

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

**AMBASSADOR THOMAS M. T. NILES**

*Interviewed by: Charles Stuart Kennedy*

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## INTERVIEW

*Q: Tom, could you tell me when and where you were born and something about your family?*

NILES: I was born in Lexington, Kentucky in September 1939. I grew up on a farm outside Lexington. I have one brother. I went to the local rural schools in the area, beginning with Becknerville Elementary School. I have been by the building subsequently; it is no longer a school. When I went there, it had no indoor plumbing and no central heating. In the winter, the boys had to chop wood and carry coal to build fires to warm up the rooms. It was a relatively primitive place. There were six classes and each









Brussels, Philippe de Boisseau, who is a lineal descendant of the Marquis de la Fayette, came into the Embassy to get his American Diplomatic passport extended. I said, "You must be kidding. An American diplomatic passport for a French diplomat?" She insisted it was a diplomatic passport and this was under a law that was passed by the United States Congress in 1824 to honor the Marquis de la Fayette, who was made a U.S. citizen and his descendants, in perpetuity, became citizens, and were granted diplomatic passports. I think that is extraordinary. But, under this law, Ambassador Philippe de Boisseau is an American citizen. But that is totally unrelated to my experiences.

All of these French names that are in Central Kentucky go back to the time when the Marquis de la Fayette visited our city in 1824. There was this enormous enthusiasm for this man, and he was a great man. He distinguished himself in the French Revolution at an early age and died in 1830 of a heart attack on the floor of the French National Assembly. He had just finished giving a speech about respect for Human Rights and democracy. This was a man who was consistent throughout his career. He was on the right side of the issues, whether he was fighting for us against the British, or fighting with the moderate revolutionaries against the Jacobins, or fighting for human rights in France after the Bourbon restoration. In Central Kentucky, we do have a lot of mispronounced French names, Bourbon County, Paris, Versailles. But, as I say, Lexington was fairly sophisticated for a largely rural, middle south town at that time.

*Q: How about reading? Did you have a lot of books at home, or the library?*

NILES: Enormous, constant. My mother and father were constantly reading and writing. My mother was a journalist with the *Louisville Courier Journal*. She wrote feature stories for them about interesting people in Kentucky. She was always traveling around the State, and I sometimes would travel with her. I met a lot of very interesting Kentuckians, including unusual people who lived up in the mountains and did interesting things. My parents were great friends with Barry and Mary Bingham, who owned the newspaper, and frequently visited us.

*Q: These were the proprietors?*

NILES: He was the owner of the *Courier Journal* and the *Louisville Times*, plus radio and television stations in Louisville. He was a distinguished gentleman. After World War II, he worked with the Marshall Plan. He had a very strong interest in international affairs. He was very close to Governor Stevenson.

*Q: You're talking about Adlai Stevenson?*

NILES: Yes, former Governor and unsuccessful presidential candidate Stevenson. In any event, mine was a very book-oriented existence. My father had very strong feelings about most everything. One of the strongest feelings he had was his hatred of television, even though he frequently appeared on television. He wouldn't have it in the house. We grew up in a non-television environment. Of course, in 1946-1947, television was in its infancy. From then on, he said that we wouldn't have anything to do with it. So, you had





by extension, with the tie into the current times, as evil as Stalin's Russia, you were justified in taking arms against this, or follow the Bible injunction "Thou Shall Not Kill?" Many of the non-Quaker students thought this was hopeless. It was a controversial issue at the time for the students.

*Q: Did you ever draw on this exposure to this and your later career, at least an understanding or have any effect?*

NILES: I think it very much influenced my view that one of the key things we are called upon to do in the Foreign Service is to try to prevent conflict, resolve problems, solve problems peacefully, negotiate solutions, rather than allow them to fester and move toward war. The whole United States commitment to the peace in the Middle East is an example, not that I was involved in it, but exposure to Quaker thinking might push in that direction, to say that, one of the most important things you can do in life is to try to solve international problems, prevent war.

*Q: I might add a footnote to this. This conversation is taking place now in the Office of the Vice President of the National Defense University at Fort Leslie McNair, Washington.*

NILES: There are certain incongruities in our life. The purpose of our military forces, whose leaders are trained here at the National Defense University, is to prevent war through maintaining a strong, deterrent force, which we are successful in doing, generally.

*Q: Two Quaker Presidents are Herbert Hoover and Richard Nixon.*

NILES: I guess Richard Nixon was influenced by the Quakers. He went to Whittier, which was a Quaker College. I'm not sure that Nixon was a terribly good example. Herbert Hoover, on the other hand, was a great humanitarian. He saved millions of lives in war relief efforts in post-World War I period.

*Q: While you were at Westtown, where were you pointing yourself? Did you have any idea what you were going to do, go to school, or what you wanted to be?*

NILES: For some reason, and I can't answer the question why, I decided fairly early, that I wanted to go to Harvard. I pointed toward Harvard and went there. I had no family connections with the University and never been to Boston. I had never visited Harvard. Then, in 1955 or 1956, the idea that to decide where you want to go to college, you had to visit the college was no in vogue.

*Q: Usually you went on what you heard. I had the same thing. I went to Williams. I had no idea what Williams was like, except that it was a small college.*

NILES: I was totally unaware of what Cambridge, Harvard, and Boston were like. Not that I was necessarily astonished. I had visited the University of Pennsylvania in







was so much there. As I look back on it, my only regret was that I couldn't take more courses. Those were the best years of my life. If I could have somehow managed to spend six years as an undergraduate, I probably would have done it. I had a marvelous time.

*Q: What about networking, which is a fancy word for people you meet there that you run into later? Did that ever occur?*

NILES: Oh, sure. One of them, Bill Maynes, also joined the Foreign Service officer. Low and behold, in 1968, Bill Maynes and I were two of the three officers in the Economics Section that was in Moscow. Bill was in my class. We played dorm basketball against each other. We had some very distinguished people in our class: Bob Rubin, Secretary of Treasury; Bob Shapiro, now the CEO of Monsanto, whom I knew slightly. There were others whom I managed to keep up with. I regret that I haven't kept up with more of them. Being in the Foreign Service meant that I never attended a Harvard reunion. During most of my reunions, I happened to be in Moscow or some place else outside the country. I was going to my 25<sup>th</sup> reunion in June 1985. However, it coincided with the NATO Ministerial meeting and the Assistant Secretary, Rick Burt, and most everybody else, was in Brussels. I was Acting Assistant Secretary. So, I couldn't do it. My contacts with Harvard have been much less than I would have liked. I regret that. I think the Foreign Service tends to make it difficult for you to keep up contacts with your prep school or college.

*Q: I found the same. Did you start focusing when you took the Foreign Service exam or was this sort of, "Well, I'll take it, what the hell, and see what happens?"*

NILES: I think it was the former. I was focused on the Foreign Service by then. We had had a visit by a Foreign Service officer, who talked about the service and a career in it. Somehow, that sounded like what I wanted to do. I wish I could remember who that guy was. I took the exam, passed the exam. But, at that time (spring of 1960), the Foreign Service essentially said, "Don't call us, we'll call you," in terms of entering the Foreign Service.

*Q: Had you taken the oral?*

NILES: No. They didn't call you for the oral until they had some sense that they might have a place for you. I took the oral exam in May 1961. I was on my way to Europe on a summer trip. I passed the oral exam. They called me immediately after and said, "You passed the oral exam. The next thing you need to do is to take a physical." I said, "Gee, I'm going to Europe." They said that I could take my physical at the American Hospital at Neuilly near in Paris. They gave me the forms. I went out there, and amazingly, everything went very smoothly. I took the physical exam at the American Hospital in Neuilly. Somehow or another, those forms got to the Embassy and back to the State Department.

In the fall of 1961, I had the security check, which was a fairly funny thing. You probably had the same experience. You had to fill out all the forms. The FBI came out to look into























NILES: The first day?

*Q: The first day.*

NILES: You missed this then. I went down on Sunday, I think, with the hospital group that came in.

*Q: Howard Gross and I were already down there. We left when we heard about it.*

NILES: Well, you missed the ceremony in the courtyard of the Embassy compound with the DCM, Eric Kocher, and Ambassador and Mrs. Kennan. I remember that Eric Kocher, soon to be Charge d'Affaires for a lengthy period said, "We are suffering two great blows today. One is this terrible earthquake. The other is the departure of Ambassador Kennan." I must say that although I regretted the departure of the Ambassador, I didn't feel that it was appropriate to compare the two. The earthquake, I think, killed 1,500 people and caused enormous damage in a place that couldn't take that kind of damage. Ambassador Cannon's Kennan, although a sad occasion for him and the Embassy community, was not in the same category. Anyway, he left on July 26, 1963. We then had a lengthy interregnum because of the death of President Kennedy. Ambassador Burke Elbrick, his nominee to replace Ambassador Kennan, was not confirmed before the President's death, and the appointment had to be resubmitted by President Johnson. As I recall, Ambassador Elbrick arrived in April 1964, almost nine months after Ambassador Kennan left Belgrade.

*Q: I would like to mention two things, and see what your reaction is. I remember when the flag proposal came up. This was wonderful for us at cocktail parties, sidling up to Yugoslav officials, and saying, "Don't you think that is a great idea?" They would bristle because this was not a great idea. They had to follow the party line. Usually, they were tweaking us about Vietnam, and we, at last, had something to get to them. The other one was, on the most favorite nations business: It just struck me that, at the time... Kennan has always gone way down on my estimation as an American Ambassador, that he really didn't understand the American Political system or appreciate it. We were told this most favorite nation's denial for Yugoslavia and Poland, was not going to happen. This is some raw meat to toss to the Republican right for the time being, to help with the Kennedy-round negotiations or something like that. Because it was a political maneuver, it wasn't going to happen. But, Kennan just didn't seem to understand the American political system and some of the dynamics.*

NILES: I must say that I wasn't in Belgrade at the time of the MFN debate. I was in Washington when this was going on, and I don't remember much of the interplay. I don't want to misjudge the tenor of the times, and the attitude of the times, and the significance of this proposal. It certainly wouldn't be the first time that an American Ambassador or an Administration got its signals crossed in dealing with the Congress. In a way, the argument about most-favored-nation treatment for Yugoslavia and Poland in 1962 was a precursor of the arguments we are having today about economic sanctions. The uselessness of unilateral United States economic sanctions was perhaps not so clear then.



were not planning to return. There were lots of sad scenes. The women would cry and the men would become angry. It was painful as I remember. Of course, you went through this, too. Does this sound familiar?

*Q: Oh yes. There were places, particularly in Macedonia, a town whose name I cannot remember right now. It was essentially emptying out. Some days I would come in and there would be all these ladies in babushkas, sitting there, and my stomach would churn because I knew this was disaster.*

NILES: It was not a pleasant task to tell these people that under the terms of our legislation, they were are not eligible for a visa, because we don't think they would come home. You were essentially accusing them of being liars. They all would swear that they would be coming back. They would tell you that they were going to visit their uncle in Chicago, or Pittsburgh, or wherever. There were relatively few American tourists then in Yugoslavia. There were some, but relatively few. As I recall, there were not too many emergencies involving tourists. We had an interesting group of movie actors. I don't know if you remember the movie made with Richard Widmark and Telly Savalas, *The Long Ships*. Those guys basically lived in the Embassy. They were at Avala Films, up on the other side of Dedinje.

*Q: Sidney Poitier?*

NILES: He was there for something else.

*Q: No, he played the Moorish leader.*

NILES: I guess you are right. I remember Telly Savalas came into my office. He was coming from Munich, and he had just bought a red BMW. I will never forget this. He had his wife and a couple of kids. He said, "I bought this German automobile in Munich and it has German license plates on it." Actually, it had the round "z" or "Zoll" (customs) license plates. Anyway, he said, "It has a "D" for Deutschland, on it. When I got down here, people told me that I was going to attract a lot of unfavorable attention because people in Serbia really hate the Germans because of what they did during the war. They told me they might kill me." Then, he asked, "Is there anything you can give me, an American flag, or some kind of a U.S.A. sticker?" I said, "Come on, relax. They are not going to do anything to you. It is true that the Germans behaved in a terrible fashion here. But, there are German tourists all over this place. Every other tourist is a German. There are not quite as many in Belgrade, but don't worry. But, just one thing: avoid the town of Kragujevac." He said, "Where is that?" I said, "Well, you won't get near it. You are just going to stay in Belgrade, right?" He said, "Yes." I said, "Don't worry. You will be fine." He was really panicky. Somebody had told him that the most hated people in Belgrade were the Germans. But, overall, there were few tourist problems.

We had complicated immigrant visa cases that I can remember. That was basically handled by the local employees. They did all of the detailed paperwork, getting all the

lengthy files together. Lira Kurodavic, was she in there?

*Q: No. Alvaro Lazich was the receptionist and Mareeta...*

NILES: Yes, Milly. But, wasn't Lira Kurodavic in there? Didn't she work there?

*Q: Who?*

NILES: Lira Kurodavic. A very small, very matronly lady. Somehow, I can remember coming in with these immigrant Visa files and putting them together with...

*Q: Madame Zhukova worked there, too.*

NILES: That's right. Madame Zhukova was a Russian emigree.

*Q: Yes.*

NILES: We also had Mr. Matic. He was a lawyer. His daughter worked in the embassy, too. I think she worked in the JTS, Joint Translation Service. It was a good collection of local employees, as I remember.

*Q: While we are talking about local employees and all, did you feel, while you were there, the hand of Secret Police, or what have you, observations, provocations that you would encounter later in the Soviet Union?*

NILES: Very little. We all assumed the locals were being pushed by the UDB, the secret police, to inform on us, so you had to be careful. I don't recall any tailing in the city or outside. The police would watch us with a certain amount of amusement, almost, when we were traveled. I don't remember ever having UDB or Militzia cars tailing us.

*Q: We had distinctive license plates. We had "60A," which meant we were Americans.*

NILES: CD60A139 was my license plate. I will never forget it. We all knew that we were living in a Communist country with a very active secret police, the UDBA, the *Uprove Drzavne Bezbednosti*, the Administration of State Security. They were everywhere. Everybody was assumed to be, in one way or another, working for them under the leadership of Aleksandr Rankovic.

*Q: When you went to the Political Section that was your first assignment? Here you are, really the new boy on the block. Can you give a feel for, you might say, the outlook toward Yugoslavia, and American relations? Let's not take the Ambassador into account, but you have Alec Johnpoll and these other people, who were a very bright crew.*

NILES: It was a good crew of people. The basic mission that I felt when I was in the Political Section was one of developing contacts, gaining information. Obviously, we were interested in what the Yugoslavs were up to with the Soviet Union, with the other

Eastern European, Warsaw Pact members, with the not-aligned world. So, we had a very active effort under way, to talk to people, other Embassies, Yugoslav Foreign Ministry officials. Access was somewhat difficult to the Yugoslav government. As I recall, if you wanted to go into the Foreign Ministry and talk with somebody who was working on Africa, you had to go through the American section. By the time I got to the Soviet Union, it was even worse, with an even greater degree of centralization. But in Belgrade, our attitude was a positive one in the sense that we were trying to develop a relationship between the United States and Yugoslavia. There was a recognition that Yugoslavia was important to the United States and that we needed to preserve the relationship, which was under a certain amount of stress and strain because of what we saw as Tito's tilt, perhaps tactical rather than strategic, toward the Soviet Union.

We faced one major obstacle in our efforts to maintain a dialogue between the United States and Yugoslavia. Until Tito's visit to the United States in October of 1963, there was relatively little top-level contact. There was relatively little contact between the Embassy and the people around Tito. Nobody ever saw Rankovic, the Deputy Prime Minister who was head of the police. Edouard Kardelj was a little bit more accessible. He would, from time to time, see some advantage in a talk with the American Ambassador.

*Q: He was sort of the ideologue.*

NILES: He was the ideologue, the theoretician of the League of Communists of Yugoslavia, as the Party was named. He a rather bookish, professorial air, as I recall. The Minister of Foreign Affairs, Koca Popovic, was a very interesting guy. He came from a very sophisticated and wealthy background. He had been educated in France during the inter-war period. He spoke perfect French and excellent English. He was bon vivant and had a slightly raffish air about him. He was accessible to our people, not to me, obviously, but you could talk to him at parties. He was a big party guy. He went to receptions and so forth. He was the person, more than any other, who would interpret Tito's actions, putting his own spin, his own gloss on things, for the Americans. He would say, "Don't overreact to this. The old guy, Tito, is going to do this. But, hey, don't pay too much attention to it." Don't lose your mind, in other words. "Strategically, we are on a consistent course here, but we are going to have tactical deviations from time to time. Don't lose sight of the objectives here." He was a very interesting guy. At that time, he was the only Yugoslav minister who was really accessible, consistently, to the American Embassy. There may have been a couple others on the Economics side. Bob Cleveland had pretty good contacts with some of the economics ministers, and with the Minister of Foreign Trade, which was advantageous to them, too. But in terms of the people who ran the country, Koca Popovic was really the only person with whom you could have consistent contact.

*Q: What about the Yugoslav media? Particularly, as we did behind the Iron Curtain, we always looked at Borba and Politika, and the other major newspapers. What were you getting out of these?*

NILES: We probably paid too much attention to them. We had this extraordinary





























Ambassadors Thompson, Harriman, Stoessel and Toon. I don't recall at the time that there was any sense on our part of differences within the Soviet leadership on issues of concern to us. Kosygin was the "Premier," Chairman of the Council of Ministers, and was obviously more interested in the economy than in foreign relations. Brezhnev ran the Party, which obviously meant that he had a very important role in domestic policies - economic, social, political - as well as foreign affairs. There was a division of labor. Podgorny was the President, Chairman of the Supreme Soviet, titular head of state but clearly the least of the three triumvirs. Then, you had Shelepin, who was the former head of the KGB, who was obviously a very significant personality. Suslov, the Party Secretary in charge of ideology, Shelest, who was the Ukrainian Party boss. Romanov was the Leningrad Party boss was. We speculated endlessly about the divisions within the leadership, but I can't say that anybody knew anything for sure. While it was almost certain that on issues of concern to us, there might be differing approaches among the members of the Soviet leadership, we generally did not know what those differences were. We had very, very limited contact with the Soviet leaders. In 1966, Kosygin came to the U.N. This was at a time when U.S. involvement in Vietnam was increasing, and the possibility of an expanded war was always there. Tensions were rising in the Middle East, to culminate in the June 1967 Six-Day War in the Middle East when Israel seized the West Bank, Gaza, Sinai, and the Golan Heights. The Soviet Union supported the Arab countries. We had a number of potential flash points. Kosygin came to the U.N., after which he met with President Johnson at Glassboro, New Jersey.

*Q: Yes, which was exactly half way between Washington and the U.N., supposedly, in New Jersey.*

NILES: It was somewhere in south Jersey. I didn't go, even though I was in the Soviet office. Obviously, I was far, far down the totem pole and did not go to the meeting, which was an effort to find some way to reduce the level of tension between the United States and the Soviet Union. It was without results. We didn't even coin the expression "The spirit of Glassboro." There was no spirit of Glassboro. They met, they disagreed, and they left. Kasegan went back to Moscow. President Johnson came back to Washington.

We also had ministerial level meeting each fall during the UNGA, and Gromyko would always come to Washington to see the President. I went up to the UN in September 1966 with Secretary Rusk. Bob Barry went in 1965, and I went in 1966. But I didn't sit in on the meeting with Gromyko. Ambassadors Thompson, Stoessel and Toon accompanied Secretary Rusk for those meetings. I was the notetaker for the meetings with the Hungarian (Janos Peter) and the Polish (Adam Rapacki) Foreign Ministers. We went up as staff aides to the ambassadors, in my case Ambassador Kohler, who came back from Moscow and Ambassador Thompson. They had all this Soviet expertise accumulated in New York at the time of the U.N. Ambassador Bohlen had been there in 1965 but for some reason did not return from Paris in 1966. The only reason I know that Ambassador Bohlen was there in 1965 is because Bob Barry tells a very funny story of going up there and being with these three ambassadors, two of whom he had never met before, Ambassador Bohlen and Ambassador Kohler. He kept getting them mixed up. He knew that there were three ambassadors, Thompson, Bohlen and Kohler, but he didn't know





















NILES: Yes.

*Q: Was marriage almost a prerequisite?*

NILES: It was except one position, that of staff aide to the Ambassador. The requirement for that position was that he be unmarried because the guy had to live in Spaso House, where he had a bedroom on the first floor.

