson has given a lot of thought to, and I don't want to suggest what he might do in the field of publication and teaching and research when he leaves the government. But this is one that would be worthy of his attention and of his experience.

M: A topic that I would like to get your views on, which I think is a very important one, too, particularly in regard to public relations with our policy in Latin America. You've said frequently that the

United States people have got to get over the idea that we can make Latin America's decisions for them. And you've also said that they've got to recognize that violent revolution is not the way to solve their problems. Some critics of our current line of policy would find those two statements inconsistent. I wonder if you could develop the question of our view toward violent revolution, Mr. Johnson's view if he has ever expressed on to you, and the view of your bureau in the State Department.

O: Yes, I'll be happy to. I don't see any inconsistency, but I will admit that the notion of urgent, rapid, significant reform and change by the evolutionary process is an Anglo-American notion. There's just no question about that. It happens to be the way that they did it in the United Kingdon, and it happens to be the way that we did it here, though of course violence was required in the process of separation.

But then that's not the kind of violence we are talking about now--the violence of revolutionary war. It is an Anglo-American notion. There is no question either that the Latin American--here's Simon Bolivar, the great liberator on the front of this book here--the Latin American cuts more toward the hero figure who risks his life for the cause of change. Those arch-types, shall we say, are themselves contradictory. The Latin American, however, has adopted <u>forms</u> of government that are conducive to change by the electoral process; and some countries are reasonably responsive to change through those processes. I think that there is some correlation between the stability of

democratic institutions in particular countries in Latin America, and their inability in others and the nature of change itself through violence. But the reasons that violence won't work any more are these, and I'll cite Latin Americans for this:

1. The President's very good friend, Antonio Carillo Flores, the Foreign Minister of Mexico, said in the last plenary of the meeting of the foreign ministers of the Western Hemisphere countries held here in Washington in September, 1967 apropos this very issue: "In 1910 there was no alternative to revolution in Mexico. The only way that you could get rid of Diaz and his henchmen was through revolution. Today we believe that for Latin America as a whole there <u>are</u> other alternatives. We Mexicans never sought to export our revolution." (A little dig at Castro and the Soviet Union both.) "Though we ourselves had a social and political revolution, we do not advocate it for others, and we are mindful of the fact that our own revolution cost a great deal in human lives and took a long time." [From 1919 to roughly 1921]

That leads me to point 2, from President Caros Lleras Restrepo. He is the present President of Colombia. In speaking to the Board of Governors of the Inter-American Development Bank at Bogota in April of 1968, President Lleras referred to the "acceleration of history in our times." Events, peoples' expectations, show-downs simply move more rapidly than they used to. Speedy means of communications, pent up feelings, and other factors contribute to that. The acceleration of history, fitting on to what Antonio Carrillo Flores said, again points the same way. There isn't the time to go through a series of earth shocks because most of these revolutions are not

one but a series of revolutions. The first one in Mexico was Madero's political revolution against Diaz. What Madero wanted was to get rid of a dictator and go back to elected government. Madero didn't have any social views particularly, and he was displaced in turn by other revolutionaries who had their own particular brand of social change to advocate. I refer to the old Zapatistas down below Mexico City and the Carranzistas out in western Mexico with, of course, Pancho Villa, somewhere around the fringes of Carranza. Revolution by violence takes a long time. This notion that a shooting revolution is a "bingo bingo" thing, it's over and done with, is not the way it occurs except, and I come to point 3.

When the Marxist run them, when the Marxist-Leninists run them--if you run a "revolution" like the Reds took over Czechoslovakia or Poland--you've got a different proposition. But it is clearly against our interests and Latin America's interests, too, for this to occur. We don't want to see night fall on them, for them to be locked into essentially outmoded nineteenth century notions of what effective social distribution in society is. So there's the third one--the risk of Marxist takeover.

The fourth problem about revolutions in Latin America is that the Castro doctrine of, or the Castro-Guevara doctrine of revolution is awfully Rousseauian. They believe that by activities in the boondocks they can get the peasants to rise and take over the governments. But where are the governments? The governments are in the cities. And I don't recall any peasants' revolts since Watt Tyler's in the fifteenth century that has amounted to very much. The problems are--

and the change will occur in the cities, I think, in Latin America. This is where the problem is, and I think that the problem in Latin American cities and especially in countries that are virtually city-states because one city dominates the country. Argentina is a good example. It's a hell of a big country, but Buenos Aires dominates it. Lima, also, is Peru.

M: Brazil?

O: Well I'm not so sure about Brazil. We could debate that. Brazil has a lot of cities and it's so big that I think it is a federal structure by necessity. You just can't run Brazil from one place. If the notions of revolution that are put forward by certain groups such as Castro and Guevara are out of step with sociology, that only means that instead of bringing about revolution they create chaos, you see. Turbulence upsets situations in the countries that could go on for years and of course as soon as that sort of turbulence begins (final point) the rhythm of development suffers. And here a country that has more and more people every year with more and more expectations every year, revolution breaks the pattern. Well, I think that's the way we see it.