*Q: How was family life in Moscow?*

NILES: It was difficult. A few of the wives felt the same sense of commitment that we did, the sense of mission. But most did not, and they had to put up with a lot, particularly if you had children, as most families did. It was not an easy place to live. I know it was very difficult for my wife. Outside the Embassy community, Moscow could be an unfriendly place. There was a fair amount of harassment of one kind or another. All of the things that you take for granted in the West, the availability of foods, services, including medical care, were problematic in Moscow. We got our milk from Helsinki. Occasionally, the Soviets would decide to jerk us around and the milk wouldn't show up or it would show up having sat in the sun for a day and a half. It would be sour. That kind of thing happened. The basic services were unavailable. They had dry cleaning, but it was awful. You would never send a garment to it. I will tell you a great Moscow story. There was a guy in the Embassy who had a very heavy overcoat. It was old, but it was very heavy and warm. He wore it through a Moscow winter. When spring came, he decided to have it cleaned. He took it to the *Khimchiska*, the dry cleaning place. He said, "I want to have this coat cleaned." The lady who was in there had the typical Soviet attitude and treated him like dirt. She looked at him, and rather sneeringly said, "Well, we don't clean coats with buttons like that." Indeed, the coat had very large buttons on it. He said, "What am I to do?" She said, "Well, you can take them off." She gave him a pair of scissors and he cut all his buttons off and handed it to her. She said, "Well, we don't clean coats like that." There he was with the coat and a handful of buttons. That was service in the Soviet context. It was true of anything. Of course, medical services were rudimentary. We had an Embassy doctor who was a general practitioner from the CIA. He was fine, as far as he went. Anything more serious, we went out to Helsinki. Whenever ladies were having babies, they were whisked off to Helsinki, and if possible, a month in advance, so you wouldn't by some mischance have a baby in Moscow because that could be fairly risky. Women who went through it at Botkin Hospital had some pretty horrible stories to tell. My wife spent a month in Helsinki before our son was born, and while the medical care was outstanding and the Finns were great, the other conditions – notably the long separation – was far from ideal. But, on the other hand, we knew that foreigners died at Bodkin from relatively minor problems. This was supposedly the best hospital in Moscow, aside from the Kremlin Hospital, where we didn't go, except under very rare circumstances. When we had a very eminent visitor who needed special medical case, we could sometimes get access to the so-called "Kremlin Polyclinic," which was across the street from the Lenin Library. I remember that in the summer of 1975 I got Dr. Arthur Burns, the Chairman of the Federal Reserve Board, into the Kremlin Polyclinic when he had an eye infection. In any event, life was tough. The wives didn't have, in most cases,





*Q: Of course, I take it, at this point, there was no such thing as a dialogue of an American desk officer in the Soviet Foreign Ministry saying, “Hey, Tom what is this new President mean?” This type thing at any level, didn’t happen, correct?*

NILES: No. We were cut off from those kinds of contacts under the decisions taken in August 1968 by President Johnson. So, we had no contact at all. I’m sure Anatoly Dobrynin, the Soviet Ambassador in Washington, was sending back very cogent analyses of the President, Secretary of State and the new National Security Advisor, with whom he quickly established a contact. Dobrynin had been in Washington, by that time, for eight years. He was a superb diplomat in his way. He was devious, charming if he wanted to be, tough, with an unfailing line.

That line, which he successfully sold to a series of American presidents from 1961 to 1986, when he went back to Moscow, was, “Gentlemen, you have an extraordinary opportunity to deal with the current Soviet leadership if you are flexible and make it interesting for that leadership to deal with you. But, I am warning you. If you don’t deal with this leadership, there is a new leadership, which will much more difficult for you, lurking behind it.” He always referred to “new” people as “the dark forces.” He warned us that the dark forces were going to eat our lunch if they took over. They are really, tough, mean guys. Of course, he used this line to refer to Khrushchev, Brezhnev, Andropov, Chernenko, and Gorbachev. It was always whatever leadership is in power, they are prepared to deal with you. But, the “dark forces” behind them are really going to kick your butts. By and large, people took this seriously. It is amazing. The advantage that Dobrynin had was that the people with whom he was dealing on our side always kept changing. They couldn’t necessarily remember back and say to Dobrynin that he had told them that same thing about the previous leadership. The institutional memory was provided by the working stiffs, such as myself, who had heard Dobrynin deliver that message before and could alert our leaders to Dobrynin’s approach. It was remarkably consistent.

*Q: Of course, we have always used Congress, on our part. We always say...*

NILES: Of course. “We would love to do this, but Congress won’t let us.”

*Q: Did you have the feeling at the time that Dobrynin was a good conduit? In other words, was he reporting back accurately, and that sort of thing?*

NILES: I think so. Well, I am not aware of cases in which he did not. There may be cases in which Dobrynin’s analysis was wrong, but I doubt that he deliberately misled his bosses in Moscow. The penalty for that sort of behavior in the Soviet system could be pretty tough. Of course, it is always possible that Dobrynin got it wrong. We all make mistakes. I’m sure that even a brilliant analyst like Dobrynin, who spent considerably more than half his professional life in Washington and knew us well, could make mistakes. By and large, I think Dobrynin was a good interpreter of the United States for his masters in Moscow. He did a good job. He tended, in many ways, to overshadow his counterpart in the American Embassy in Moscow. This was never greater than during the





He would go the same route each year so you would have a standard of comparison. We traveled with him. The economic officers would travel with the agriculture attaches.

*Q: It was a policy to always have two officers, right?*

NILES: Or three. These trips were always by car because you had to drive along the fields to see what was going on. Of course, that was not easy, in part because of the Soviet travel controls. They could close one road "for reasons of a temporary nature," and you couldn't go to a third of the Ukraine, or something like that. Also, travel conditions were terrible. There were five gasoline stations at that time between Moscow and Leningrad, a distance of 750 kilometers. Half the time they would be out of gas or out of the kind you wanted. You carried gas coupons for 76, 84 and 88 octane gas so that you would be able to buy whatever the station had. The cars would sputter along. But, we took those trips, and they were interesting ones. We were always followed by the KGB, but so what. Then, the other trips we took, we would fly or take the train to a certain region and try to nose around. When we arrived in a city, we would give the local protocol people a list of things we wanted to do. If we achieved one out of ten, it was considered a success. If you went to Kharkov, for instance, you would ask to visit the Kharkov excavator plant. If you went to Lugansk, you would ask to visit the locomotive plant. Rarely did you get to see what you wanted, but sometimes the local officials would allow you to see something less sensitive, but that was still interesting. Sometimes they would say, "Well, you couldn't go to any factory," or they would give you some factory that was of less interest. But any direct insight into what was going on in the Soviet economy was, in some small way, of interest to us. It was important to get out and wander through a town and try to talk to people. It was also very important on our trips to just wander around town, checking out the prices and the availability of consumer goods. One interesting thing about the Soviet Union was that once you got out of Moscow, Kiev, and Leningrad, availability of manufactured consumer goods tailed off very radically. Services were practically nonexistent. They were bad even in the three big cities, but once you were out of those three favored places, forget it. Even in large, relatively cosmopolitan cities, a city like Odessa, you had trouble getting rudimentary services and manufactured consumer goods. Of course, Odessa had a well-deserved reputation as being the place where you could get anything you wanted if you knew where to look for it, and had the right kind of money. But, we would go around and check prices, and report all this information. People in Washington seemed to be interested in our reports. We felt as though this was of use to somebody. We found it constructive. The exception to the general rule on the availability of consumer goods was the situation in the Trans-Caucasian Republics. In Tbilisi, Yerevan, and to a degree in Baku as well, people lived pretty well. But, it was interesting to go down there and report on it to find out why it was better in Tbilisi, for example. In part, it was because the Georgians were more adept at obtaining merchandise. Things were better there.

*Q: In a way, that area resembled the Levant. These are merchants, wheelers and dealers.*

NILES: They certainly were that. They got things done that simply didn't happen in the Slavic parts of the country. But, these trips were a valuable means of giving Washington

a picture of the whole country, as opposed to Moscow or Leningrad.

*Q: During this time, basically, we were looking at a place that doesn't work, particularly when the west was moving ahead very rapidly.*

NILES: Well, it clearly didn't. But, one interesting thing is that frequently with non-official visitors from the United States, we were often regarded as almost pathologically anti-Soviet, unable to see the positive side of things. We were criticized for being much too negative. I can remember briefing groups of visitors whose reaction was "This is the other super power. It can't be this bad." I would say, "Well, in some respects, it is probably worse than I am telling you." They would say, "Well, the military side, as far as we can tell, works great. Look at the space program." To which my response was, "But they can't produce an automobile or a decent meal." We had a funny experience in 1968. I will never forget this. We were in the Hotel Ukraina in Moscow, which was a dreadful hotel. This was across the Moscow River from our Chancery. I was with friends from the United States. This was a guy who had worked very closely with Senator Robert Kennedy. When Senator Kennedy was assassinated in May 1968, the Ford Foundation gave this guy, Tommy Johnston and his wife, a trip around the world to help them adjust to the fact that the Senator had been killed. Tommy's wife is French. They stayed in the Ukraina Hotel. There was a line in the lobby to get coffee. So, we were standing in line for coffee. Directly in front of us were some French Communists, who were also waiting for coffee. The line moved glacially. The French Communists were talking among themselves, in French of course, and saying things like, "Well, you would think after 50 years of building socialism in one country, you could get a coffee in this hotel." It was a good question. Why, 51 years after the Revolution, did it take an inordinate amount of time to get a coffee in this presumed high-class hotel, which was in fact a piece of junk. People from the West sometimes accused us of being too negative about the Soviet Union. Then, when the whole thing fell apart and people realized that the system had been rotten to the core, we were criticized as having not seen that rot, and having been too positive about the Soviets. So, you can't win. But, at the time I was there, we frequently had visitors who would come and say, "Well, gosh, this is a great accomplishment to this country." We would try to explain that while this was true, the overwhelming majority of the people are totally cut off from those accomplishments, and much of what goes on in this country has nothing to do with it.

*Q: Were you seeing any reflection? You had been removed from the whole business of the anti-Vietnam thing, because you had been at Garmisch and then at Moscow, just when this whole thing was cranking. But, by the time you were in Moscow, the real Vietnam protest movement, particularly among the student bodies of the United States and much of the intelligencia, or whatever you want to call it, was really going at great guns. Did you get any reflection of that concern about your country and what was happening there or having these people coming and being true believers of what the Communists were about, or anything like that?*

NILES: Well, we felt the problem, certainly, as Foreign Service officers in Moscow in 1968-1971. We were subjected in the Soviet press to an endless barrage of attacks on our

policy, of course. They attacked us on Southeast Asian policy, but we were also attacked on policy in the Middle East, and compared to the Nazis on one thing or another. We were attacked on policy in Europe, so we were attacked across-the-board. Cuba was another subject they attacked us on. Being attacked by the Soviets certainly didn't cause us to think that our policy was wrong. It rather inclined us to think that if they are attacking us, we must be doing something right. It was a painful period for us, no question, the whole Southeast Asian experience, although as you say, we were cut off from it. At the time of the invasions of Cambodia and Laos, we were in Moscow. We really missed out on the domestic reaction to Kent State, for example. At the time of the assassination of Senator Kennedy and Dr. Martin Luther King, we were in Garmisch. We would get these reports after the assassination of Dr. King from friends who were in Washington. Of course, we were reading the *Herald Tribune* about the riots here, and you saw these pictures of the capital with smoke hanging over it. We got reports from friends that were really incredible. Sitting in the Bavarian Alps in May 1968, it was almost impossible to envision what was going on in Washington. I can remember all of us talking about this, wondering at what was happening.

*Q: There was our incursion into Cambodia in May 1970 which caused the Kent State shootings and much protest. It also had members of the Foreign Service picking younger members signing letters of protest. Did that hit you at all?*

NILES: No. I think it probably reflects the fact that (1) we were isolated; and (2) we were in Moscow. In its way, I think it made us more patriotic, if that is the word, and more red, white and blue all over, because we were under such attacks constantly from the Soviets. It wasn't to say that all of us in the Embassy thought that the incursion into Cambodia was a grand idea. We didn't. However, I think we were less inclined to... We weren't working directly on the problem the way people like Tony Lake, Dick Moose and others, on the NSC staff, were working on Southeast Asia.

*Q: I was Counsel General in Saigon when that happened. I thought, "What the hell?" They were shooting at us from there and had a sanctuary. It depended where you were. But, I didn't feel any of this until I got home. I am still kind of learning about it, even today, because it depends where you were. This is a situational thing.*

NILES: I agree. Also, we were not working on the problem so we tended to be less focused on it.

*Q: Did your mother ever get out?*

NILES: She did get out, but she came only after I left. In 1982, she made a trip back to the Soviet Union with a group from her college. She went to Wellesley College. It was interesting that when she went she told them who she was and that she was born in St. Petersburg, in 1913. The KGB was clearly interested in her. They singled her out for special treatment. She had some really bizarre experiences wherever she was, in Moscow, Leningrad, Samarkand, Bokaro, all around.















negotiations,” Kissinger had good reason to be concerned. In the end, all the implied Soviet threats to abandon the SALT process turned out to be so much hot air. They weren’t going to walk away from the SALT talks because it was in their interest to have SALT II.

*Q: Well, maybe we ought to stop at this point. I will put down here that we have talked, at some length, about your time with NATO on the Helsinki accords. I would like to talk to you a bit about what else you were doing, besides this, the next time. Also, about both Helsinki things and the role of the French. I think this is always interesting.*

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*Today is August the 4<sup>th</sup> 1998. Tom, first, why don’t we stick with the Helsinki accords when the French were involved. What was their perspective, their approach to these?*

NILES: France had a unique approach to CSCE among the 14 NATO Allies. During the 1960s, they were much more positive than the other Allies toward proposals for a European Security Conference, which was originally a Soviet, or Warsaw pact, proposal. This became NATO policy at the December 1967 Ministerial when the so-called “Harmel Report” - “Detente and Defence” - was adopted. The Warsaw Pact invasion of Czechoslovakia on August 20, 1968 put a hold on any developments in East-West relations. But by the fall of 1969, we were really back into it again. The French position was always somewhat different from that of the other allies. They were more positive toward CSCE and less enthusiastic about working with the other allies to develop a common position on CSCE. They were ready to discuss CSCE bilaterally with the Soviet Union and the other Eastern Europeans and less inclined to put conditions on holding a CSCE. There was one exception to that which was very important to the French position in Europe. They agreed fully with us, the British and the Germans that a Quadripartite Agreement on Berlin was a precondition for the CSCE. Of course, that was different for France because their position as one of the occupying powers in Germany and in Berlin was a key part of their claim to great power status.

So, the French agreed with us on that particular condition. Once we were at the Helsinki preparatory talks, which began in December 1972, the French were extremely difficult on matters of coordination at the site in Helsinki itself. In fact, they consistently refused to participate in meetings in the NATO caucus there, insisting that the CSCE was no a “bloc-to-bloc” negotiation. They would coordinate positions at NATO Headquarters. In Helsinki, they did meet regularly with their European Community colleagues. They were very active in developing what came to be known as European Political Cooperation, which began with a focus on CSCE in 1970. So, it was difficult with the French. NATO coordination with them could only take place at NATO headquarters, and to the extent we coordinated with the French in Helsinki, it tended to be bilateral. George Vest, or one of the other members of the delegation, would talk with our French counterparts. It wasn’t so much that the French disagreed with us on the substance of CSCE. It was really much more on the form. At the heart of the French position was the fear that the United States would somehow dominate the action. They claimed not to like the idea that CSCE





















NILES: From time to time, yes. When Secretary Kissinger came, I was sufficient senior on the Embassy staff to be included in the luncheons and dinners, which was interesting. It was a chance to meet Gromyko and talk with him. He could actually be a pleasant, witty interlocutor, if he wished. At one of those events, I met Boris Ponomarev. He was a legend in international Communist Party activities, a Secretary of the Central Committee of the Party in charge of relations with “non-ruling Parties” and a candidate member of the Politburo of the Central Committee.

In the fall of 1975, the Department got the bright idea that we would cut a deal with the Soviets to swap grain for oil. So far so good. But the key objective for Washington was to persuade the Soviets to give us a price break on the oil while paying world-market prices for wheat, corn and soya. The goal, which was fairly transparent at the time, was to put a dent in OPEC’s ability to set the world price for oil.

Charles Robinson, at that time Under Secretary for Economic Affairs, a businessman who was quite an expert on shipping and other aspects of international trade, was given the unenviable task of negotiating this deal. He was assisted by Dean Hinton; Ambassador Stoessel and I joined from the Embassy side. Our Soviet interlocutors were Foreign Trade Minister N.S. Patolichev, First Deputy Minister Kuzmin and Deputy Minister Komarov. There were four rounds of talks. The meetings went on for hours at a time, in part because Patolichev was a marvelous story teller. He was always being reminded of some story by something Robinson said. I can remember one of them today. In any event, we came up empty except for a one-page memorandum of understanding under which both sides undertook to promote trade in grain and oil, with no mention of prices.

One of the more painful sides of my second stay in Moscow was the microwave crisis which broke out in February 1976. I will never forget that, either, but it was no joke. Around February 15, Ambassador Stoessel called all the officers and employees with security clearances (which included my wife, then working as the Consular Section’s Secretary ) into a meeting to inform us that since 1959, the Soviets had been shooting “non-ionizing microwave radiation” into the Chancery building. The power of the radiation had gradually been increasing, and in 1975 it reached the level of 15 microwatts per square centimeter, which exceeded the Soviet health norm. Surprisingly, our health norm for this sort of hazard was 100 times higher than the Soviet norm at that time, but we soon lowered it to the Soviet norm, and ultimately below. (This particularly affected operators of ATC systems.) In any case, there was quite an uproar in the embassy, and we began a long back and forth with the Department about the risks and what could be done to avoid them. On the first day, we were introduced to a team of Washington experts who were there to explain the issue to us. It included a gentleman named “Dr. Pollock” from George Washington University. He was described as “an expert in the field,” but when my wife asked what his “field” was, they refused to tell us. That was not too encouraging. We subsequently learned that his “field” was oncology.

In any case, we felt very let down by the Department, and this bad feeling was accentuated by a series of warnings from Washington, said to have come from my old friend Larry Eagleburger, who was then Special Assistant to the Secretary and Deputy





*Q: What came after IO/UNP?*

NILES: I was very lucky, once again, in that someone for whom I had worked – Jim Goodby – was in a position to give me a fantastic job, in this case Director of the Office of Central European Affairs. George Vest was Assistant Secretary in EUR, and Jim was at that time serving as one of his deputies. The other members of the EUR Front Office at that time were Allan Holmes, Dick Vine and Bob Barry. Bobbie Powell and Sandra Ulmer, two wonderful ladies, ran the office. Dick Vine went out as Ambassador to Switzerland in the summer of 1979, replacing a rather unusual Ambassador, Marvin Warner, one of whose business interests in Ohio – The Home States S&L, had landed him in a bit of trouble. The team in EUR was a particularly good one, and I was delighted to join them.

I took over on May 15, 1979 from Bill Woessner, who went out to Bonn as DCM for Ambassador Walter Stoessel, replacing Frank Meehan who went to Warsaw as Ambassador. Among other things, I inherited Bill's secretary, Dolores Montoya, who was to stay with me for the next 18 years.

It was, as was almost always the case, a sensitive time in German/American relations, and an interesting time in Germany itself. Willy Brandt, up to the time of his resignation over the Guillaume scandal in 1974, had made some major changes in European politics as a result of *Ostpolitik*, but the fundamental condition in Europe – the division of Germany, symbolized by the division of Berlin – remained unchanged, although softened around the edges by the 1971 Quadripartite Agreement and Germany's "Eastern Treaties." There had been considerable suspicion of Brandt at the top level of the Nixon Administration, particularly on the part of Secretary Kissinger, but he had been so preoccupied with Viet-Nam and southeast Asia that he was only sporadically involved in Europe. One example of that sporadic involvement – the so-called "Year of Europe" – which Secretary Kissinger announced with a fair amount of hoopla in January 1973 soon fizzled out into nothing. The Watergate fiasco also came to be a major distraction for the Nixon Administration, and when Helmut Schmidt replaced Brandt as Chancellor in 1974 and Genscher replaced Walter Scheel as Foreign Minister, relations between the United States and the FRG settled down somewhat. But Schmidt was always a difficult and demanding partner, and while he had a generally good relationship with Secretary Kissinger and President Ford, he was perpetually dissatisfied with the Carter Administration.

In any case, contacts were continuing to multiply between the GDR and the FRG, and the CSCE process was continuing to develop after the Summit meeting in Helsinki in July 1975. Much of this had to do with Germany and reflected the absence of a permanent settlement of WWII in Europe. As had been the case since the abdication of Charles V in 1547, European politics at that time were largely about Germany.

*Q: Were there any developments with Germany, not necessarily directly in your purview, on the various negotiations and developments with the CSCE, the Helsinki accord?*

NILES: Aside from CSCE, MBFR was very important for the Germans since it, too, was largely about Germany, or to put it another way, about the military forces, German and foreign, stationed in the FRG and the GDR. In the 1980s, the most important east/west negotiations for the United States and Germany were the talks on intermediate-range nuclear forces (INF), which began in 1981 in Geneva. Again, many of the US INF systems – specifically the Pershing II missiles, were to be stationed in the FRG, and this was a very difficult issue, domestically, in the FRG. Somehow, Chancellors Schmidt and Kohl managed to stay with us on the INF deployment issue, but we made it very difficult for them to do so. The Germans were very interested in the SALT talks, the second installment of which concluded in July 1979 with the signing of the SALT II agreement, which was never ratified. We had frequent consultations with the Germans bilaterally and, of course, in NATO where the U.S. negotiators would brief them on what was going on with the Soviet Union. Anything that related to the United States nuclear weapons in Europe, most of which were in Germany, was naturally of enormous concern to the FRG. Helmut Schmidt always reminded us, when we pressed his government to do something involving nuclear weapons, that his country, with an area approximately that of Oregon, was the home to 8,000 US tactical nuclear warheads. About a year before I took over as Director of Central European Affairs (FRG, GDR, Austria and Switzerland) in May 1979, we went through a particularly painful experience with the Germans involving the enhanced-radiation weapon (ERW), the so-called “neutron bomb.” In that case, against strong domestic opposition, the Schmidt government agreed to the deployment of the ERW in the FRG, only to have the rug pulled neatly out from under its feet when President Carter announced, with no advance notice to the Germans, that the United States was not going to proceed with deployment of the ERW as a gesture to the USSR. The relationship between the Carter Administration and the Schmidt Government, never strong, never recovered from that fiasco.

While Director of Central European Affairs, my job frequently resembled that of a fireman, rushing from fire to fire to extinguish the blaze and then trying to repair that damage. During the Carter Administration, I worked closely with Bob Blackwill, who was responsible for Western Europe at the NSC. But every time we thought we had made some progress, something happened – sometimes as simple as an unhelpful or caustic remark to a journalist by Schmidt or Zbigniew Brzezinski - that left all our efforts in ruins. I remember in particular Schmidt’s visit to Washington in February 1980. When he left the United States, Bob Blackwill and I remarked to each other that for the first time the President and the Chancellor seemed to have a good understanding. The next morning, however, we were warned by telephone by Bill Woessner, the DCM in Bonn, that the *International Herald Tribune* had a front-page article by John Vinocour in which Schmidt was quoted as essentially saying that Carter was an idiot. Another source of friction in the US-FRG relationship was provided by Under Secretary of Defense Robert Komer, a great public servant but someone who believed in speaking frankly, including in public. He was not known as “blowtorch Bob” for nothing. In any case, Bob Komer frequently applied his “blowtorch” to the Germans on issues such as the level of defense spending, and the results were predictable. Harold Brown, who was Secretary of Defense, was the strongest great member of the Carter Administration and bailed us out of a

number of problems created by Bob Komer. Harold Brown, by the way, was responsible for initiating the weapons systems that won the Gulf War. In any case, our efforts to manage the US/FRG relationship at that time was a replay of the myth of Sisyphus.

But working in EUR in 1979-81 was a pleasure. George Vest was a marvelous leader as Assistant Secretary, as was Jim Goodby, who was my immediate supervisor until he went out as Ambassador to Finland in the summer of 1980. Walter Stoessel was Ambassador in Bonn and David Bolen was in East Berlin. Working with Ambassador Stoessel was a joy; Ambassador Bolen, one of two African-American officers serving as Ambassadors in EUR at that time (Rudy Aggrey in Bucharest was the other) could be quite difficult at times, but I understood his sensitivities given what he had been through in the Foreign Service. David Anderson was Minister in Berlin, and enormously effective in that role. I would say that David was the best Ambassador to Germany we never had. The other two countries for which I was responsible were Austria and Switzerland. Neither gave us too much trouble. In the case of Switzerland at that time, the major problem was Ambassador Warner, who was always making the wrong sort of headlines. One US-Swiss issue I do remember, which is interesting only in that it revealed one of the reasons why President Carter was not well qualified for his job, concerned the retransfer of spent nuclear fuel from Swiss nuclear power stations for reprocessing in France. Under the 1977 law, such transfers had to be approved by the President, and we in EUR/CE were responsible for putting together the memorandum from the Secretary to the President requesting that authorization. I know from personal experience that in other Administrations those memoranda never made it to the Oval Office but were signed off on by someone in the NSC. But I discovered that President Carter not only read them but sent back questions, sometimes with requests for additional material. It was truly amazing to receive the memorandum back from S/S with the President's questions all through what was, with all the tabs and attachments, a 50- page document. Of course, President Carter, who had been trained in the nuclear navy by Admiral Rickover, really knew this technology and the issues surrounding its use, and was very interested in it, but it was a total waste of his time to worry about the retransfer of nuclear material between Switzerland and France.

The most interesting part of my work as CE Director was the involvement in the Quadripartite (in this case, the US, UK, France and the FRG) management of Berlin issues. It seems incredible today, but that complex of issues was at the heart of United States national security concerns before German unification in October 1990. We had a separate section in EUR/CE that did nothing but Berlin-related business, and there were large sections in both Bonn and the Mission in West Berlin that did the same. This was the one area, in my personal experience, in which we had the full cooperation of the French. For France, occupation rights in Berlin were just as important as they were for the Soviet Union, and the French were uniquely cooperative in managing the Berlin issue.

While we did not have Berlin "crises" such as we experienced prior to 1971, the situation in and around Berlin was rife with small issues involving the roads, railroads, canals and air corridors that had to be carefully controlled. We also had ongoing problems arising from the activities of our Potsdam military liaison mission to the "Group of Soviet Forces

in Germany” (GSFG) such as the murder of Major Nicholson in 1982 by a Soviet sentry.

One interesting bit of history came in May 1980 when we had a meeting in Vienna to commemorate the 25<sup>th</sup> anniversary of the signing of the Austrian State Treaty. Secretary Muskie represented the United States. Gromyko, Lord Carrington and de Guiringaud were also there. (The French Foreign Minister would never boycott a ceremony which reflected in some way France’s “great power” status.) Bruno Kreisky, the Austrian Chancellor, was the master of ceremonies, overshadowing the President of Austria. That was appropriate, in part, since Kreisky was one of the few survivors of the Austrian team that participated in the negotiations of the State Treaty.

Prior to Vienna, we stopped at NATO for Secretary Muskie’s first meeting (he replaced Secretary Vance in April 1980) with his NATO counterparts. I will never forget his meeting with Genscher because of a story Genscher told about his participation in Tito’s funeral several weeks before. Brezhnev and Gromyko had been there, too, and when Genscher and Chancellor Schmidt arrived at the ceremony, they both went up to Brezhnev and introduced themselves. As Genscher told it, Brezhnev sat there mute and seemingly oblivious to the introductions of Schmidt and Genscher, who then went on to take their assigned seats. However, several minutes later, the Germans noticed that Brezhnev suddenly became very animated, pointing at Genscher and saying several times in a loud voice to Gromyko “eto Genscher” (“that’s Genscher”). The German Foreign Minister said that he joked with Schmidt about which of them had made the biggest impression on the Soviet leader, but more seriously, they both wondered at how the Soviet Union could function with Brezhnev, at least nominally, in charge. He lasted for another two and one-half years after that encounter.

The final year of the Carter Presidency was particularly difficult because of the Iranian hostage crisis, the disputes with our Allies over the appropriate responses to the Soviet invasion of Afghanistan, which for the first part of the year included the Olympic boycott, and the spillover of our election campaign. The Olympic boycott was particularly painful with Germany, which again was seen as the key to the success or failure of the initiative. In the end, Chancellor Schmidt went along with us, as he had told us from the beginning he would do, but our constant importuning almost drove him to distraction. Ironically, and he knew this, the idea of the Olympic boycott was originally raised by the FRG Ambassador to NATO, Rolf Pauls, at a meeting of the NATO Council in early January 1980. Pauls recalled very emotionally how he and his young German colleagues had been deterred from opposition to Hitler in 1936 when, as he put it, the world came to Berlin for the Olympics and paid tribute to Hitler. Here again, President Carter’s tendency to read documents – in this case a reporting telegram from USNATO – had a big impact on US foreign policy. I doubt that we would have picked up the Olympic boycott idea on our own given the obvious difficulties in making it work. We were told by the NSC that the directive to embrace Pauls’ proposal came directly from President Carter.

*Q: Well, then in 1981, you moved to become Deputy Assistant Secretary for what?*

NILES: As I said, George Vest had been EUR Assistant Secretary during the Carter administration. He had a team of people, Jim Goodby, who went off to be Ambassador to Finland in the summer of 1980 and was replaced by Ray Ewing, Bob Barry, who was responsible for the Soviet Union and eastern Europe, and Allan Holmes, who was the principal Deputy. In January 1981, Larry Eagleburger came back from Yugoslavia to replace George Vest, who went to Brussels as Ambassador to the European Community. Larry substantially changed the composition of the EUR Front Office. Allan Holmes remained Principal Deputy; David Gompert came in to work on NATO and arms control issues; Jack Scanlan came back from Yugoslavia, where he had been Larry's DCM, to take over Bob Barry's job as Deputy Assistant Secretary, working on Eastern Europe and the Soviet Union. Bob was sent out as Ambassador to Bulgaria. I replaced Ray Ewing, who went off to be Ambassador to Cyprus. I was given the responsibility for Central Europe, Canada and RPE (the office responsible for the European Union, the OECD, and all multilateral economic issues). So that was the line-up: Eagleburger; Holmes; Gompert, Scanlan and I. It was a good team, but it only lasted one year. Ambassador Stoessel came back to be Under Secretary for Political Affairs, but in the shifts that occurred in the spring/summer of 1982, he went briefly to the Deputy Secretary position when Bill Clark replaced Dick Allen at the head of the NSC. Larry Eagleburger then moved to the Under Secretary slot; Alan Holmes went to Lisbon; Jack Scanlan was slated to go to Warsaw to replace Frank Meehan but never got there due to the martial law situation; and David Gompert went to "P" with Larry. I was the only survivor. Rick Burt came over from PM to replace Larry as Assistant Secretary and brought Bob Blackwill, Jim Dobbins and Richard Haas with him. Mark Palmer came in as DAS for Eastern Europe and the USSR, completing the new team.

*Q: When the Reagan administration came in, you had been dealing with European affairs, within the EU Bureau. Was there any concern about Reagan coming both from California and not having Washington experience, and then also coming from the right of the political spectrum?*

NILES: There was a lot of worry in Europe about President Reagan. It was gradually dispelled, but I do not believe it was ever totally overcome, even toward the end of the Administration. I was no longer in Washington during President Reagan's second term, so I cannot personally attest to that. But certainly at the very beginning, there was a lot of anxiety about the Reagan Administration. Ironically, the Europeans had generally been very unhappy with the Carter Administration. However, although President Carter was hardly their ideal American president, the Europeans tended to be pro-Carter in the November 1980 election simply because they knew him. There were doubts in Europe, as there were in the United States, about President Reagan. People tended to ignore the fact that he had been Governor of the most populous, important state in the country for eight years. Their feeling was that he was coming directly from Hollywood. He had been an actor, but the fact is that President Reagan's active Hollywood career ended in the 1950s. I guess at that time he was President of the Screen Actors Guild. By the early 1960s, he was very much oriented toward politics, and he made his famous speech in 1964 to the Republican National Convention supporting Senator Goldwater. In 1966, he was elected Governor of California for the first time, leaving that office in 1974. From then until

1980, he really was continually involved in campaigning for the Presidency. So he was hardly a political neophyte when he became President, but he was so outside the standard European concept of a political leader that, at the beginning, they simply could not believe that he was leader of their major Ally. So, there was a lot of anxiety in Europe, nowhere greater than in Germany. The Germans are always anxious about the United States, although less so now than before. Schmidt, who had been very dismissive and even scathing in his comments about Carter, came to the point of saying, “Well, Carter is okay. Who is this Reagan guy?” Ultimately the Schmidt/Reagan relationship settled down and was pretty good. Ambassador Arthur Burns, I think, played an important part in making that work as well as it did. Ambassador Burns would sit, smoke his pipe and listen to Schmidt complain about the Reagan Administration. At the end, he would patiently explain that things weren’t as bad as Schmidt thought, and the Chancellor would calm down. It was a form of psychotherapy.

But there is no question that Schmidt was very uneasy about the Reagan Administration, and the President personally, at the outset. I remember the first time Schmidt came to Washington during the Reagan administration. He had been scheduled to come in April 1981, but the Hinckley assassination attempt against the President delayed the visit until June 1981. Secretary Haig and I met the Chancellor at Dulles and took him in by helicopter to the Blair House. The meeting with President Reagan was scheduled for the next day. That evening, Secretary Haig and I met with Schmidt at the Blair House with Chancellor Schmidt for the better part of two hours. Basically, Secretary Haig’s pitch was continuity. In essence, he said, “Don’t pay too much attention to the rhetoric and what you hear. President Reagan is a serious, sober guy. He is going to maintain the progress that we have made with the Soviet Union. We are going to pursue the things that are important to you in the arms control area.” Basically, Schmidt’s concern, more than anything else, was that President Reagan was going to adopt a very tough line toward the Soviet Union to the point that all of the possibilities for progress in East/West relations, in inter-German relations and in relations between Germany and the Soviet Union would be totally washed out. Secretary Haig’s effort with Schmidt, whom he knew from his time as NATO Commander (SACEUR) from 1974 through 1978, was to convince the Chancellor that the President was a reasonable man and that the Germans should not to be too put off by the rhetoric. And, indeed, there were some crazy things being said by officials of the Reagan Administration during those early days. It was during that meeting at the Blair House that Schmidt blurted out “Dammit, Al, I thought you had an election last November, not a revolution.” Those words really summed up European frustration with the United States political process and what they see as our constant yawing between political extremes.

*Q: That seems to be the usual thing that happens when a new, inexperienced, and particularly, outsider type of administration comes in.*

NILES: Absolutely. It seems to happen every time we have a transition in Washington. The only exception in my personal experience was in January 1989 when President Bush took over from President Reagan. The first year or so was a particularly difficult time within the Reagan administration. Relations between Secretary Haig and Secretary



House, and least of all with President Reagan. President Reagan was interested in the relationship with the western European allies and generally played a positive role, to the extent he was involved directly. Now, it is true that some of his personal initiatives caused things to go badly haywire. In part, this came as a result of the lack of coordination within the Administration and the exclusion of those who would normally think of the need to coordinate such initiatives with the Allies ahead of time. For instance, in March of 1983, within one period of two weeks, President Reagan gave the “evil empire” speech to the religious broadcasters in Orlando and the SDI speech in Washington. As far as we were aware, neither had any prior vetting with the Europeans, and both were greeted with absolute dismay in Europe. But this was not unique to the Reagan administration. This was a problem of alliance management throughout the time I was involved except when President Bush and Secretary Baker were in charge. Otherwise, there was a built-in tendency for the United States to take important initiatives without consulting with the Europeans.

*Q: The strategic defense initiative, which was essentially to create a protection against nuclear attack, which could have allowed for American isolationism, or something. There was no consultation within the Government either.*

NILES: There certainly wasn't. SDI was based on President Reagan's very deep aversion to nuclear weapons and to the MAD (mutually assured destruction) doctrine. You saw it again in October 1986 at the Reykjavik Summit with President Gorbachev during which President Reagan advanced the idea of the total elimination of nuclear weapons, which Gorbachev accepted. The stumbling bloc then was President Reagan's insistence that SDI continue. In 1983, as today, missile defense, whether it is SDI or some other program, was based on a confluence of two philosophical views: 1) an aversion to nuclear weapons; and 2) a theological hostility to arms control, which focuses on the 1972 ABM Treaty. President Reagan was motivated by his aversion to nuclear weapons, and the people at the top of the Department of Defense, civilians, not uniformed military, who were responsible for the details of SDI, to the extent there were any, were motivated by their ideological hatred of arms control and the ABM Treaty. As far as I know, the State Department was out of the picture. Keep in mind that, at least in theory, SDI represented a fundamental shift in United States defense policy, taken without consultations with our Allies. Although ultimately we were able to work things out with the Europeans on SDI, so that they were able to participate in some development contracts, the damage was never fully overcome. At the beginning, the Europeans saw SDI as a serious threat to NATO itself because if, hypothetically, the United States were able to achieve a security system that would protect us against Soviet ballistic missiles, what did this say about our nuclear guarantee for Europe, which at least in theory was designed to protect them against the overwhelming Soviet preponderance in armored forces in Central Europe? The Europeans saw SDI as an indication that the United States, at least theoretically, was interested in backing away from this commitment to Europe and building a “fortress America,” with this high-tech system that would protect us, but not them. The proposal was seen in Europe as changing American nuclear policy without consulting the Allies with whom the policy had been developed. It was a real bombshell. The “evil empire” speech to the religious broadcasters, which came a week or 10 days before the SDI

announcement, was likewise seen as a sign of something strange going on in the United States, not that the Europeans thought that the Soviet Union was a nice place, or that the Soviet leaders were nice guys. But, the using the term “evil empire” in public struck them - even Mrs. Thatcher - as being a little heavy.

*Q: It raises the specter of sort of a cowboy, simplistic viewpoint. These were things that were accusations against Reagan at the time. Did you get involved in the natural gas pipeline?*

NILES: The Siberian Pipeline issue led to a major problem in Alliance, you might even say a major crisis in west/west relations. As we can sometimes do, we turned an east/west issue into a west/west issue. The problem went back to the very beginning of the Reagan administration. Some senior officials, particularly in the Defense Department, - Secretary Weinberger, supported by Under Secretary for Policy Fred Ikle, Assistant Secretary for International Security Policy Richard Perle and his deputies: Doug Feith, Frank Gafney, Steven Bryan, Dov Zakheim and others - and Jeane Kirkpatrick at USUN, for example, used the pipeline as part of a general assault on economic relations with the Soviet Union. There was also a group at the NSC – notably Norman Bailey and Roger Robinson – who worked with them. They began to raise the question of Western European energy dependency on the Soviet Union, particularly in the natural gas area. Their efforts were accentuated by the downturn in east/west relations that accompanied the declaration of martial Law in Poland on December 8, 1981. We were in Brussels at the time with Secretary Haig for a NATO Ministerial meeting, which ended on December 7. We had just arrived back at Andrews when the news came in that something big was coming down in Poland. The Soviets probably timed the crackdown in Poland to some after the NATO Foreign Ministers had concluded their meeting and headed for home. The idea of restricting economic contacts with the Soviet Union as a result of the crackdown on the democracy movement in Poland was part of the policy response to martial law in Poland. It was also devised, in part, because of the fear that the Soviets would be able to use a Western European dependency on Soviet natural gas to exert political pressure on the allies.

So, beginning in December 1981, we embarked upon a major effort to dissuade the allies from proceeding with the pipeline project. There were two phases of this effort. The first was the so-called “Buckley Mission.” This was headed by Under Secretary of States James Buckley, who was at that time, Counselor and Under Secretary of what became T in the State Department. A group of us, consisting of Under Secretary of Commerce Lionel Olmer from Commerce, Assistant Secretary of the Treasury Marc Leland, Bo Denisick, who was a Deputy Assistant Secretary in Commerce, and I traveled around Europe for about 10 days in February 1981 to try to persuade the Europeans to put off the pipeline and to devise other means to supply natural gas to Western Europe such as the “Troll” gas field in Norway, the “Bonny” LNG project in Nigeria. The Europeans basically said, “Hey, we know what we are doing. We are not going to be dependent on the Soviet Union. We are also buying gas from Algeria, and we have our own gas in the British and Norwegian sectors of the North Sea. If we need more, we will buy it from them. We have been buying gas from the Soviet Union since 1974, and nothing has

happened. Moreover, this is a good business.”