M: The only point I was going to ask about is that assuming that these, as you refer to them, peasant revolts, the Castro-Guevara type, are chosen by at least factions in certain countries. Is it going to be incumbent upon us then to maintain some sort of Green Beret type military assistance to keep a lid on these things?

O: A very moderate type of military assistance of that sort that we have been carrying out. I don't think that I need to record for history because by the time this tape is heard, history will show clearly that

the present popular fantasy that the Green Berets are dealing with these countries' insurgency threats directly is simply not so.

Our whole military assistance package for Latin America is $55 million a year. There is very little hardware involved, and what hardware there is is usually trucks and communications equipment, not tanks or any other sophisticated gear. And most of it goes for training. And all the Green Berets do is send out military training teams, six or seven men usually, to train by the manual in particular things. They train the trainers in the countries. They go in, they spend two or three weeks, and they go out.

Now a lot of young people in this country today firmly believe, some ex-priests say as to Guatamala that we have, let's name a figure, let's say 5,000 (some say only 1,000 Green Berets) shoring up a reactionary regime in Guatamala and repressing a structured reformist group that wants to come to power in that country. Well, there's just not a word of truth in that. Our military assistance program for Guatamala is very moderate, very modest, and it's mainly training and some supporting hardware of the sort I mentioned. Guatamala is not even a major input country as far as our very modest programs go.

M: Why does this misunderstanding persist among groups in the United States?

O: I think in some part because they recall their own version of the history of our involvement in Vietnam, from advisers to soldiers fighting, and actually the U.S. Military groups in Latin America are not even MAAG teams of advisers. We don't have groups in Latin America advising these countries as to how they should conduct operations. That's the

difference between a MAAG and a military assistance team. Our military assistance cuts off at the level of supply and teaching. It does not go into field operations, either as to advising as to how field operations should be conducted, to say nothing of fighting. It's a popular fantasy and of course in the case of Guatemala I've got to admit that a lot of the feeling about Guatemala, as misplaced as it is, goes back to 1954--to Eisenhower-Nixon--and to the Teddy Roosevelt era of the Roosevelt Corollary to the Monroe Doctrine which I think we discussed before.

There's no question about it, Guatemala '54 will, I think, probably be more controversial for historians when they come to judge it, as some are already doing, than the Dominican crisis was in Mr. Johnson's time. Was Arbenz a Communist? John Foster Dulles said he was. There are a lot of people in Latin America who say that he wasn't. Of course, mind you, for anyone to say that about Arbenz in '54 would have immediately subjected one to the Riposte, "Yeh, you are the same people who said that Mao was an agrarian reformer." And we get back into all of that tragic...

M: It's a little easier to argue it today than it was in 1954.

O: ...portion of history. Now I do feel that our military assistance programs can be improved and in two ways specifically: 1. I think that the Pentagon, the services, ought to be very, very discriminating in the officers that they assign to our military missions. Military mission assignment ought not to be regarded as a terminal assignment or a graveyard assignment. It ought to be regarded as one of the most important assignments that a man can have in his career. And he ought

to be specifically chosen for his ability to get along with Latin Americans culturally and linguistically. And he ought to believe in the principles of reform and change. It is a fact, regrettably, that far too many of the brave men, who protect us, are, for reasons that I don't understand, personal reactionaries. I've never understood it, but there are men I know in our military missions in Latin America who do not believe in the reform goals of the Alliance for Progress. I've had officers of high rank, not the highest rank but of high rank, question why the United States should advocate and indeed seek to bring about improvements in tax administration and tax reform in Latin America. "Taxes are already too high everywhere," said this particular general.

Another thing we can do--when we bring the Latin Americans here for training on exchange programs, why don't we give the officers who come an opportunity to savor American university life outside of their professional military disciplines? We bring them here and send them to command a general staff school and send them home. I think if they were exposed to a few courses in say, demography, or sociology, or basic developmental economics while they were here, they would (a) be more understanding of what the civilian governments are trying to do, and (b) less sure that they could do it better, you know, by just flipping in without knowing what they are doing and taking over a country and trying to run it. Now, of course, some people say you've got to be careful with that because if you train these fellows really well, then they might take over governments and run them well and then what would you do? But I'm willing to take that risk.

M: That's really, except for a general question regarding the operation of the Foreign Service, the topics that I had wanted to cover. But I wanted to hear these things regarding the various aid suggestions you have made.