Acting unilaterally, which we often do, we had imposed sanctions in December 1981 against the USSR which prevented American companies, primarily General Electric but also some other U.S. companies which supplied goods and services for pipelines, to prevent them from participating in the project from their production in the United States. This was a loss to GE, which made pipeline turbines in Schenectady and other companies, such as Dresser/Atlas and Cooper Industries, which made compressors, and so forth. But, we had not imposed sanctions on the European licensees and subsidiaries of those companies. All during the spring of 1982, we tried to get the Europeans to join us in an effort to better control the economic relationship with the Soviet Union, but basically, they gave us the brush off. They said, “Hey, you guys, this has nothing to do with Poland.”

In June 1982, with the frustration level rising in Washington, several things happened. Secretary Haig’s position obviously was becoming weaker. We didn’t realize at the time how weak it was. I’m not sure he realized how weak it was. Pressures were mounting for tougher action on the pipeline led by Secretary Weinberger. He was supported by Bill Clark, who by that time had moved to the White House as National Security Advisor. Ambassador Stoessel had moved up to be Deputy Secretary, relatively briefly. I think he was only there for less than a year before Ken Dam came in. In June 1982, Larry Eagleburger moved up to P to replace Ambassador Stoessel. Rick Burt came over to EUR from PM, bringing Bob Blackwell, Jim Dobbins and Richard Haas with him. Allan Holmes went to be Ambassador to Portugal, David Gompert went to P with Eagleburger; Jack Scanlan was supposed to go to Poland but we didn’t have an Ambassador there. Frank Meehan had left Warsaw after martial law was declared, so Jack’s assignment was on hold. I was the only holdover in EUR from Eagleburger to Burt, and I stayed on working on the same issues, economic issues, Canada and Central Europe. Jim Dobbins took Gompert’s responsibilities for NATO affairs. Richard Haas was there as advisor to Burt. Mark Palmer replaced Scanlan, working on Eastern Europe and then the Soviet Union. So that was the lineup: Burt, Blackwell, Palmer, Dobbins and I, plus Haas.

At the end of June 1982, the Second Special UNGA Session on Disarmament was held in New York. Secretary Haig was up there to represent the United States. President Reagan did not attend that session. I don’t recall where Ambassador Stoessel was, but while the Secretary was in New York, there was a meeting of the National Security Council with President Reagan to discuss the pipeline issue. I am sure that it was scheduled then so that Secretary Haig could not attend. Remarkably, Jeane Kirkpatrick came down to Washington, leaving Secretary Haig in New York, to attend the meeting with the President. It was an obvious set up.

The issue on the table concerned proposals advanced by the Defense Department and the NSC to extend the sanctions to cover the subsidiaries and licensees of American companies in Europe. These were European companies, even if some of them were American owned. But mainly, we were talking about licensees of the American companies, particularly GE. These were Nuovo Pignone in Italy, John Brown

Engineering in the United Kingdom, AEG in Germany, and various other companies that built large case turbines based on GE designs and technologies. Larry Eagleburger represented the State Department and I tagged along to this meeting, on June 30, 1982. The participants included President Reagan, NSC Advisor Clark, Secretary Weinberger, Ambassador Kirkpatrick, and CIA Director Bill Casey, who basically mumbled, but supported the sanctions. Treasury Secretary Regan was there but did not take an active role, although we had worked with the Treasury staff on his briefing paper. We were later told by Treasury that Regan had been tipped off in advance how the President was going to come down on the issue and decided to take a pass. The same turned out to be the case with Commerce Secretary Mac Baldrige, who supported our position but was largely silent at the meeting. Larry Eagleburger was really all by himself. He made a strong pitch against a decision to extend the sanctions extraterritorially. President Reagan smiled at him after he made the presentation and said, "Thank you very much Larry. That is very interesting." By the way, in my experience the President did not announce his decision at the NSC meeting itself; we were informed subsequently by the NSC. But in this case we went away with the feeling that it had been a set up, that it had all been arranged ahead of time by Judge Clark, Secretary Weinberger and others. Their proposal was accepted and we issued the Executive Order extending the sanctions. It created an enormous outrage in Western Europe, much like Helms-Burton and ILSA today, but in a very immediate way, because it related to Western European ties with Eastern Europe and the Soviet Union. It seemed to be a good example of how the United States was trying to make policy for them. Even those countries, such as the United Kingdom that were very supportive of the United States reacted very negatively. Mrs. Thatcher was a good friend of President Reagan, but she was outraged by this decision. We were in a real mess.

The next thing that happened was that Mrs. Thatcher came to town on July 1, 1982. She flew into New York for the Special Session on Disarmament, and then flew down to Washington. Rick Burt was on a trip to Norway and Bob Blackwill was in Germany, so I went with Secretary Haig to the airport to meet her. We flew in on the helicopter to the Reflecting Pool and went to the White House. Mrs. Thatcher's meeting with President Reagan was the worse meeting I ever participated in between an American President and an allied leader. It was a terribly difficult meeting, all about the pipeline. President Reagan had been given some talking points by the NSC, put together by Norman Bailey, which among other things, included the claim that we had been in touch with the European countries, including John Brown Engineering, the British company, and they had told us that they really don't care much about the sanctions, that it didn't bother them very much. At that point, Mrs. Thatcher looked around at the collection of people sitting in the Oval Office. It was the President and Mrs. Thatcher, UK Ambassador Wright, his senior aide Charles Powell, Judge Clark, Secretary Haig, Jimmy Renschler from the NSC staff, and I. Mrs. Thatcher looked around at us when President Reagan used those talking points, and she hissed at us, rather like a snake, and said, "Put down your pencils," which meant, "Don't take notes." So, we quickly stopped taking notes. She said to the President, "Now Ron, let me tell you something. I am responsible for my companies and you are responsible for yours. But, don't you try to be responsible for my companies. I will speak for my companies such as John Brown Engineering. And I can tell you that this is totally unacceptable between friends." President Reagan didn't like to have controversy with

good friends. He tried, unsuccessfully, to smooth it over. But, it was a very difficult meeting. I think this demonstrates how raw the relationship was, even with our good friend, Margaret Thatcher, over these sanctions. The meeting lasted for about an hour or so. Secretary Haig and I took Mrs. Thatcher out to the Reflecting Pool. She was in a terrible mood and got in her helicopter to fly out to Andrews. We didn't fly out with her. Secretary Haig said, "I've got to go back to the White House. You can either walk back to the State Department or go with me." So, I went back with him. We went into the West Wing. He went down into the area where Judge Clark had his office. He was in a terrible mood. He stormed into Clark's office, and they met for an hour or so. Jimmy Renschler and I were sitting around comparing notes in the outer office and wondering what we would propose next. When Secretary Haig came out, he in a terrible, foul mood. We went back to the State Department. It turned out that at that meeting he had told Judge Clark that he would have to resign if the situation did not change. Judge Clark suggested that the Secretary talk with the President the next day, and the President accepted Haig's resignation at that meeting. Shortly thereafter, Secretary Shultz came on board. I believe it was on July 4.

Secretary Shultz realized that we had a very serious problem with our European allies. He initiated a process which began in earnest at an informal meeting of the NATO Foreign Ministers, which he held outside New York on one of the Rockefeller estates just before the United Nations General Assembly. The UNGA began around September 21, so that meeting was around September 19. He began a process which led to an agreement on November 7, 1982 with the NATO and Japan on managing our economic relationship with the USSR. We primarily used the G-7 as the basis to negotiate this understanding, although some of the talks were held on a Quadripartite (US, UK, FRG and France) basis. The agreement – it was really more of an understanding – simply said that the economic relationship between the Western Allies and the USSR had to be seen in the context of the overall security relationship and that we would seek to reach separate understandings – in NATO and in the OECD, including the International Energy Agency (IEA) – to ensure that the economic relationship did not in some way cause harm in the security area. On our side, the United States agreed to lift the sanctions President Reagan imposed on July 1, 1982.

At the very end, the French declined formally to accept the deal we had negotiated. That was another day I will never forget. It was Saturday, November 7, 1982. We had assembled in the Secretary's office. It was a very small group: Secretary Shultz, Under Secretary Allen Wallis, Rick Burt and I. At around 10:00AM, the French Ambassador, Vernier-Paillez, called to say that President Mitterrand could not accept the agreement that had been approved two days before, including we were told at the time by the Foreign Minister. (I believe that Claude Cheysson was still Foreign Minister at that time.) Over the next two hours there were a series of telephone calls between Allen Wallis and Jacques Attali at the Elysee Palace in which we tried to determine what it was that the French could not accept, or to put it another way, what textual changes might bring them on board. Around noon (6:00 PM in Paris) it dawned on us that there was nothing in the text with which the French disagreed. The problem was that they could not be seen agreeing with the other Allies, particularly the United States, on the general approach in

the Agreement in exchange for the removal of the sanctions. In one sense, I have to admit that the French had a point, which was that the United States had behaved badly in imposing the sanctions in the first place and, consequently, there was no reason why France should agree to anything to have that United States action removed.

But in the end, we removed the sanctions. The Europeans, Canadians and Japanese agreed to do various things with us to improve our ability to coordinate the economic relationship each country had with the Soviet Union to avoid energy dependence and avoid subsidizing the Soviet Union through credits. So, Secretary Shultz was able to turn the mess he inherited into something positive. It was an important point in the relationship between the United States and our European allies. The extraterritorial extension of the sanctions in June 1982 was a low point from which we built back. Without Secretary Shultz' wisdom and negotiating skills, it would have been much more difficult. He is a great negotiator, an ability he said he honed in his work on labor disputes. It was a very difficult period in allied relations. Secretary Shultz was not only able to overcome it, but he used it as a launching pad for something which was quite positive.

*Q: I have the feeling that at this time, and I would like to get your feeling on it, there was a battle, using the President, where he was almost a passive, malleable figure. You had a rather weak NSC, and Judge Clark, who was really not well informed. But, you had Weinberger, Perle, and some other people who were manipulating the system...*

NILES: Bill Casey.

*Q: Bill Casey - who were manipulating the system and the President into some of these things.*

NILES: One way to explain what was going on is that the President was very malleable, shifting back and forth between these two courses. President Reagan believed strongly in a few things. He believed in low taxes, less government, a strong defense, and a firm posture toward the Soviet Union, based on a strong defense and a strong economy. If you could demonstrate to the President that a certain policy approach was consistent with those basic principles, then you had a chance of winning his support. There was a struggle for the heart and mind of President Reagan between Secretary Shultz and Secretary Weinberger, former colleagues from the Nixon Administration and the Bechtel Corporation. Both were extremely intelligent, honorable and patriotic gentlemen but they had, at least at that time, rather strong disagreements on policy issues that seemed to have a personal element. There is a story – I have no idea whether it is true or not – that Secretary Shultz was President Reagan's first choice to be Secretary of State when he was forming the cabinet in November/December 1980. However, Secretary Weinberger, on his own without checking with Secretary Shultz, told President Reagan that Secretary Shultz did not want the job because he was too deeply involved with Bechtel (he was the CEO) at that time. If that story is correct, you can understand why there might have been a personal element in the Shultz/Weinberger relationship that made their evident policy disagreements somewhat sharper.

As long as Secretary Weinberger was at Defense, and he retired in 1987 to be replaced by Secretary Carlucci, State/Defense relationships were generally poor. Secretary Shultz prevailed on some things, and not on others. On the arms control front, the State Department, under Secretary Shultz' leadership, gradually began to gain the upper hand. I think it is important to keep in mind that, particularly in President Reagan's second term, Mrs. Reagan played an important role in encouraging the President to press ahead with his hopes for nuclear disarmament. She did not play a role in the details of arms control negotiations, but rather on the principle that we should be seeking to negotiate agreements with the Soviet Union in order to reduce the possibility of conflicts and advance the cause of stability and peace. I think she played a very important, positive role at key moments. During this first period that we are talking about, from 1981 to 1985, when I was Deputy Assistant Secretary, I wasn't directly involved in arms control issues - Larry Eagleburger and then Rick Burt had that dossier - but I was part of the team and my responsibility for Germany, given German interest in arms control, meant that I had a role to play.

Part of the problem up through March 1985 was that we really didn't have a negotiating partner. Although there were serious negotiations going on in Geneva, for example, Paul Nitze's work on INF arms control, on the Soviet side, nobody was home. We now know that Brezhnev, by that time, was totally out of touch, and Marshal Ustinov, the Minister of Defense, was probably the single most powerful figure in the Soviet leadership. Gromyko was certainly strong as Foreign Minister because he had been there forever, but he was not inclined to conduct serious negotiations with us. Even if he had been, he didn't have the authority. So, we were frozen in time as far as the relationship with the USSR was concerned. Brezhnev died in October 1982. In the meantime, in September 1983, we had had the shutdown of the KLA 007...

*Q: Over the Kamchatka Peninsula by a Soviet MIG. KLA 007 was a passenger plane.*

NILES: Actually, it wasn't a MIG, it was an SU-17. But it was a tragedy that led to heightened tensions between the US and the USSR. It was a tough time in East/West relations for all kinds of reasons. We didn't have a serious interlocutor in the Soviet Union. The KLA 007 incident took place in September 1983. Andropov had taken over as General Secretary in October 1982. Originally, there were some hopes that progress could be made with Andropov, but obviously Andropov's health was also very precarious. But despite all the talk about how Andropov drank scotch and read Western books, he was, after all, the former, and long-time, head of the KGB and the Soviet Ambassador to Hungary who, with then-KGB head Serov, organized the repression of the Nagy Government and the Soviet invasion in November 1956. In other words, Andropov in the pink of health would not have been a good bargaining partner for us. He died in February 1984, so he was the General Secretary for no more than 15 months. Chernenko then took over as General Secretary, but he was also in very ill health, and certainly not in a position to negotiate anything. Chernenko died in March 1985 and was replaced by Gorbachev. Although no one knew much about Gorbachev - he had only come to Moscow from Stavropol in 1978 - Mrs. Thatcher and the Canadians had met him when he

visited the UK and Canada in 1984 after he became Second Secretary of the Central Committee. Mrs. Thatcher said at the time that Gorbachev was someone with whom we could do business. But I do not believe that anyone realized at the time that he represented a fundamental change in the Soviet leadership. So, during President Reagan's first term, even though he had adopted some positions that were highly unpopular with the Soviet leadership such as SDI, and had referred to the USSR as the "evil empire," the real reason why no progress was made was that there was nobody at home in Moscow with whom we could negotiate.

*Q: Let me ask one question here and then we can go on to something else. What about the European Union? That was your thing. How did we look upon developments there? This has always been a cornerstone of our policy, yet, at the same time, as it got closer to a reality, there were some practical considerations as far as the United States was concerned. One of their considerations was, would this be exclusionary? How did we feel about it at this time?*

NILES: At that time, as is always the case, we had a number of trade disputes with the European Community. We completed the GATT Tokyo Round GATT negotiations in 1979. We had not been able in the Tokyo Round to solve some major trade disputes with Europe, notably on agriculture. But the key factor in the EC-U.S. relationship at that time was that the Community itself was going through a down period, with a weak Commission in charge. The President of the Commission was Gaston Thorn, a former Foreign Minister of Luxembourg, and his two Vice Presidents were (Vicomte) Etienne ("Stevie") Davignon and Wilhelm (Willi) Hafferkamp. The latter two were our principal interlocutors. They could not have been more different, physically, politically and in terms of personality. Davignon came from an aristocratic Belgian family. His father had been Foreign Minister in the 1950s. He was very smooth, elegantly dressed, sophisticated and generally knowledgeable, if somewhat pedantic in his approach, on a wide range of issues. Hafferkamp was a German trade union leader (IGMetal, I believe) who always looked as if he had slept in his suit and had almost no interest in or understanding of the "bigger picture." The one thing I will say for both of them, as well as then-Secretary General of the Commission Emil Noel, is that they appreciated the finest foods and wines. The private dining room on the top floor of the Berlaymont Building had some of the best food in Brussels, and that is saying something. It was the only place in the world where I had the world's greatest wine – Chateau Petrus – and not just once.

It was not a great time in Europe. Economic conditions were poor, and the mood was down. The Europeans themselves referred to it as a time of "Eurosclerosis." Nothing seemed to be going right. We didn't, at that time, see the European Community as a potential threat to the United States. Rather, we saw another threat, namely from a weak European Community. This was particularly a concern of Secretary Shultz, who was very interested in the European Community and was a strong supporter of European unification, which he believed was ultimately in the interest of the United States and a development we should encourage. In the European Bureau, we worked closely with Secretary Shultz to develop ways to encourage more high-level contact between the United States and the European Community in which we could encourage the Europeans

to be more positive about themselves. I know that sounds very strange, but Secretary Shultz was concerned that the Europeans were so pessimistic and so negative about what was going on that they would descend into a slough of despondency and protectionism, which would injure the basic relationship between Europe and the United States. He had us drafting papers with ideas on ways in which we could help the Europeans feel more optimistic about their outlook. I know that sounds bizarre but that was his concern, and I think it was a valid concern. One thing we did, which was an idea that I put forward from the European Bureau, was to enhance our consultations with the Europeans, taking advantage of the fact that every December, the Secretary of State was in Brussels for the NATO Ministerial. I recommended to Secretary Shultz that he finished the December NATO Ministerial, which was always ended at noon on a Friday, he should meet with the Commission at the Ministerial level and talk about US/EC relations. I suggested that you invite his colleagues from Treasury, Commerce, Agriculture and USTR to join him. He agreed, and we started these annual Ministerial level consultations in December 1983. For all I know, they may continue to this day. It was very useful. We sometimes had some very frank, open consultations and discussions with the Europeans, which could be rather abrasive on trade issues. I remember in particular one incident at the December 1984 meeting. At the end of a pre-meeting lunch among the U.S. participants, Secretary Shultz took some bananas with him. I didn't understand what this was about. At the meeting with the European Commission, he took the bananas and tossed them out on the table and said, "Your Ambassador, Roy Denman, Ambassador to the United States," who was sitting at the table, "recently made a speech in which he accused us of treating Europe like a banana republic because of our policy on steel restraints. That kind of talk is unacceptable among friends!" This was a big issue at the time - how much European steel could be exported to the United States - and we had a so-called "restraint agreement," a protectionist method adopted by the United States. The Secretary was very annoyed at Roy Denman, who tended to get under his skin anyway. The Secretary was particularly offended by Denman's statement that we were treating the European Community as a "banana republic." So, he tossed these bananas out on the table. There was shocked silence at the big round table, and the bananas stayed there until the end of the meeting. It was a moment to remember. But by and large, those were very useful meetings. So, in brief, at that time the concern on our side was not that the European Community was too strong, but too weak one. We feared that it could become totally inward looking and protectionist, and not a good partner.

At the end of my time in Washington, I saw another example of how badly our system can operate, in this case involving the selection of William Middendorf as George Vest's successor as Ambassador to the EC. Middendorf had been Ambassador to the OAS, and for some reason either he wanted to move or the powers that were wanted to move him. In any case, he was selected as Ambassador to the EC and duly confirmed by the Senate. His swearing in ceremony was in Secretary Shultz' office. In his remarks after taking the oath, Middendorf rambled on about US/EC relations, using repeatedly the expression "hit the ground running." I happened to be facing the Secretary, and I watched as his face darkened during Middendorf's remarks. Finally, he said, loudly enough that many could hear "What's all this "hit the ground running" stuff?" The irony is that while the Secretary was really deeply worried about US/EC relations, he had obviously gone along

with the appointment of an Ambassador to the EC who had not a clue about the Community or the relationship, and, as it developed, did not care about either. In the event, Ambassador Middendorf only lasted about 18 months in Brussels, and was replaced in early 1987 by Al Kingon, a refugee from Don Regan's White House team, whom I eventually replaced at the EC post on July 1, 1989.

*Q: One last question, and then we will move to Canada. What about while you were there, were there any Reagan visits to your area?*

NILES: Indeed. President Reagan visited Europe frequently. I went on some of the trips, not on others, depending on where he was going, and who else was going along. Several of the President's trip were organized around the regular G-7 economic summits. President Reagan's first summit was in June 1981 at Chateau Montebello on the St. Lawrence River between Ottawa and Montreal. I went up for that event, which was a fairly anodyne affair. It was President Reagan's maiden voyage, and everybody was interested in getting to know the new American President. Our big pitch, which the French rejected, and would reject each year until 1985 in Bonn, was for a new multilateral trade round. The next Summit was in 1982 at Versailles. That Summit was a scratchy one over the gas pipeline. It was just before we extended the sanctions unilaterally. I remember that Secretary Regan made an announcement after the Summit about what we thought the Europeans had agreed to on the pipeline issue, but the French then said that they had not agreed to anything of the sort, which did not help create a good working atmosphere following the Summit. That contributed to our ill-advised decision two weeks later to extend the sanctions extra-territorially. President Reagan hosted the 1983 Summit at Williamsburg. There, too, we failed to get agreement to support a new GATT Round. The next year we were in London. The Summit coincided with the 40<sup>th</sup> anniversary of D-day, and President and Mrs. Reagan went to Normandy. There you had the extraordinary ceremony at Pointe la Hoque, where he met with the surviving Rangers and family members of those who perished in the battle or had subsequently died. Looking up at the cliff from the beach, I could not see how they could climb up the hill even if the Germans had not been at the top shooting at them. It was almost a vertical hill they climbed, and to think that there were guys up at the top, shooting at them, trying to kill them. It was an extraordinarily moving event. Afterwards, President and Mrs. Reagan took a walk through the cemetery near Normandy. It was a beautiful sunny day. I found it an all together marvelous occasion.

In 1985, the summit was in Bonn, preceded by a bilateral visit to Germany, which included the stop in Bitburg. I was directly involved in that. The whole thing began with a planning trip to Europe with Mike Deaver in February 1985, when we visited Germany, Portugal, Spain and France. Those were the four countries the President was going to visit. In France, we only stopped in Strasbourg because the President was to address the European Parliament. On the planning trip, we first went to Bonn, and then we went down to Bitburg. The idea was that the President and Chancellor Kohl would visit the military cemetery there as a sign of German-American friendship and reconciliation. When we arrived in Bitburg, a town mainly known for its beer ("Ein Bit, Bitte," is one of the great advertising slogans) we went to the military cemetery. The day before, it had

snowed in the Eiffel region. Bitburg is at 600 meters or so, and there were about four or five inches of snow on the ground. We went to the cemetery and it was covered with snow. We were unable to inspect the gravestones. Peter Sommer of the NSC Staff and I asked the German Chief of Protocol whether there were any SS members buried here. We were concerned that some of the SS participants in the Malmedy massacre, when members of the SS *Das Reich* had murdered U.S. servicemen taken prisoner at the Battle of the Bulge, might be buried there. We did not want the President to be exposed to that. The German Chief of Protocol assured us that no SS people were buried in the cemetery. Peter and I asked whether this applied to the Waffen SS as well as regular SS. He said that no SS personnel were buried there. It turned out that the German Chief of Protocol didn't know what he was talking about. There were SS people there. Fortunately, they were not from units that had participated in Malmedy, but they were still from the Waffen SS. This precipitated a big brouhaha about whether the President should visit or not. He ultimately did. His visit was expanded to include a visit to the concentration camp at Bergen-Belsen as well.

*Q: Well, Kohl was very insistent, wasn't he?*

NILES: Yes, he was. Why he was so insistent, I never really quite understood. But Kohl wanted to visit the cemetery because he wanted to draw a line under the Second World War, and show the world that there was a new, democratic Germany. That was fair enough. President Reagan certainly understood all the sensitivities about the visits to the cemetery, but he liked Chancellor Kohl personally. President Reagan was a person who valued friendship and put a high store on loyalty to friends. When Chancellor Kohl said, in effect, if you pull the plug on this, you are really going to do me some terrible harm, politically, President Reagan said, "We'll stick with it."

*Q: Was that transmitted through you all?*

NILES: No, those messages were direct. It was also transmitted to us from lower levels, but the basic contact was between the Chancery and the White House, between Chancellor Kohl and President Reagan. It also included Ambassador Arthur Burns, to a degree. President Reagan finally said, "Okay, we will go to Bitburg," but Mike Deaver added the visit to Bergen-Belsen. At the end of the day, General Matthew Ridgeway and General Johannes Steinhoff, both of whom were World War II veterans, accompanied President Reagan and Chancellor Kohl. It was well managed. Those of us who were involved in the planning of the visit let the President down. There is no question about it. Now, that first trip out there, could we have known that there was going to be four inches of snow on the ground and the gravestones, which are all flat on the ground, could not be inspected? We didn't know who was buried there. We asked the Germans whether any SS people were buried there, and they said "No." We should have probed more deeply.

*Q: I am curious about how the State Department and the White House reacted. You were an advance team. Somebody in the press picked it up, and they looked closely at it. I was wondering whether there was anyone screaming and yelling at you all?*

NILES: No, there was not. Well, there were some who said, “You idiots, you let us down.” But the person who managed this issue for the White House and ensured that there was no finger pointing or recriminations against the State Department or against individuals, (because it would have been against me) was Michael Deaver. He showed himself to be a real gentleman. He took responsibility for this and managed it when it finally happened. He managed it very well and said, “Hey, these things happen. We have to be professional about it.” He is a person of high character.

There is one more event in my time as EUR Deputy Assistant Secretary that I want to mention, namely my role in the June 1985 prisoner exchange.

*Q. Fine, tell us about it.*

NILES: This was one of the few cases, perhaps the only such case, during my time in the Foreign Service when I was able to do something that directly and immediately changed the lives of some people, in this case 25 people whom we freed from captivity in the GDR and Poland, for the better.

Since the early 1960s, we had maintained, through our Embassy in Bonn and the Mission in West Berlin, a relationship with Wolfgang Vogel, a GDR resident who was clearly persona grata with the authorities in East Berlin, the Soviets and our friends in Bonn. He was the go-between, the arranger, who had facilitated some major East-West exchanges, most spectacularly the Abel-Powers swap. In 1982, Vogel approached our Embassy in Bonn, specifically Dick Barkley, who was Political Counselor at that time, with the suggestion that a new deal could be done. He noted Eastern interest in two people we held – a Bulgarian named Kostadinov and a Pole named Zakharski – who had been arrested, tried and convicted for espionage. He noted that the GDR and Poland held at that time 25 people who had been convicted of espionage for the United States, some of whom had been in prison since the 1960s. This began a three-year negotiation, during which time we arrested two more Soviet agents – an East German “researcher” named Alfred Zehe, who had been based in Mexico, and a middle-aged East German lady, whose name escapes me, whom the Soviets had used as a courier. In the end, we reached a deal which involved swapping those four for all 25 of ours.

It was a very complicated process. Dick Barkley handled the negotiations with Dr. Vogel, except for the final session in March 1985 when Vogel and his wife, Helga, a West German national, visited Washington. On the Washington end, I had a great deal of help from Jeffrey Smith, the head of L/LEI, and John Martin in the Criminal Division of Justice. In the end, we were able to convince Mr. Casey and Judge Webster that this deal was in our interest. The experience of going on the bus on the GDR side of the Glienicke Bridge that day in June 1985 and watching the faces of the 23 persons, who were being freed (two decided to remain in the East, but out of jail, for family reasons), when we told them that we were there as representatives of President Reagan, they all burst into cheers. When the bus moved onto the Glienicke Bridge, the emotions were something to treasure.

*Q: Well, Tom, I thought we would stop at this point, and pick it up, next time, with talking about Canada. Also, we did not cover Canada during the period that you were responsible for Canada, 1981 to 1985. We want to cover it there and then we will cover going to Canada.*

NILES: Sure.

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*Q: Today is the 26<sup>th</sup> of August 1998. Tom, let's talk about the great neighbor to the north, who we keep forgetting.*

NILES: We do from time to time, unfortunately.

*Q: Your position, again, was what?*

NILES: I was one of the Deputy Assistant Secretaries in the European Bureau, beginning in June 1981, working for Assistant Secretary Eagleburger. One of the three offices I supervised was the Office of Canadian Affairs. That began an eight-year period of intensive involvement in Canadian affairs, four years as a Deputy Assistant Secretary through the beginning of August 1985, and then from September 10, 1985 through June 30, 1989 as Ambassador to Canada.

*Q: Before we get to this, what was your knowledge of Canada? What were your experiences and visits to Canada before this?*

NILES: As is the case of many Americans, it was very limited. I had never been to Canada. I had been stationed in Yugoslavia, the Soviet Union, Germany and Belgium, and I had traveled all over Europe and the former USSR, but I had never been to Canada. I knew a lot of Canadian diplomats with whom I had worked on assignments and generally liked them. But my detailed knowledge of Canada was close to zero. I had begun to get a familiarity with the U.S./Canada relationship during my time as Director of Central European Affairs, from 1979 to 1981, simply because we had regular bureau staff meetings every day with all of the directors. The Canadian director, Richard Smith, who went to Ottawa in 1981 as DCM, would talk about his issues: acid rain, fisheries, trade, etc, and I had begun to get some familiarity with the agenda by listening to him. Of course, working on economic summit issues (Canada and Italy joined the group in 1976), we had some interaction with Canada, specifically with Prime Minister Pierre Elliot Trudeau. I had also worked fairly closely with Canadian officials during my time with IO/UNP from 1977 to 1979 because Canada was on the Security Council at that time. Don Jamieson, who was the Canadian Foreign Minister and Secretary Vance worked closely together on a wide range of issues. The Canadians were good partners in the Security Council. We were lucky to have them there. Anyway, I took over the responsibility, as is true of most Americans who became involved in Canadian affairs, not knowing a lot about Canada, except there was a general good feeling toward Canada. We thought it was a wonderful country with great people, as well as the other half of the

National Hockey League. By that time, I guess we were also beginning to get involved in major league baseball with them because of the Expos and soon the Blue Jays. So, it was a new experience with a rather steep learning curve.

*Q: Prior to having the responsibility, when you were in European Affairs, with purely Canadian issues, did it fit in European Affairs? When you are looking at NATO, you are looking at the Soviet menace, you are looking at European cooperation, and all that. All of a sudden, somebody is saying “Well, we have a problem with salmon on the west coast.” I would think that just by its nature, it didn’t fit very well.*

NILES: It took us a little bit far field, to be sure. But, if you think about the European Bureau, it circled the world. It ended in the Bering Straits with the Soviet Union and picked up with Canada. We were the only worldwide bureau. Now, of course, it has been partly dismembered because of a two stupid decisions, first in 1993 by setting up a separate Bureau for the former Soviet Union to accommodate Strobe Talbott, and then in 1998 moving Canada to ARA. Canada does have important associations with the other states in the Americas, but its principal foreign association is still with Europe through membership in NATO and the OECD. Its population is largely European culturally, it is European with an important, unique Canadian intermixture of Asians and the native people. From our point of view, I think it makes sense to have Canada as part of the European Bureau. But, obviously, you could make a case for it being elsewhere. From the Canadian point of view, what they always wanted was a separate Bureau of Canadian Affairs in the State Department, as they have a separate bureau of the United States Affairs in the Ministry of External Affairs in Ottawa. Of course, the fact that we could never justify doing that reflects the reality that while our relationship with Canada is important for the United States, the United States relationship is vital for Canada. It is that disparity in the relationship which is really the principal problem, if you will. At any given moment, we have with Canada a series of bilateral, sometimes multilateral, issues in which the Canadians play a role. A recent example of the latter would be the land mines treaty on which the Canadians were particularly outspoken and Foreign Minister Lloyd Axworthy was a key player. Though important, the multilateral issues tend to be rather transitory, particularly compared with those that last longer such as environmental disputes and fisheries. But, there is one underlying issue which is always there which concerns the basic nature of the relationship: does Canada matter to us, and, if so, what are we prepared to do about it? The United States’ response to that question varies from time to time. In the 1950s, 1960s, 1970s, the answer was “Well, Canada is important, they are good friends, but there are no real problems so we won’t worry about it.” With the exception of John Diefenbaker in the 1960s, the Canadian leaders did not create waves in the relationship with the United States until Trudeau came along in 1968.

*Q: Except for Diefenbaker.*

NILES: Well, John Diefenbaker was unusual, you have to say. He was unusual in Canadian terms and certainly in terms of U.S./Canada relations. President Kennedy mishandled his personal relations with Diefenbaker to such an extent that it made the problems worse than they had to be. Actually, John Diefenbaker became Prime Minister

in 1958, and his relations with the United States during his first two years or so, while President Eisenhower was in office, seem to have been quite good. It was only during the Kennedy Administration that problems seem to have arisen. The Diefenbaker era - 1958-64 - was a relatively brief interlude when the Progressive-Conservative Party was in power during the otherwise unbroken Liberal Party dominance in Canada from 1940 until 1984. In any case, after the close collaboration during WWII, and the close personal links between President Roosevelt and Prime Minister W.L. MacKenzie King, our policy in the 1950s, 1960s, 1970s tended to be one of what I would call "benign neglect" up until the time of Pierre Elliot Trudeau, who really injected a different element.

*Q: When did Trudeau come in?*

NILES: 1967. He replaced Lester Pearson as leader of the Liberal Party and Prime Minister. He was very much a 1960s person. He was older, of course, than the flower children of Berkeley and the people who made the student revolution in North America, although he married one of them, Margaret Sinclair. She was about 30 years younger than he was and very much a flower person. In his heart, Trudeau was of that generation. He was a person who was philosophically radical, attracted to trendy ideas, and socialist in his economic orientation. He was certainly a collectivist in economic and social policies and in terms of his view of the role of the state. This has always been a more prominent trend in Canada than it has been in the United States, so in this sense he was not among a small minority. He was also, I think, distrustful of the United States in ways that his predecessors, Lester Pearson, Louis St. Laurent, and MacKenzie King had not been. In this sense, he was closer to John Diefenbaker. It is true that Lester Pearson had some tough times with President Johnson over issues such as Vietnam and reacted badly when brow beaten by Johnson, as he frequently was. But Trudeau added a new element, in terms of his personality and his political predilections and his willingness to adopt policies which were distinctly unpopular in Washington, both in the political area and in the economic area.

Trudeau was always pushing, always right on the edge, whether in terms of his relations with the Soviet Union, China, Cuba, which was an issue then, as it is now, with Canada, and in the economic area. In the mid-1970s, Trudeau with good support from his Party, at least the leaders of his Party, and the acquiescence, if not support from the Canadian people, embarked on a policy which was explicitly designed to reduce Canada's economic dependency on the United States. This led to the establishment of an institution, the Foreign Investment Review Agency (FIRA), and a policy, the National Energy Policy, steps which were seen in Washington as unfriendly acts. They were designed to control American investment, in the case of FIRA, and to reduce the level of American involvement in the energy sector, in the case of the National Energy program. Trudeau also embarked in 1975 on something he called the "third course" which was designed to enhance Canada's trade and economic cooperation with the European Community and reduce Canada's economic dependency on the United States. It did not achieve its objectives. We should keep in mind that Trudeau was always on the edge of the acceptable, whatever it was. The story is that during WWII, Trudeau drove his motorcycle around the streets of Montreal decked out in Nazi paraphernalia.

*Q: Was there anything else, at that time, on the cultural field?*

NILES: There were continuing efforts to reduce the level of American “cultural penetration” through the media, films and so forth, to protect “Canadian culture.” There were programs to support the publishing of Canadian authors and the production of Canadian films and TV programming, as well as restrictions on investments in so-called cultural industries such as book publishing, movies and so forth. And, of course, American companies adopted all kinds of artful ways to get around them, such as in the television business and cable TV, which was invented in the Toronto area to pick up the signals from Buffalo, despite the fact that the government of Canada was intent on trying to reduce that. Canadians, by and large, said, “Yes, we are Canadians, and we support Canadian culture, but we would like to be able to watch what we want to watch on TV, if that is the Buffalo, Detroit, or whatever channel. Canadians still feel that way.

So, in summary, you always had this underlying, basic question: How important is Canada to the United States? In the 1950s and 1960s, in part because Canada wasn’t causing any problems, and because we were preoccupied with other things, East/West confrontation, plus big problems in the Middle East and Southeast Asia, we didn’t pay much attention to Canada. This began to change in the 1970s, in part because of FIRA and the National Energy program. This change continued in the 1980s, and intensified after 1984 when Brian Mulroney took over and the basic orientation of the Canadian government changed.

*Q: You came in just about the time of the Reagan administration. Did the Reagan administration have any policy feeling toward Canada?*

NILES: Not at the outset. It was just not on anybody’s scope. President Reagan’s first foreign trip was to Chateau Montebello in June 1981 for the G7 Economic Summit. He did not visit Canada again until the March 1985 Quebec summit with Prime Minister Mulroney. Trudeau came to Washington several times, and he was at Williamsburg for the June 1983 G7 Summit, and had very amicable relations with President Reagan, but there was no great substance in the relationship. During the 1981-84 period, there was a fairly strong push, in which I was involved, to try to persuade the Canadians to back away from the National Energy Program (NEP) and to relax some restrictions on U.S. investment established under FIRA. This happened, but whether it was due to our pressure, or to the realities of the economic situation, or a combination of the two, is hard to say.

*Q: How did these programs work?*

NILES: The Foreign Investment Review Agency (FIRA) was just that. If a foreign company wanted to acquire a Canadian company, or to increase its existing share of a Canadian company, under certain conditions this was subject to review by FIRA and could be vetoed by the Canadian government. There were some cases where the Canadian government vetoed investments in what they considered sensitive industries,

and there was always an element of uncertainty. New investments were vetted but were generally not prevented. The controversies arose over proposals to take over existing Canadian companies. Now, if an existing American company wanted to increase its investment in Canada, by and large, that wasn't a problem. The National Energy Program (NEP) subsidized Canadian energy companies at the expense of foreign, mainly American, energy companies. A state energy company, Petrocan, was formed and built up its business through Canadian government purchases, sometimes at fire sale prices, the Canadian assets of some international oil companies. I don't think there were too many Americans selling, but FINA, the Belgium state company, sold out, as did BP. There were several other smaller operations that were all coupled together into Petrocan. Then, there were some private Canadian operators that were favored by the Canadian government, given investment assistance and other benefits, in competition with American companies. These were companies such as Dome Petroleum, which was really a child of the National Energy Program. The bankruptcy of Dome and its acquisition by Amoco in 1987, when I was Ambassador, really charted the National Energy Program's rise and fall. But we have to realize that the National Energy Program collapsed not because the United States was opposed to it but due to economic factors, particularly the fall of the price of oil and natural gas, the heavy investments by Dome and other favored companies, and the inability of the Canadian government to come up with more money to support it. The energy market killed the National Energy Program. This is jumping ahead, but at the beginning, the points of controversy were...

*Q: This is in 1981?*

NILES: Yes. FIRA (Foreign Investment Review Agency), the NEP and acid rain were the key issues. At the end of the Carter administration, but the last EPA Administrator, had taken some fairly forward leaning positions on acid rain, including commitments to curb United States emissions, particularly from coal fired power plants in the Midwest of the United States to reduce acid deposition in the Eastern United States and Eastern Canada. When the Reagan Administration came in, it was a totally different story at the beginning. Environmental policy effectively, in the early years of the Reagan Administration, was made by James Watt. James Watt was, of course, Secretary of the Interior, and not directly responsible for environmental policy, but Anne Gorsuch, who was the EPA Administrator, had been an associate of James Watt in the Mountain States Legal Foundation, and she was very much his persuasion. He was generally opposed to any kind of federal government action to protect natural resources or the environment. So, too, was Anne Gorsuch, and she was the EPA administrator. She and some of her associates at EPA, notably Rita Lavelle, ultimately, ran afoul of various ethical problems and went by the wayside, as did, ultimately, Jim Watt.

At the beginning, though, our attitude was very much different from that of the Carter administration. I, as the Deputy Assistant Secretary responsible for Canada, was given the unenviable task of being the acid rain negotiator. I had to cobble together a position and hold together an interagency team, representing some very disparate trends within the Reagan Administration. There were some career people, who had been working on these issues for years, who favored putting together a policy aimed at gradually reducing acid

deposition in the United States and Eastern Canada. Then you had the political types and their people, down through the EPA and the Council for Environmental Quality. There was a guy from Ohio named Jim McAvoy, who worked in the Council for Environmental Quality in the White House. He was a very nice fellow who was easy to work with. But, he was dead set against doing anything that would have the effect of reducing coal mining and consumption in Ohio or anywhere else in the Midwest. Ann Gorsuch was dead set against doing anything, too. She was also not very interested in dealing with foreigners and was cool, to say the least, toward our Canadian friends, who were causing trouble for us. I can understand that. The Canadians were pounding on us and trying to raise pressure on the Hill and in the press, and trying to mobilize the New England Governors against the administration. Gorsuch saw this, as it was, as being unfriendly toward her policy. This was a difficult thing. My job was to tapdance around these issues and to keep the process going and to avoid a big political storm, which I was able to do, more or less, successfully, by fast talking and obfuscation, basically, for the better part of three years.

*Q: On this issue, there still was a debate about whether there was really such a thing as acid rain.*

NILES: That's true. There was.