O: Well, I would like to tell you of some things--I made a little list the other day--of things. It says, "Oliver to self, 11/24/68: Things that You Did Not Get Done That you Tried to Get Done." The first one relates pretty much to the Foreign Service side of my life, that is, to the State Department side of it in the field. We have not yet, we do not yet have people in our embassies who can understand, evaluate and report on the attitudes of ordinary people. We have come a long way. There was a time when diplomats associated only with the courts of kings or the comparable institutions in democratic societies. Ambassadors and political counselors and the like now hobnob with legislators and newspapermen and professional people and other key people in society, so we know a lot more about other societies than we used to. I can remember that when an officer assigned to London, this must have been in 1946, created a stir when he said, "I'm going to make some acquaintances in the Labour Party. We ought not to confine ourselves just to the party in power here. We ought to know who's coming up in the Labour Party."

I can remember when another officer referred to in [Arthur M.] Schlesinger's book [A Thousand Days] nearly got kicked out of the Foreign Service because he insisted while in Rome that our embassy ought to know

the people of the Christian Socialist Movement. The "opening to the left," you see; some of our embassy people were absolutely opposed to doing that. Well, that's past. We do better.

But in Latin America we are still not in good enough association with the thoughts, the aspirations, the attitudes of the masses of people, and we need that. One of my predecessors, I believe it was Ambassador Martin, proposed that we have Campesino (a country-folk) Attaché. He said we have labor attachés now, we have people who follow the labor movements in those countries, but we don't really have people who, as a matter of their reporting obligations, follow the common people, the ordinary people, common in that sense of ordinary. Well, I think this would be a good development. I would like to see it. One way of doing it might be to lay an analytical and reporting obligation on field operators, but most of those field operators are either AID or Peace Corps, and we wouldn't want to touch the Peace Corps at all. I mean, we leave it absolutely out of government operations; it has to be that way. The AID people think of themselves as doers and not as reporters, and it's very hard to get an AID man to report. An AID man may know more about what's going on in the boondocks than any member of the political section, but to try to get a report out of him about what people are thinking or saying is very difficult.

One way to do it may be to have a young officer in the political section who would go over and take oral debriefing from the AID people when they come back from the boondocks. I know that in Colombia--when President Johnson wanted to be kept closely informed as to electoral trends in that country--we mobilized every American we had to follow

all trends, and I used that system of having young officers in the political section just go around. An AID man would come back from Colombia's great plains area, the llanos, and the young political officer would come in and, you know, extract information from him. But that's not good enough. We need, first of all, an additional sense of mission, and we need to know more psychologically and anthropologically about attitudes. And there we got off on a bad foot, because genuine research efforts at attitudes unfortunately were funded by the Defense Department.

M: Was that Camelot?

O: That was Camelot. I had a Camelot situation in Colombia, but fortunately I had cleared the whole thing with the Colombian government beforehand so that when the thing blew open it was Colombian ministers who had to go to their own Congress and defend the studies program.

M: So it wasn't necessarily the objection to the procedures that were so bad about Camelot as much as it was the clandestine nature of it?

O: Its military link. It wasn't really clandestine. It was not hush-hush or anything of that sort. It was not spying.

M: No. It hadn't, though, been taken through all the channels.

O: That's right. It hadn't been cleared through the channels of government but I think the main think was that it was linked to the Defense Department. Of course, it might have been just as bad if it had been lined with State. Now, there is still the second phase of the Kazenbach Committee report of how--you know, we took the CIA out of funding research studies and foundations and the like but we haven't set up a

public research organization, an open one, to which the U. S. government would make a contribution. I don't know where the money will come from for this sort of thing in our society unless the government does put something into it. I don't think the foundations themselves can do it alone.

Well, that's one thing that I didn't get done but I hope, as I leave, I will continue to work on it. Now, the other are AID matters that I feel I didn't get enough people to go along with me and I was too busy to follow these things and push on them day-by-day. And the first AID one is the problem of egregiously outdated methods of market merchandising in Latin America. If, as some say, our society is characterized by what economists call "imperfect competition," Latin American societies as a whole are characterized by "imperfect imperfect competition" or even something as medieval as the guild system almost. Notions of large-volume, low-profit margin merchandising are badly needed. We are helping in the agricultural front as to food storage and food processing. Road and other distribution systems help as to farm-to-market exchange, but in practically every large city in Latin America there is still a kind of jobber mafia, that, without making any significant economic investment itself, actually controls the prices that farmers get and what consumers pay. This is comparable to what happened in medieval cities before the Statute of Monopolies, which I think occurred in the reign of Elizabeth I, late in the sixteenth century.

M: That's beyond my historical experience, there.