*Q: You were in the middle of this thing. What was your feeling on this issue?*

NILES: At the beginning, I didn't know the first thing about acid rain. I had never heard of acid rain until I came into Canadian Affairs. I read up on it, talked with people, and looked at the scientific results. The scientific results were, as is often the case, inconclusive in one sense, and there was always a factor of doubt. There was no question that there was a process of acidification going on in the lakes and forests of New York State and New England and Eastern Canada. But, you could always find one lake, or two, or 20, where this process wasn't happening, where the fish weren't dying. And it was always difficult to prove that there was a cause/effect relationship. The SO<sub>2</sub> and nitric oxide emissions from the power plants in Ohio, Illinois and other parts of our Midwestern region went up into the atmosphere, and somehow, as a result of atmospheric chemistry, were turned into weak sulfuric and nitric acids and were then deposited in these lakes. Over time, the PH level in the lakes declined, and the fish died and various other negative environmental consequences occurred. Trees died as well. Today, we know so much more about the atmospheric chemistry and the whole acid deposition process, that there really isn't any argument about acid rain. It is a recognized reality. You can mitigate it, and we are mitigating it because of the agreement that President Bush signed with the Canadians in 1990 and the legislation that was enacted, the amendments to The Clean Air Act. The economies of the Midwestern states have not collapsed. This was the argument raised in 1981. In a way, the argument posed against policies to reduce acid rain was not that acid rain wasn't a problem. Many people in the Midwest and elsewhere were prepared to accept the fact that acid rain was a problem, but they didn't want to be responsible for paying for the solution. The answer, from people like Jim McAvoy was "Okay, fine, I recognize that acid rain is a reality, but you can't expect us to stop mining

coal in Ohio just because it is relatively high sulfur and import all of our coal from the Powder River Basin in Wyoming. First and foremost, we couldn't get it here because the railroads couldn't carry all this additional coal," which was true. "Secondly, the electric power rates would go up tremendously. We can't afford these scrubbers that you want us to put on the power plants."

Nobody refers to the Midwest as the "rust belt" anymore, except maybe in a nostalgic sense. But, at that time, 1981/1982, there was a big concern about what was going to happen in the industrial heartland of the United States. Unemployment was high, and people reasonably asked, "Do you want to raise electric power rates in the Midwest by 25% and close the place down?" So, it was not really an environmental argument, it was an economic argument, and it was a particularly tough argument in the United States because it pitted one region against another: New England and Mid-Atlantic states against the Midwest, and there were some states that were caught in the middle, such as Pennsylvania which produced a lot of high sulfur coal and burned it in Western Pennsylvania, but in Eastern Pennsylvania, they tended to have nuclear plants and suffered from acid rain. They were schizophrenic within the state. Of course, Canada had the world's single source of SO<sub>2</sub> in Sudbury, Ontario. At the INCO Smelter in Sudbury, with the help of an American company, Bechtel...

*Q: Secretary Shultz' company.*

NILES: Exactly, Secretary Shultz' company. Bechtel built in the 1970s what was called Superstack. Superstack is an engineering marvel. It is as high as the World Trade Center and sits, figuratively, in the middle of nowhere, the world's highest smokestack. It takes exhaust from the Sudbury Smelter up to 1250 feet and emits them into the atmosphere. Not surprisingly, the Sudbury area, which had been a wasteland from SO<sub>2</sub> and acid rain prior to Superstack, became green again.

*Q: Sudbury is where?*

NILES: Sudbury is in Western Ontario, about 150 miles inland above Lake Superior. It is a wonderful area with wonderful people. Jack Kent Cooke was born in nearby Timmins, which is a big copper mining center. You have nickel, copper, and gold up there. Echo Bay on Lake Superior has gold and uranium and was a big uranium mining area. Anyway, INCO thought they solved the problem of SO<sub>2</sub> pollution with Superstack. They didn't really think about where all the emissions were going. It was "out of sight, out of mind." But, in fact, the emissions were going to Eastern Canada and the New England States. You could track the Sudbury emissions very easily because they had trace elements of the heavy metals – nickel, copper and gold – mined at Sudbury. But Sudbury and the surrounding area in Western Ontario suddenly greened up. Everybody said, "Hey, this is terrific, the fish have come back." In a way, the experience of Sudbury confirmed all of the hypotheses about atmospheric chemistry and acid deposition. The Canadians were conflicted within themselves, too. When the Canadian government discovered that Superstack didn't really solve the problem of acid deposition, it forced INCO to install SO<sub>2</sub> scrubbers, which cut down substantially on acid deposition downwind. Of course,

then, they had the problem of what to do with an enormous stack of sulfur.

The acid rain issue was very sensitive in Canada, and my effort was to try to make it appear that the Reagan Administration was listening to Canadians and was prepared to try to find a solution to this problem without making any commitments beyond additional scientific research. We had absolutely no support within the Administration for additional controls beyond the 1970 “new source” controls on power plant emissions. The problem then, and now, is that most of the coal-fired power plants in the Midwest had been built before 1970 and were exempt from the controls on emissions unless they were expanded or modernized substantially.

*Q: How about from Secretary Haig, and then Secretary Shultz?*

NILES: Secretary Haig had a lot of things on his mind and this was not one of them. I admired Secretary Haig. He was fundamentally a good person and fun to work with. He could always be counted on for some choice remark about one of his senior colleagues. I sympathized with his problems within the Administration that caused his fall. We talked a little bit before about some of them on the pipeline issue. But he did not get involved in the acid rain issue at all. The U.S. position began to change subtly when Secretary Shultz came. Secretary Shultz is an excellent example of a sensible environmentalist, committed to environmental protection but not at the cost of shutting down American industry. He has a very analytical mind, and he carefully analyzed this issue, focusing in particular on the economics and science of it. For example, he asked us for material on the science of acid deposition and what could be done to mitigate it. He did not simply see the problem of acid rain as a political management problem and one on which our effort should be to contain the political consequences. He wanted to know what the facts of the case were and what we could do, if, indeed, this was a serious problem.

Coincidentally, at the time that Secretary Shultz took over, around the 4<sup>th</sup> of July 1982, an old friend of his, Alan MacKeckon, came in as Foreign Secretary in Canada. I remember going to Secretary Shultz’ office, (I can’t remember what the occasion was) mentioning to him that Alan MacKeckon had just become Foreign Secretary of Canada, and adding that we had a message for him to send to MacKeckon welcoming him and saying that he looked forward to working with him. The message was drafted on the assumption that Alan MacKeckon was just another Canadian politician, but it turned out that they were close friends. They had been together in college in 1947-1948, I believe, at MIT. Secretary Shultz graduated from Princeton and then served in the Marines. He and MacKeckon were together at MIT after the War. Secretary Shultz used to refer to MacKeckon as “my professor,” to which MacKeckon said, “No, we were all about the same level.” But, anyway, they were good friends. In any case, the Secretary sent the congratulatory message back to us with a big X through it and the words “Warm this up.” The close personal relationship between the Secretary and his Canadian counterpart, and the Secretary’s commitment to learn about the issue to see if it was in fact a real problem and, if so, what we could do about it, were very important. Also, the anti-environmental zealotness of the Reagan Administration, for reasons having nothing to do with Canada, gradually waned. James Watt, Anne Gorsuch, and Rita Lavelle left office. You will recall

that Bill Clark replaced Dick Allen as National Security Adviser in April 1982. Ambassador Stoessel moved over to be Deputy Secretary. Eagleburger went up to be Under Secretary. Bill Clark stayed as National Security Advisor for maybe a year or a little bit more. When James Watt left Interior, Judge Clark moved over to be Secretary of the Interior, which was really his interest. He was an outdoors type guy.

*Q: He's a rancher, isn't he?*

NILES: He was from California, a westerner. He was quite conservative, and not a great environmentalist, but he was not an anti-environmental zealot or crusader like James Watt. He may not have been terribly effective as Deputy Secretary or as National Security Adviser, but he was a good person, unassuming and polite. After he went to Interior, his major involvement with us, providentially, was not on the acid rain issue. He left that to the EPA, which was in the hands of sensible people too, notably William Ruckelshaus, who had replaced Anne Gorsuch. For us, his interest was in Germany, through his wife, who was a Sudeten German refugee. So, John Kornblum, who had replaced me as Director of Central European Affairs, and I worked with Judge Clark while he was at Interior, arranging his trips to Germany with Mrs. Clark, which was totally harmless.

So, the Reagan Administration gradually began a new approach to US-Canada relations in July 1982, with Secretary Shultz leading the way. Shortly after the new Progressive Conservative government came into power in September 1984, Prime Minister Mulroney visited Washington in October 1984, and he and President Reagan agreed to appoint two special Commissioners to deal with the acid rain problem. They were to study the problem and come up with recommendations. The U.S. Commissioner was Drew Lewis, who had been the Secretary of Transportation, and by that time had moved to be CEO of Union Pacific Railroad. His Canadian counterpart was Bill Davis, who was a former Premier of Ontario, and a good solid guy. He was a serious politician and respected in Canada. These two Commissioners came up with a report to Prime Minister Mulroney and President Reagan in the summer of 1985, as I recall. The two governments accepted the report as a basis for further work, and this took us a fairly long way toward acknowledging that acid rain was a problem, and it committed us to work with Canada to find a solution. Now, it took a lot longer, five years in fact, to come up with an agreement, and it was only in the Bush administration that that happened. But basically, this process was a consequence of Secretary Shultz' insistence that we analyze the issue unemotionally. He felt that if it was a real problem, we should know that and decide what we should do to ameliorate it, and that included determining how much it would cost. His attitude was to work with Canada, instead of engaging in this exchange of insults, which was increasingly what we were doing during the James Watt and Anne Gorsuch period.

The Canadians had their own extremists on their side. At one meeting I chaired, one of them accused us of throwing garbage into our neighbor's back yard. I took strong exception to that, although it was not a totally inapt analogy. They had their extremists and we had ours. Fortunately, under the Mulroney administration, and by that time, in the United States, the extremists on both sides had been marginalized or moved out. By then,

we had serious people on both sides who realized acid rain was a serious problem and wanted to work it out. We still had our extremists. One of them was Gary Bauer, who is with the “Christian Coalition,” or some operation like that. But, at that time, he was on the Domestic Policy Council in the White House. He was basically leading a rear guard struggle initiated by James Watt against doing anything at all on the environment. He was a marginal player, although he was a pain in the neck.

*Q: How did the media play this? Being here, we were hit by the east coast establishment of The New York Times and The Washington Post. It seemed like they bought the acid rain thing right from the beginning, a good thing to beat on the administration with. Did you have that feeling?*

NILES: Absolutely. But there were other, opposing voices in the media, *The Chicago Tribune*, and others. *The Chicago Tribune* had an odd involvement in the acid rain issue because it had major timber lands in Eastern Canada – north shore Quebec to be precise – that were badly affected by acid rain. Colonel Robert McCormick established the Quebec North Shore Paper Company at Baie-Comeau, the birthplace and home of Brian Mulroney. The *Chicago Tribune Company* had two pulp and paper mills in Canada: one in the Lake Ontario area and one on the north shore of the St. Lawrence River, at Baie Comeau. *The Tribune* was schizophrenic. On the one hand, they had the interests of the Midwest with its high sulfur coal and coal-fired power plant to worry about, but they also had their own Quebec North Shore Paper Company to worry about. Of course, in Chicago itself, Commonwealth Edison depended heavily on nuclear power plants for its electric power production, and the CEO of Commonwealth Edison was on the board of the *Tribune* company. It was a difficult issue for the media folks from Chicago. But, basically, you are right. *The New York Times* and *The Washington Post* essentially took the Canadian position and lambasted the Reagan Administration for being neanderthals on environmental issues, particularly on acid rain. They enjoyed attacking Jim Watt. Jim Watt was fun to kick, and he loved it. He was such a combative personality that when he was attacked by *The New York Times*, it made his day. The worse the attack, the better, from his point of view. If they called him an environmental neanderthal that wasn’t strong enough. He wanted to be called an environmental Nazi, or something of that nature. But, in any case, acid rain was a good example of the interaction of an international and a domestic issue, which is so frequently the case with Canada along the border. I think it is very much to the credit of Secretary Shultz and others such as Bill Ruckelshaus, who took over the EPA, after Anne Gorsuch left, that we gained control over this issue and ultimately resolved it. For the record, we should note that the results thus far reveal that the costs of reducing substantially emissions of sulfur dioxide and nitrogen oxides, the precursors of acid rain, has been much less than we expected, in part due to the emissions trading program that was adopted along with the tougher controls. By the way, I should add that Vice President was another who played a very positive role in resolving this issue, both during the Reagan Administration and then during his Presidency. He made a significant contribution.

*Q: His summer home was up in Maine.*

NILES: Kennebunkport, and he came from Connecticut. Vice President Bush was in the same camp as Secretary Shultz. He was a sensible person who looked at this issue and tried to strip away the emotion to see what the problem was, and then tried to fix it. That was his attitude. He took a considerable interest in Canada. You had a turn toward a more responsive and a more engaged U.S. attitude toward Canada when Secretary Shultz took over. He had a personal feeling toward Canada. He had been very actively engaged there as President of Bechtel in the 1970s. They built the Churchill Falls Hydroelectric Plant in Labrador. It was a huge project, with a 6,000MW power plant. Bechtel was also very much involved in synthetic crude oil production (from the Athabaska tar sands) other energy projects in Alberta. Secretary Shultz knew Canada. He had a lot of friends there. His close friend, Alan MacKeckon, was Secretary of State for External Affairs, and John Turner, who replaced Trudeau as Prime Minister in May 1984, was also an old friend. They had been finance ministers simultaneously in the early 1970s. Turner was Prime Minister from May through September, 1984. Then, when Brian Mulroney took over, things really changed.

Mulroney is a controversial figure now, and generally not well regarded in Canada. In terms of the relationship with the United States, Mulroney had a totally different attitude from that of Pierre Elliott Trudeau. Trudeau, as I said, was not great admirer of the United States. He seriously tried in the 1970s, though he failed, to develop an alternative to close economic ties with the United States. He felt that the European Community could at least balance, if not replace the United States as Canada's external economic partner. It didn't work, but he tried hard. For Mulroney, a close relationship with the United States was not a bad thing. He was a proud Canadian, a proud Quebecker, bilingual. He was an Irishman whose roots were in Quebec. He was an interesting fellow, with no hang ups vis-a-vis the United States that I could ever detect. He was very relaxed with Americans. His father had worked for Colonel McCormick's Quebec North Shore Paper Company.

One story used by Mulroney's political enemies, and Mulroney never denied it was that when Colonel McCormick visited Baie Comeau, Quebec, young Brian Mulroney would be brought around to sing Irish songs for the Colonel, who would always give him \$50.00. At that time, in Baie Comeau, Quebec, getting \$50.00 was like discovering gold, and those visits by Colonel McCormick were always eagerly awaited by the Mulroney family. This little history of Mulroney singing for Colonel McCormick was used against him by the liberals when he was Prime Minister. Whenever Mulroney would say something nice about the United States, they would say, "Well, Mulroney is always singing for the Americans and they are paying him to sing," just like when Colonel McCormick gave him \$50.00 when he sang Irish songs for him. "Now, President Reagan gives him favors and he sings the American song." Mulroney paid no attention to that. He went on and did his own thing. He and President Reagan had a very good relationship.

*Q: They were two big Irishmen.*

NILES: Well, the Irish business could be exaggerated, although they both had their roots in the Irish immigration to North America. But there were three other factors: 1)

Mulroney liked the United States and wanted to work creatively with us. President Reagan understood that and appreciated it; 2) Mulroney is a genuinely nice guy and President Reagan liked him personally; and (3) Mulroney was smart in that he knew how to play up to President Reagan. He wasn't insincere, and he did like the United States, but he also knew which buttons to push with President Reagan to get sympathy and support. Mulroney's attitude was, "Look, the United States is very important to Canada. If I can get a more sympathetic attitude from the United States on issues of concern to Canada by supporting the United States on things that are important to them, like east/west arms control or Libya, Iran, Iraq, or whatever the issue happens to be, why not?" I think he asked a very valid question: "What does it profit Canada to annoy the United States on these multilateral issues that don't bring us any profit?"

*Q: I'm being unfair, but this was kind of an ego trip, on the part of Trudeau, wasn't it?*

NILES: Trudeau loved sticking a pin in the United States from time to time. But I think Trudeau also philosophically disagreed with our policy, in a lot of areas: Cuba, dealing with the Soviet Union. He found us to be a difficult partner. There is no question that Trudeau got some pleasure out of sticking a needle into the Americans from time to time, and Mulroney didn't. Quite the contrary, his attitude was, "What benefit is it to Canada for us to take a position different from that of the United States on some arms control issue? Show me how we gain." His attitude was on these multilateral issues of great concern to the United States, that were perhaps of lesser concern to Canada, Canada should support the United States, particularly since, when the chips are down on an issue of great importance to Canada, President Reagan will remember Mulroney as someone who helped him out. And this is what happened, I can tell you from my experience while I was Ambassador. Although we did some dumb things from time to time toward Canada, overall President Reagan's attitude was "Look, if we can do something that would benefit my friend, Brian Mulroney, do it." Vice President Bush, Secretary Shultz and Secretary Baker, who also had good working relationships with Prime Minister Mulroney and other members of the Canadian government such as Foreign Minister Clark and Finance Minister Wilson, felt very much the same way. Personal ties do count, particularly when you are talking about countries that should work together and have all kinds of reasons to work together. Sometimes personalities can get in the way as they did at the beginning of the Reagan Administration. But from mid-1982 to the end of the Bush Administration, the good personal chemistry between those at the top of the two governments really helped.

*Q: What about issues such as energy policy, and all of that? I want to stick to the 1981 to 1985 period.*

NILES: Well, from 1981 to 1984, we put a lot of pressure on Canada to step back from some of the more outrageous aspects of the National Energy Policy (NEP), and in the end this happened. The question is did it succeed because of U.S. pressure or did it succeed because the policies weren't working for Canada? I think it was more the latter. Sensible people in the Trudeau Government realized that the NEP had been a failure, and some of the ministers such as Marc Lalonde, who were philosophically ill-disposed toward the

United States, left office. Some of those at the sub-ministerial level who saw that the NEP was a failure, such as Deputy Finance Minister Mickey Cohen, who subsequently went off to run the Molson Company, were also helpful on energy issues. There was a generally successful effort in the period from 1981 to 1984, the end of the Trudeau administration and first years of the Reagan administration, to try to resolve the issues. In May-June 1981, we worked out a deal, which in a way, was a harbinger of a more cooperative energy relationship between Canada and the United States, involving the Alaska Natural Gas Transmission System (ANGTS). At the very beginning of my time as Deputy Assistant Secretary, I negotiated understandings with the Canadians for the construction of the ANGTS which involved some tax legislation in the United States and commitments on the Canadian side regarding the construction of their part of the system and transit rates. This is an enormous project, which would have taken gas from Prudhoe Bay, Alaska by pipeline, halfway down Alaska, paralleling the Trans-Alaska Oil Pipeline, and then cut off to the southeast, across the mountains into the Yukon Territory, and then to Zama in Northwestern Alberta, which is the beginning of Trans-Canada Pipeline Company's gas gathering system, which would deliver the gas to Chicago and the Eastern United States. Unfortunately, because of the enormous inflationary process we were going through (18% in 1981), and very high interest rates, the costs of the project went out of sight. It was unbelievable. I have never seen anything like this and I hope I never see anything like it again. The estimated price tag on this project went from something like six billion dollars, at the beginning of 1981, to \$24 billion, by the end of 1981. By the time interest rates came down to a normal level and the inflationary pressures subsided, the wholesale price of natural gas had fallen to \$1.50 per 1,000 cubic feet, which made the entire project uneconomic. The project is still on the drawing boards. But we were able to reach an agreement with the Canadians on this very important energy project, which it was a good sign that we could work together on energy issues. The fact that the Reagan Administration was prepared to go for legislation, which we needed, in order to make this project happen, was important. The Canadians very much wanted it to happen, and our cooperation helped establish a better mood.

*Q: Wasn't there a point during the Trudeau administration, where they were saying that they wanted to keep their energy for themselves?*

NILES: Not really. What they wanted was to exclude United States oil and gas producers from the development/production side of their energy business. This was the essence of the National Energy Program. There were some restrictions on exports to the United States of "light" oil. They wanted to save that resource for the future and use more "heavy" oil. But there was limited refining capability for very heavy, very viscous, often higher sulfur Canadian oil.

*Q: During the 1981 to 1985 period, was there any concern that whatever we did on the energy side with the Canadians, there might be another government who might cut off supplies?*

NILES: There were crazies in Canada who sometimes called for that, on occasion to force us to implement policies to reduce acid rain, but if you looked at the economics of

it, you realized that Canada would suffer as much as we would.

*Q: Yes, what do they do with it?*

NILES: What would they do with the energy and how would they replace the income from the United States? So, that wasn't a very serious threat. Actually, just in BTU terms, the major Canadian contribution to U.S. energy balance is not oil and gas but electric power, largely from the province of Quebec, and to a lesser degree the provinces of Ontario and Newfoundland into New York and New England, as well as from BC into Washington state. Quebec Hydro sells electric power into New York State at an incredible rate. Of course, that continues to this day. It is an enormous element in our trade.

*Q: What about fish, during this 1981 to 1985 period?*

NILES: Fish were less controversial than they are now, particularly the Pacific salmon. We had problems from time to time over the so-called "Dixon entrance." This is the very, very narrow passageway between the northern tip of Vancouver Island and the southern tip of the Alaska Panhandle. It is less than three miles across. The Canadians claim that it is all Canadian water and we claim that it is an international strait and it should be divided down the middle. There are continual fishing disputes there. What we have is so-called "Flag State Enforcement." What it means is that they shouldn't seize our fishing vessels, and we won't seize theirs, but we will try to make sure that our vessels don't get into the wrong areas. We enforce it ourselves. Generally speaking, that has worked, but it hasn't prevented problems from time to time. The big issues in the late 1970s in the fishing area were over the Georges Bank area off the east coast. There, it was a question of drawing the line to divide the Grand Banks. It was really an international law issue. When you draw the line out from the border, between Maine and New Brunswick, does it go perpendicularly to the coast or does it continue straight on the line established by the land border when it reaches the coast? This might not necessarily be perpendicular to the coast. This issue was very hot and it had major implications for the Grand Banks, in terms of dividing the fishing resources there. Ultimately, we couldn't agree in bilateral negotiations and we agreed to go with the International Court of Justice. The International Court of Justice drew the line, which both countries said was unsatisfactory, but both accepted it. The ICJ gave the Canadians one-sixth of the area, and gave us five-sixths. However, the Canadians got the richest fishing ground, which they proceeded to over fish, so there probably are no fish out there either. The International Court of Justice gave us a framework for managing the fisheries issues on the East Coast. On the West Coast, we had problems, but they were not as serious as they are now because the fish stocks were more plentiful. Everybody was making money on salmon when I was Deputy Assistant Secretary and Ambassador. When salmon stocks went down through over fishing and prices went down, because of fish farming, largely in Chile and Norway, in order to make any money you had to bring in more fish per boat or more fish per fishing expedition. Therefore, people fished more intensively, because the price of salmon was declining due to all these fish farms around the world having been set up. Salmon apparently is a good fish for fish farming. That issue really erupted big time in the 1990s.

But in my time, we didn't have that problem.

*Q: One of the things that I've heard about this is, with both Canada and Mexico, often, on an awful lot of matters of joint concern between the two countries, the State Department plays a very minor role because you have the State of Washington dealing with British Columbia, Maine dealing with New Brunswick, Quebec. Did you suddenly find out that their agreements were coming out and things were being done that we were out of control with?*

NILES: Constantly. It was very difficult. You had state and local groups working with their counterparts in Canada, and cutting deals all the time, making arrangements, special lists, special this, special that. Sometimes Ottawa and Washington would find out. Sometimes we didn't even know. I'm sure there are tons of things out there that go on between the United States and Canada that the national capitals don't even have a clue about. I remember something Senator Alan Simpson once told me at the Canadian Embassy in April 1986, at a dinner that Ambassador Alan Gottlieb had for Prime Minister Mulroney during his visit here. Vice President Bush was there. Senator Simpson and I were talking about Canada and U.S./Canada relations. He said, "You know, I feel very much at home in Alberta. The Albertans come down to Wyoming and they feel very much at home. We are really much, much closer to each other than we are to the people in either Washington or Ottawa. I feel much more at home in Calgary, than I do here in Washington." I think that is true, across the board. People in Washington State feel much more of a kinship, if you will, with people from British Columbia, than they do with people here in Washington, or elsewhere in the United States. The same is true all up and down the border.

They also manage from time to time to get into some very specific local disputes.

For example, when I was Deputy Assistant Secretary, we had a very bitter dispute between North Dakota and the neighbors across the way, particularly in Manitoba, over the Garrison Diversion Project. According to the Manitobans, this created the risk of transferring fish and other species from the Missouri River Basin to the Red River of the North Basin, which would put alien fish species into Lake Winnipeg and possibly spoil the sport fishing business there. But, still and all, these people were very similar and had strong ties across the border and tended to cut deals with each other. They sometimes wouldn't tell anybody else about it. Of course, we also had a problem with local law enforcement. The Mounties, from time to time, would go down and capture somebody in Washington State, North Dakota, or Minnesota, or our local police would go across the border. There are all kinds of anomalies along the border. In the lake area, between Minnesota and Western Ontario, and Manitoba, there is one little tip of land which is part of Minnesota, but can only be accessed through Canada. There is another called Point Roberts in Washington State which is exactly the same thing. In order to reach it by land, you have to go through Canada. It is a complicated border and all kinds of little arrangements are worked out to make it work. There is another problem, which I call The Time Zone Challenge. Ottawa and Washington are on the same time zone, which means that government offices in Ottawa and Secretaries in Washington are open at the same

time. So, people have eight or ten hours when they can pick up the phone and call their counterpart in the other capital, whereas, in Western Europe, you have a five, six, or even seven hour time difference. They don't interact quite as easily, and you have language problems and various other problems. But, between the United States and Canada, you have this constant interplay between the Secretary of Treasury and the Minister of Finance in Ottawa, or the Minister of Defense and the Secretary of Defense. It is hopeless for the State Department to try to control it. The only thing you can do is try to monitor it and to know what is going on. That is hard enough as it is. It is a real management challenge for External Affairs in Ottawa and the State Department, and for the Ambassadors. Ambassadors can frequently be cut out and find out about things after the fact.

*Q: How did you find you related to External Affairs in those days?*

NILES: As Deputy Assistant Secretary things went extremely well. They had a Bureau of North American Affairs, or United States Affairs, (can't remember what they called it) headed by people whom we found very congenial. I remember Don Campbell, who is now the Deputy Minister, the number two guy in the Ministry, was in charge of that office. Derrick Burnie was in charge of it at one point. He became Mulroney's Chief of Staff and then Ambassador here. He is now CEO CAE. We worked very well with External Affairs. They were an excellent group of very professional people. I enjoy working with Canadians.

*Q: During the 1981 to 1985 period, who was our Ambassador or Ambassadors?*

NILES: When I first came into this job, Peter Towe was the Canadian Ambassador. He was a wonderful guy. He was replaced at the end of 1981 by Alan Gottlieb.

*Q: This was a name to conjure with.*

NILES: Very much so. Alan Gottlieb was an excellent Ambassador, very competent, but not a warm and cuddly personality. His wife, Sondra, was a tart-tongued, very intelligent lady who wrote a column in the Post, *Letters from Washington*, which sometimes could be fairly abrasive and dismissive of people and customs that she found here in Washington. Sondra was a little bit of a burden from time to time for Alan, but I liked her. She was a very entertaining lady, but very outspoken. She always said what was on her mind, which could be a problem. Our Ambassador from 1981-85 was Paul Robinson. He was President of an insurance company in Chicago. He was a wealthy guy who had Canadian antecedents. His father was born in Canada and he was very pro-Canadian. Robinson was our version of Sondra Gottlieb. He combined an outspoken personality and a large stature, and he became a fairly controversial figure because he tended to say what was on his mind. If he thought some Canadian policy was inappropriate or stupid, he would say so, publicly. Canadians sometimes didn't take too well to that, so he was a rather controversial Ambassador. I got along well with him. As Ambassador, Paul Robinson demonstrated the strengths and the weaknesses of non-career Ambassadors. He was easy enough to work with, and he would look to us for advice and guidance.

Generally speaking, he took our advice.

*Q: There was a little flurry in the Canadian papers about a year ago. In one of our Oral Histories, which was done with Robinson, he mentioned the fact that he carried a gun in his car. This was headline affairs.*

NILES: Well, it was illegal.

*Q: Probably illegal, but...*

NILES: That is typical of Paul. He told as he thought it was. It wasn't always right, but he was very outspoken. Now that he is a private citizen, he can say any thing he pleases, and I am sure he does.

*Q: One theme that runs through some of my interviews dealing with Canada is that in negotiations, the Canadians feel they have the stronger team than we do, because they are usually people who are focused on the United States, and were more professional and all. You are giving me a doubtful look, and I would like your impression.*

NILES: It could happen, just by chance, that the Canadian team would be stronger than the American team on a given negotiation. They do sometimes have the advantage of continuity, but they are not the only ones. We tend to change our people around too frequently in some complicated negotiations. We do, from time to time, put people in charge of negotiations who don't necessarily have all the substance right at hand, and require a fairly intensive period to get up to speed. In my experience, Canadian negotiating teams have been very strong, particularly in the really key negotiations such as the 1985-87 Free Trade Agreement negotiations. Their chief negotiator was Simon Reisman, who was an older man with a tremendous track record as a trade negotiator. He had been at the 1947 Havana founding conference of the GATT He knew everybody and everything. In some cases, he knew too much. He was so burdened down with experience and knowledge of previous trade negotiations, and he couldn't begin to think in different terms. It was sometimes a burden for him, as well as an advantage. Our chief negotiator was Peter Murphy, who tragically died four or five years later, of a brain tumor. Peter was 35 years old. His was never a household name in the United States, but he became one in Canada. People in the United States didn't know who he was. In Canada, because of the importance of the Free Trade negotiations, Peter Murphy was one of the most famous people in the country. He was a big engaging guy, with bright red hair. The team that we assembled for the Free Trade negotiations was at least as good as the Canadian team. At the end of the day, the key negotiators on the Free Trade Agreement were James A. Baker III, who cut the final deals with the Canadians, and Derrick Burnie, who was Chief of Staff to the Prime Minister, soon to be appointed as Alan Gottlieb's successor as Ambassador to Washington. So, Burnie and Secretary Baker...

*Q: He was Secretary of the Treasury at the time.*

NILES: This was in 1987. The negotiations took place in the Treasury building, not at

USTR, but in Treasury, in Secretary Baker's office, looking out over the east side of the White House. There is a wonderful conference room next door to the Secretary's office. This is where the negotiations took place, over mountains of pizza brought in. In the end, both sides won. By and large, Canadian negotiating teams tend to be headed by professionals whereas our teams sometimes are not, for political reasons. You have political people heading the negotiating team. Is that a good idea? Perhaps not always for the substance, but maybe for the domestic politics in the United States, particularly as far as Congress is concerned, having a political figure in charge is a good idea. And when your political figure is as talented as Secretary Baker was, you have a real winner. This is much less of a problem in Canada. The different political systems dictate different types of delegation leaders.

*Q: During the 1981 to 1985 period, did Cuba, and of course, Grenada, raise their heads at all?*

NILES: Not much. Trudeau had a fascination, as others have, with Fidel Castro. But, the best I can remember, while I was Deputy Assistant Secretary the Cuba issue came up from time to time only in the context of the Treasury Foreign Assets Control Regulations. under which we try to prevent Canadian subsidiaries of U.S. companies from dealing with Cuba. It was not a high profile issue as it is today with Helms-Burton and, of course, the Canadian role in that. There was no appreciable Canadian investment in Cuba. This all comes post-1993, when Sherritt-Gordon invested in the nickel mines and tourism. There was a Cuban Airlines flight that went back and forth between Montreal, Dorval Airport, and Havana. It was an important link, not just for Canadians, but more generally with Cuba.

*Q: Were there any cultural problems during the 1981 to 1985 period?*

NILES: Endless cultural problems. We said it was protectionism and the Canadians said, "No, its culture," an argument which will never be resolved. One aspect of it was the Canadian content issue.

*Q: Canadian content being?*

NILES: This is an effort by the Canadians to say that a certain percentage of the films, television programming or music played should be Canadian. There was discrimination against U.S. magazines, particularly the so-called "split editions." *Time* or *Sports Illustrated* have a Canadian edition, in which they would run ads aimed at Canadians. That drove the Canadian publishers, such as *MacLeans*, crazy. They were able to persuade the government of Canada to refuse to allow Canadian companies advertising in these split editions of American publications to write-off the costs of their advertisements against their Canadian income tax. So, if you advertised in *Time*, for example, you couldn't write it off. If you advertised in *MacLeans*, you could. There were also discriminatory postal rates. The *MacLeans* postage costs the Canadians practically nothing, and *Time* or *Sports Illustrated* costs a lot. All of this has now been found contrary to WTO rules, and the Canadians are going to have to cease and desist. I'm not

sure that they have yet. Restrictions abound in Canada on investments in “cultural industries,” for example, the book publishing area. We had some celebrated cases involving Simon and Schuster, which by that time was a subsidiary of Gulf & Western (Paramount). Simon and Schuster, in the United States, acquired Prentice Hall. The question was what would happen to Prentice Hall Canada? This is a tiny company with \$25 million in sales, but you would have thought it was the world’s largest book publisher. The Canadians put all kinds of conditions on whether Simon and Schuster’s Canadian subsidiary would be able to acquire Prentice Hall Canada. It was an endless thing. The Chief Executive Officer of Gulf & Western at that time was a guy named Martin Davis, a really hard-charging businessman. He subsequently lost out to an even harder charging guy, Sumner Redstone, when Viacom took over Paramount. When I had to go down to explain some of this stuff to Martin Davis, he was not too sympathetic. Fortunately, they had a very fine General Counsel for Gulf & Western, named Don Oursman, whom I worked with very closely. We managed to smooth all of this stuff out and ultimately Prentice Hall/Canada was acquired by Simon & Schuster, and they made all kinds of commitments about selling Canadian books and publishing Canadian authors. I don’t know whether they ever fulfilled it. It was very hard to follow up on all this stuff and to police these companies. It was a big, big issue.

In 1947, there was a consent decree in the United States under which the major Hollywood studios were given a choice either to make films or exhibit them, but not both. It did not apply in Canada. In the United States, Paramount sold their movie theaters. They decided that they would continue to make movies rather than exhibit them. They could distribute the films, but they couldn’t actually own the theaters. In a sense, that would be self-dealing. I think that is a good point. In Canada, Paramount was not forced to divest, and they had the largest chain of movie theaters called “Famous Players.” That was a source of constant controversy. Canadian cultural nationalists were trying to persuade the Canadian government to force Paramount to divest itself of famous players, focusing on the question the company would show Canadian films. The answer from Martin Davis in New York, was “Yes, if you have a good film, we’ll show it. If it’s no good, no. If people won’t come to see it, are you going to subsidize my theaters? Are you going to buy the tickets?” The Canadian answer was “No. But unless you show the movie, nobody is going to come to it.” This argument will never end. It was particularly tough during the Free Trade negotiations.

*Q: Which started when?*

NILES: In the winter of 1986, and they concluded in September 1987. It was a two-year negotiation. The so-called “cultural issues” were the last item settled. At the very end of the negotiation, basically, what we got was a standstill. The Canadians agreed not to make their cultural regulations any worse than they were. If they did make them worse than they were, they had to compensate. Since we are talking about pretty big bucks here, we were confident that the Canadians would not embark on totally outrageous cultural nationalist policies, although there were pressures in Canada to do just that. But, at the end of the negotiations, there were some unhappy people in the United States. This was the last deal that was cut. It was after midnight on a Saturday night. We had “stopped the

clock,” after agreeing that we would negotiate to midnight but no longer. I know that Jack Valenti feels that at the end of the day he was thrown overboard.

*Q: He was the President of the Association of...*

NILES: The Motion Pictures Association of America (MPAA). I know that Jack feels that he was thrown overboard. I don't agree with that, but that is his feeling. I think if you look at the subsequent experience, U.S. films continue to do pretty well in Canada. The Canadians continue to try to find ways to curb the percentage of U.S. films shown in Canadian movie theaters. Sheila Copps, who is now in charge of Cultural Policy for the Chretien government, a very outspoken lady from Hamilton, Ontario recently held a meeting of cultural ministers from around the world designed to deal with American dominance. She got some people from Europe and elsewhere to come and say how terrible it is to have to turn on your TV and see an American program or go to see an American movie. My answer to those guys is “If you don't like it, change the channel.”

*Q: During the late 1920s, early 1930s, they had something in Britain called “Quota Quickies,” which are horrible little movies. They were churned out because you had to show so many movies in Great Britain in order to show American ones. These “Quota Quickies” are almost unseeable. Nevertheless, they were shown at 2:00 in the morning, or something like that, so that they could show the American movies.*

NILES: Well, there were subterfuges like that adopted in Canada to get around some of the Canadian content requirements. I noticed, long after I had left, there was a controversy about including a country music station, the “Nashville Channel,” on Cable TV. The Canadian Radio and Television Commission (CRTC) did not agree to its inclusion the Canadians, believe it or not, have their own country and western cable channel. It was favored, politically, over the American channel. I think at the end of the day, substantial sums are spent in Canada to promote Canadian alternatives to American cultural products, without any great benefit to either Canadian culture or Canada. But, that is a choice that the people of Canada have to make. Ultimately, if they play within the rules of the World Trade Organization, okay. I also have the feeling that for most Canadians this argument has a rather academic quality. There are cultural nationalists there, particularly in Toronto. I think of them as the descendants, in spirit, of the United Empire Loyalists, who left the United States after the Revolutionary War and settled in Upper Canada (Ontario). They maintain a very skeptical attitude toward the United States.

*Q: They concentrate often in what the Brits would call “The chattering class,” wouldn't they?*

NILES: They talk a lot. There is no question about it. They were very outspoken during the Free Trade negotiations when I was up there and during the NAFTA negotiations, which came later.

*Q: Did Quebec raise its head, the Quebec separatists of issue, during the 1981 to 1985*

*period?*

NILES: Not too much, but it is interesting that you ask about that. In 1976, of course, Rene Leveque was elected Premier of Quebec. In 1980, he had a referendum on independence which failed fairly spectacularly, 60% to 40%. Everybody thought that this was the end of Quebec separatism. The next year, however, Rene Leveque had a provincial election and won another fairly convincing victory. So, you had a separatist government in Quebec City, elected by the people of Quebec, who at the same time had rejected the independence option in the 1980 referendum. Leveque, at that time, was in declining health. Literally never without a cigarette, he resigned in September 1985 and died of lung cancer that December. Even though his Parti Québécois won the election in 1981, a lot of steam had gone out of that particular phase of the Quebec separatist issue. We took the position which we have maintained ever since, which was to keep out of that particular fight, although no-one ever doubted that we opposed the independence of Quebec. Our stance was: we value very highly our relationship with a strong and unified Canada. But the question of the status of Quebec within the Canadian Confederation is a matter to be settled by the people of Canada. Secretary Baker once said when asked about possible US involvement in Yugoslavia in 1991 that “We don’t have a dog in that fight.” We do have a dog in the Quebec issue, but we wisely decided not to talk about it. That is where the United States has been and where we should stay.

*Q: During this period, 1981 to 1985, there were no referenda there, so it really wasn’t an issue?*

NILES: It wasn’t an issue in the sense of a referendum, but it was never absent. Although you had a separatist Parti Québécois government in Quebec City, it appeared at the time that some of the steam had gone out of the independence movement. This was perhaps confirmed in December 1985 when the PQ, under Rene Leveque’s successor, Pierre-Marc Johnson, lost the provincial election to the Liberals under Robert Bourassa. Johnson’s father, Daniel Johnson, had been the last Premier of the Union Nationale Party of Maurice Duplessis, who died in 1960 after having ruled Quebec for more than 20 years. Daniel Johnson was Premier of Quebec for the Union Nationale from 1968 to 1970, a brief period when they came back.

*Q: Union Nationale being a fairly populist movement?*

NILES: It was a populist, traditionalist movement, closely linked with the Catholic Church, under Duplessis. Daniel Johnson’s rule was a brief interlude from 1968 to 1970, and his son was Premier of Quebec for an even briefer period, from September until December 1985. In December, the Liberals won the election, and Robert Bourassa returned as Premier of Quebec. He had been out of office since September 1976. Some incredible things had happened in Quebec from 1970 to 1976 when Bourassa was Premier for the first time, particularly the FLQ incidents in 1970, the murder of Labor Minister LaPorte and the kidnaping of the British Trade Commissioner James Cross. Trudeau declared a state of emergency in Quebec, and emerged from the crisis considerably strengthened throughout Canada. The FLQ terrorists were arrested and sent

to prison, but by the time I got there most of them had been paroled. One of them, Paul Rose, was a teacher.