O: Well, Walt Rostow, of course, who has done so many fine things for development, had so many fine ideas and so much success, is generally

my inspiration of this heading. But I would add specifically to Walt's general prescription a feeling that at least we ought to be in dialogue, maybe non-governmental dialogue, dialogue with the Latin Americans as to social control of the market process itself, because consumers in Latin America are far more subject to price gouging than we are. And that has many implications, not only in the field of distributive justice. For example, one reason Latin American countries resist devaluation when, from the standpoint of sound international economics they ought to devalue, is that the immediate effect to devaluation, though there is no economic cause for it, is an outrageous rise in prices in the country itself.

On one occasion my duty was to try to convince President Valencia of Colombia that he should devalue, and in one discourse I said to him, "But Mr. President, surely if the price of imported machinery and raw materials in certain lines of industries rises because you devalue, it doesn't mean that all prices and all wages in Colombia will go up." He said, "Ah, Mr. Ambassador, that's what it says in textbooks on economics. But I will tell you, if I devalue tonight the old woman who brings you kindling wood on burro back, will have raised her price 100 percent by tomorrow morning."

Well, that reflects, you see, the lack of competition as a price-determining mechanism. Now, related to all of this, of course, are modern methods of cost accounting and business management which are also influential in fixing the prices. Well, that's still before us. I hope it will be given some attention.

Another one, and this is one mentioned to the President when he said

to go ahead and do what you think and don't mind the flak. The third one is this. I think that the anti-trust division of the Department of Justice ought to take a look at the pricing of U. S. exports that are financed by tied aid. I'm not saying that there is price rigging; I'm only saying that under the circumstances of tied aid which eliminates competition from other countries there is a fair probability that price rigging is going on; and that the Latin American countries who are borrowing the money largely for their assistance are being asked to pay too much for their whistles. I know that President Lleras feels this way, and he is a skilled economist and lawyer who for many years represented American companies and knows an awful lot about them.

Now, I say at least this ought to be looked into. When I mentioned this to the AID director and his deputy in Bogota, and when I mentioned it to the AID people here--my colleagues--they say, "Oh, but Covey, the Foreign Assistance Act requires us in U.S. AID to insure that AID exports do not go out at prices exceeding prevailing prices for such commodities in the United States." But I'm not sure that AID is in a position to police exports actually. And, in any event, an anti-trust inquiry, whether it ever goes to trial or not, as we know, has some beneficial effects sometimes. So I think that maybe that's one that I would have to chalk up as being in the "not achieved" department. But I think it ought to be looked into.

And finally, I would like to mention my lack of achievement in the matter of convincing AID people especially AID directors in the field of the importance of public safety programs. Public safety is the AID-supported civil police training program. AID directors in the field are

always called upon to deal with scarcity. They are asked to fix priorities. Now, you are going to be cut, you are going to have less money. What are the things that you think are less important? And they usually tend to put public safety, the police training programs, far down the list--to the point of exclusion sometimes. Now, partly that is because we haven't been able to convince the AID directors that public safety is an important part of development. They say,"What does public safety, what do police have to do with the economic development, your job is civic and social development as well." And the training of of the humane but intelligent police force is, I think, arguably at least, related to civil development. I know, that the police have their troubles in Latin America with the military. The military is much more of a class; or a society within a society, or a state within a state, than any police group has been; and I know, too, that in historic past, certain despots have used their own goon squads, called police, more than they have used the military to keep themselves in power. I realize that there are those problems.

There's also the problem within U. S. AID, the public safety program is administered from Washington world-wide, whereas most other aid programs are really field-administered on the basis of general oversight and directions from Washington. And that naturally creates some bureaucratic resistance to public safety. And I realize, too, that maybe public safety programs need improvement as to their substantive content. But I would end on saying that I think I mentioned this to you the other day, that I believe that the police in Bogota, Colombia, thanks

to their public safety training by our AID-financed public safety mission, were better able to respond to students, to student uproars and the like, than say the police were in Chicago, or maybe the police in Mexico--whoever it was in Mexico City that fired the shots that killed all those students. I've seen the police in Bogota armed with billy clubs instead of revolvers and with plastic shields and these plastic face plates deal with cobblestone-throwing students in a way that enabled them to keep public order without creating mayhem, and I think that's a good thing. Another thing that public safety does that armies can't do and that's detective work. Military intelligence tends to be order-of-battle intelligence. Where is the other unit, and so forth and so on. That's not what I am talking about--nor am I talking about counter-espionage as against the subversive elements--I'm talking about simply finding criminals and murderers and the like. That needs development in Latin America. Well, there are a lot of other things, of course, that need to be carried forward. But I felt that I wanted to record these things because I think they are important. I, unfortunately, have not been able to convince enough people so far that they are important for us to have done more on them than we have. But until I'm proved wrong, I shall continue to think that they are desirable avenues in need of improvement.

M: Well, you've been more than cooperative. I certainly want to thank you, and I'm sure that the people who ultimately get around to using this material will thank you as well, Dr. Oliver.

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By Covey T. Oliver

to the

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