Shortly after I arrived in Ottawa, the Liberals returned to power under Bourassa in Quebec. This lasted into the early 1990s, when the Parti Québécois returned under Lucien Bouchard, who had been a close friend and associate of Mulroney but betrayed him in over the issue of the status of Quebec in Canada.

*Q: Was it ever a topic of conversation (I almost hate to ask this because I can see what the Canadian papers might make of this), but in later afternoon, did everyone sit around and say, "Well, what would happen if Quebec goes?"*

NILES: You have to think about what **might** happen if you are concerned about the relationship between the United States and this very important neighboring country. You have to at least raise the question, "What if?" "What might happen?" But, for me, this was not in the sense of preparing for it, or anything like that, but sure, we speculated on that.

*Q: So, it wasn't an eminent thing, as it became, at one point in the early 1990s?*

NILES: Well, during the mid-1990s, the second referendum created a different situation. It failed 50.5% to 49.5%, but it was much, much closer than it had been in the case of the Leveque referendum of 1980. At the time of the Bouchard referendum, people had reason to speculate on what might happen. When I was there as Ambassador, the conventional wisdom in Canada was that separatism in Quebec was dead. It was at a very low ebb, no question. Interestingly enough, our Political Counselor, Bob Montgomery, who tragically died of cancer in 1991, and knew a lot more about Canada than I did always said, "No, Quebec separatism is definitely not dead. It will come back. I cannot tell you exactly when and in what guise and under what leadership, but this thing goes in cycles. We should not assume that it has gone away." Of course, that was at the time when it appeared that Prime Minister Mulroney's solution to the issue of Quebec's status in Canada, the so-called Meech Lake Accord, which recast the Constitution of Canada to give some special recognition to Quebec, would be accepted. But Bob Montgomery said, "It will come back. It comes back in a cyclical pattern and we will have to deal with it at some point in the future."

*Q: Were you looking at a new breed of Quebecker where (1) The Church was almost completely out of the game; and (2) You had a young population that was feeling its oats? Were you looking at a political development that almost demographically was changing then?*

NILES: I don't think any part of the western world went through greater social, economic, cultural change during a brief period than did the Province of Quebec from 1960 to 1970. This was the period of the so-called "quiet revolution," and it was a true revolution. In 1960, you had the end of the Duplessis government, the Union Nationale government, which had dominated the Province since 1938. This was a very

conservative, traditionalist, populist government. The Catholic Church was very strong in Quebec, socially and politically.

*Q: A very conservative Catholic Church, from my understanding.*

NILES: Yes. One interesting manifestation of the change is that in 1960, Quebec had the highest birth rate of any area in our western community: Western Europe and North America. By 1990, it had the lowest. It was below zero population growth, I believe. In the 1960s, after Duplessis, under Liberal Premier Jean Lesage, the slogan was “Maitres de Chez Nous,” which meant “We run our own show here.” It was not separatist, but it was nationalist. It was a reaction to the fact that French speakers were not running the province of Quebec. In business, everything was in the hands of people of English descent or foreigners such as Americans. This included the banks, the insurance companies, and the industries, as well as the media. Everything worth having was in the hands of the English. The government might have a French Canadian Premier and Ministers and so forth, but the levers of power were very much in the hands of the Anglo community. That is no longer the case. Now, to a degree, that is because during the government of Rene Leveque, large parts of big business packed up and moved to Toronto. All of the banks did this, SunLife, and the Canadian National Railroad (Canadian Pacific was still headquartered in Montreal). Even the Bank of Montreal moved its headquarters from Montreal to Toronto. By the time I was there, the CEO of the Bank of Montreal was an American citizen named Bill Mulholland, whose office was in Toronto. Basically, the Parti Québécois had been very hostile toward these banks and other big companies. This was not just because they were run by Anglos, but because they were big private companies. The Parti Québécois was a left-wing group, and they didn’t much care for big companies, and the big companies decided to leave, and the nature of the business community in the province of Quebec changed substantially. Basically, French Canadians came to dominate the business life and social life of Quebec. In a way, that partly fed into the separatist push manifested in the Parti Québécois government, beginning in 1976. People said, “Well, we have taken over the commanding heights of our economy. Maybe we can continue to process and become independent.” It wasn’t necessarily a logical conclusion because there are some big differences, but you can understand why people would ask that question.

*Q: Was there any reflection of this Quebec and the rest of Canada, our American dealing with Canada during the 1981 to 1985 period in that there is a Quebec foreign policy and there was a rest of Canada foreign policy or anything of that nature?*

NILES: No, there was not. We dealt with Canada. We had a Consulate General in Montreal and a Consulate in Quebec City, which dealt with the local authorities. We dealt with the government of Rene Leveque through our Consulate in Quebec City. The Ambassador of the day, who was Paul Robinson, would visit from time to time. You would have to ask Paul what his relations with Rene Leveque were like.

I remember Rene Leveque visiting Washington during that time. Quebec had an office, and still does in Washington. I knew the guy who ran the office. He was a nice guy

named Raymond Poulliot. When I went to Canada, he was working in the energy business in Quebec. He was obviously a Quebec separatist, I'm sure, but we never talked about the position of Quebec within Canada. But if he were appointed the head of the Quebec office in Washington by Rene Leveque, I'm sure must have been of the separatist persuasion. When Leveque visited Washington, he refused to request appointments at the State Department through the Canadian Embassy. So, under our policy, we declined to meet with him. He had no meetings in the Executive Branch when he visited Washington because he refused to go through the Embassy of Canada. We were consistent on that policy, and we did not meet with Rene Leveque. Ray Leveque was able to meet with members of Congress. And this was amazing. On one occasion, Leveque's host on the Hill was Senator Jesse Helms, who at that time was Chairman of the Senate Foreign Relations Committee. So you had the spectacle of the left-wing Socialist separatist Premier of Quebec being feted by the right-wing conservative Senator. What did they have in common? More than anything else, it was hostility toward Pierre Elliott Trudeau. Some people found Trudeau just to be too much and Ray Leveque hated him. When Rene Leveque came down to Washington, he was delighted to join with these anti-Trudeau American members of Congress. While you cannot say that we took sides in the dispute, we maintained our commitment to a united Canada. The same thing was true when the Premier of Ontario came. If Bill Davis or some other Premier of Ontario had come to Washington and said that the Ontario office would make the appointments, we probably would have told them to go through the Embassy in Canada. The other provinces didn't have any problem with that. In fact, it was a convenience for them. But not using the Canadian Embassy was a matter of principle with the government of Quebec.

*Q: Well, Tom, I think this is probably a good place to stop. We will pick this up the next time when you go off to Canada as Ambassador, 1985 to 1989. I particularly want to ask how the hell you got the job, when it is usually handed out as a political plum.*

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*This is September 2, 1998. Tom, we are off to Canada. In the first place, how the hell did you get that job?*

NILES: Well, it was luck, pure and simple. Although I would argue that I was well qualified for it.

*Q: That has nothing to do with it.*

NILES: In the spring of 1985, there were lots of changes made at home and abroad in the State Department and in the Foreign Service at the beginning of President Reagan's second term. George Vest came back from Brussels to be Director General of the Foreign Service, and Ron Spires was the Under Secretary for Management. George and Ron put me forward to be Ambassador to Finland. I thought, "Well, okay, that is an interesting place." I had spent a lot of time there during the CSCE preparatory phase and visiting from Moscow. It sounded fine, but that did not work out. There was a prominent Republican from California, a very nice fellow named Rockwell Schnabel whose wife

was Finnish. He got the nod to go to Finland. But my name was on the table, as it were, in the process that went on at the White House. It seems that there were two political candidates to replace Paul Robinson as Ambassador to Canada. But neither one was backed overwhelmingly, and each one had support in the White House. So they canceled each other out, and in the process, as best I can determine from what Ron Spires told me, I slipped in because I had worked on U.S./Canada relations and knew people in the White House. It turned out that some of the Canadians were shocked at the idea that a mere Foreign Service officer would come to the Ottawa Embassy, although there had been in the past Foreign Service officers there. Tom Enders was there from 1979 to 1981, and Livingston Merchant was there twice in the 1960s and 1970s. Of course, he was a very distinguished Foreign Service officer who also served as Under Secretary for Political Affairs. I'm not comparing myself to those guys, but it was not unheard of that a Foreign Service officer should be Ambassador to Canada. But some of the Canadians, including Alan Gottlieb, were skeptical about this, and actually came back and expressed their skepticism. Gottlieb raised it with Bud McFarlane at the NSC, who told Alan Gottlieb in a polite way to mind his own business that the President would make these decisions. He also said, subsequently, "Well, if Alan Gottlieb doesn't think a Foreign Service officer is capable of serving in this important relationship, perhaps we should not have anything more to do with Alan Gottlieb, who after all is a Canadian Foreign Service officer." I thought that was a wonderful thing. I always liked Bud McFarlane, but I particularly liked him after that comment. In any case, this problem was overcome, and I got the job.

*Q: What would be the rationale on the side of the Canadians of not having a Foreign Service officer?*

NILES: Some people thought that they would be much better off if they had somebody in Ottawa who was close to the President and who could pick up the telephone and call the President. I tried to explain to them, subsequently, that there were only about five people in the world who could do that. President Reagan had a lot of friends, but after he became President he didn't take telephone calls from all of them. It was very unlikely that one of those four or five people were going to go off as Ambassador to Canada. But, anyway, that was their view and a lot of people around the world have the view that you do better with a political appointee, because things that are really important are decided at the White House, and you might as well have a conduit into the White House.

*Q: Well, I think, also too, isn't there a certain rationale in Morocco and other places, Foreign Service officers don't tend to get as enthralled with a country as a political appointee? They sometimes may take a more American viewpoint, rather than succumb to "localitis?"*

NILES: I think Foreign Service officers can succumb to "localitis," too. I don't know that political appointees inevitably do, but that is a consideration. But after talking with a few people in Ottawa, it was clear that what Canadians were worried about was that the new Ambassador might not have quite the contacts with the NSC and with the White House that were necessary. This passed, and in September 1985 my wife, two children, our cat and I arrived in Ottawa.

*Q: You were there from 1985 to when?*

NILES: September 1985 until June 30, 1989, almost four years. I prepared for Canada very carefully. I went and talked with all the members in the Cabinet because every one of them had something going on with Canada. I even called on Bill Brock at the Department of Labor because of the strong links between the unions in the two countries. Interior had the Porcupine River caribou herd issue and lots of natural resource problems. So, I talked with everybody and got a good background on Canada. Then I was served up an all new problem when in August 1985, the Coast Guard decided that they needed an extra ice breaker on the east coast. Their ice breaker on the east coast had broken down. They sent the ice breaker "Polar Sea" across the Northwest Passage with no reference to Canada. This reflected our view that the Northwest Passage was an international strait which passed through Canadian territory. The Canadian threw a fit about this. So we had yet another major issue on our agenda just before I got up there. It stayed with us for the largest part of my stay in Canada. But I arrived in Ottawa in September 1985 for what proved to be an extraordinarily exciting, creative, productive four years there.

*Q: Let's take one thing at a time. Let's talk about the Polar Sea.*

NILES: The Polar Sea and Northwest Passage? Well, you could make a case under international law that the Northwest passage was an international strait through which innocent passages are permitted without permission of the bordering country. On the other hand, the Northwest Passage is not a very widely used Passage. There is not even complete agreement on exactly where it goes. For instance, does it go this side or that side of Elsmere Island? The Canadians claimed that the Passage was part of their territorial waters and we should ask permission to go through it. The United States Navy, although it has never sent a surface vessel through there, and never will, was concerned because of the precedent that might be set. Their fear was if you agree to ask the Canadians for permission to go through the Northwest Passage, the Indonesians might start doing the same thing with the Molucca Strait or the Lombok Strait, or with the many other straits that pass through the Indonesian archipelago, and other archipelagic states around the world might do the same. They were worried that this would begin to cause problems for the U.S. Navy, and then the world would end. So, the Navy was a problem on this issue, and so was the Coast Guard. The Canadians were so outraged by this that they embarked upon what turned out to be a unsuccessful quest to acquire nuclear submarines, which raised yet another issue. Would we, if the Canadians asked, sell them 688 Class, Los Angeles class, nuclear attack submarines? There was a lot of controversy about that, not because we thought that the Canadians would sink our icebreakers with Los Angeles class nuclear attack summaries, but rather that the Canadians didn't fully understand how complicated, expensive, and dangerous it is to run a nuclear submarine program. They might botch it up. It would make it more difficult for us to run our nuclear submarine because people would be concerned about health considerations and public safety, and so forth, as a result of the nuclear submarine program. It is remarkable that this has not happened, but it's because we have run a very safe nuclear program since the time of the "Nautilus." In any event, that was a continuing issue throughout my time

there.

The Department did a very wise thing. At my suggestion, we selected a senior State Department official, former Congressman Ed Derwinski, who had prestige and standing to conduct the negotiations with the Canadians on this issue. Ed did an excellent job. He brought a number of qualities to this task, including patience, good sense, and a pragmatic view of things. He also was obviously respected and persona grata on the Hill, where there was interest in this issue. He was able to manage successfully the Pentagon, which was all fired up about this, including Secretary Weinberger. John Lehman, Secretary of the Navy, was fighting mad on this issue. He was ready to fight on all kinds of issues. These talks lasted for the better part of four years. At the end of it, we worked out an arrangement under which the United States Coast Guard, when it wished to send a vessel through, would not ask permission but would inform the Canadians. The way this was drafted, both sides could claim victory. It was a classic U.S./Canada issue in the sense that the Canadians interpreted this as another example of lack of American respect for Canada. And, to be fair, we rode rough shod over the Canadian interest. I was asked about it at my initial press conference. I decided that the best thing to do on this was, in a sense, to punt. I did not take a high posture on this, and without apologizing formally, I did by saying, "We did not handle this properly." I didn't specify exactly how we handled it "improperly" or should have handled it, but simply said that we did not handle it properly. I did this to reflect sensitivity to Canadian concerns. I also said, "I'm sorry we have this problem. We are going to work it out." I took that position on my own without consulting Washington, because I could never have gotten approval. The Coast Guard would have never accepted that, nor would anybody else. That basically calmed things down. Washington was unhappy for about one day and a half, and the Canadians eventually forgot it. It was one of those issues that would pop up from time to time, unexpectedly. Suddenly, the Polar Sea case would be an issue again in Canada, but never in the United States. It was a public press issue that would last for a few days.

*Q: My understanding is that, practically the entire Cold War, we have been running submarines under the Polar ice.*

NILES: Another story entirely. Submerged transit of submarines is something that people don't talk about. Nobody can see them. I never got into this, deliberately. But, I wouldn't be surprised if there were not some kind of coordination between the U.S. Navy and the Canadian Navy on these submerged transits or submerged passages of nuclear submarines. We certainly don't have any more submerged transits of SSBNs because the Tridents have so much range with the D-5 missiles.

*Q: You might explain what that is.*

NILES: Ballistic missile submarines. The only ones we have left are the Trident submarines which require such an enormous area to maneuver in and have 24 D-5 missiles with a range of something like 6,500 miles. They don't have to be under the Polar ice whereas it is possible that the early Polaris submarines, in order to cover some parts of the Soviet Union, might have done better up there. Basically, what we were

doing in the Polar regions was watching and looking for Soviet Yankee and Delta I class submarines, their first generation missile submarines, which had relatively short range missiles and probably did spend sometime out under the ice. But mainly they were off the east and west coasts of the United States. The submarine issue didn't really come up. Some Canadians, from time to time, would claim that the United States was running submarines under the Arctic ice and we would refuse to comment.

The other difficult bilateral issue was acid rain. There we had the process which I discussed before, initiated by President Reagan and Prime Minister Mulroney at the summit in Quebec in March 1985, conducted by Union Pacific Railroad CEO Drew Lewis and former Ontario Premier Bill Davis. This resulted in a report which considered what we knew and did not know about acid rain. Although it did talk about uncertainties where more research was needed, it essentially accepted the Canadian position that acid rain was a real problem, that it was acidifying lakes, killing forests and injuring crop lands, and that it was basically caused by SO<sub>2</sub> emissions that go up into the upper atmosphere and through some chemical process that we don't fully understand, was transformed into weak sulfuric acid. Likewise, the report said that nitrogen oxides were transformed into weak nitric acid. We began a process of on and off negotiations with the Canadians to devise a framework for implementing the Lewis-Davis Report which lasted throughout my tour in Ottawa. It tended to keep the issue, more or less, under control. We had acknowledged that it was a problem, that we needed a bilateral agreement, but recognized that there were problems in reaching one. The agreement was concluded in 1990 during President Bush's Administration. It required a revision of The Clean Air Act to put tighter controls on SO<sub>2</sub> emissions, largely from "old source" power plants. My job in Ottawa was to keep the process moving forward, recognizing that we weren't going to have a breakthrough on acid rain during the Reagan administration. My view was that if we could keep the talks alive, keep the scientific research program going in the United States, which was funded largely by EPA, and use the annual meetings between Reagan and Mulroney to give them a shot in the arm, sooner or later, we would agree with the Canadians. I personally believed that the Canadians were right, that acid rain was a problem, that it was caused by SO<sub>2</sub> and NO<sub>x</sub> emissions and that by controlling those emissions or reducing them we would reduce acid deposition in the Eastern U.S. and Eastern Canada, and it would be beneficial to everybody. I felt it could be done with existing technology at costs that were not terribly detrimental to the United States economy. But, I also recognized that politically, this was going to take time. I tried to keep the process going, to avoid a blow up with the Canadians, by not telling them that they were on a hopeless quest and that we would never agree. We didn't want them to conclude that the effort was hopeless, in part because we feared that in that event they would a massive public campaign in the United States to put pressure on the Reagan administration, which would have failed, too, but could have derailed something we wanted, namely the Free Trade Agreement. There was no way they were going to be able to move the Reagan Administration by external pressure. The only way they were going to move the Administration was through a process of careful discussions, scientific research, and more work by Mulroney on President Reagan. Gradually, it worked.

*Q: This is now the second term of Reagan. Was there still a battle for Ronald Reagan's*

*soul on acid rain? How did you see the forces in the United States lining up in this second half of the administration?*

NILES: Yes, there was a battle. I think the Lewis-Davis report, which had been commissioned by President Reagan and Prime Minister Mulroney, played an important role in pushing the President in the direction of trying to cut a deal with Canada. His close ties with Prime Minister Mulroney, his personal affection for Mulroney, played a role. I think, ultimately, Secretary Shultz was very helpful on this. He helped convince President Reagan that this was a problem that needed to be dealt with and we were going to deal with it responsibly, in a way that didn't do damage to the American economy. President Reagan liked to think of himself as an environmentalist. A lot of people would scoff at that. He took environmental problems seriously, but he was very skeptical about the possibility of some miraculous government solution to environmental problems. In some respects, he was right on that. What we were looking for was a free market solution using more environmentally-friendly means to generate electric power combined with better, cheaper means to clean up coal-fired power plants found through this scientific research program. To a degree, it worked out, and the research program contributed to it. Today, acid rain is not an issue in the United States. Occasionally, you hear complaints about how The Clean Air Act needs to be relaxed, but I don't think that is serious. As far as I am aware, it is not a problem between the United States and Canada, although it is an issue between the MidAtlantic/New England states and the Midwestern states. Even though it took longer than we might have hoped to reach an agreement, we were able to keep the process going and ultimately succeeded.

*Q: When you arrived in Canada, obviously you had been dealing with Canadian affairs, but did you find that the perspective from Canada and the Embassy different than what you had expected?*

NILES: Not really. I was pretty well prepared for what I found in Ottawa. The Embassy is always influenced by the surrounding environment. The Canadian attitude toward the United States is complicated and somewhat ambivalent. On the one hand, they watch everything we do with great concern. Sometimes they pay more attention to what we do than we do ourselves. There is a strong feeling by most Canadians that they get too little attention from Washington, but at the same time there is a recognition that too much attention from Washington might not be a great thing either. They are a little bit schizophrenic on that point. I was fortunate as Ambassador in that I had to work a government which was avowedly pro-American. Prime Minister Mulroney made a point of emphasizing his affection for the United States and his high regard for President Reagan. He is probably the only Prime Minister, certainly in my experience, and probably back to the time of Prime Minister Mackenzie King, who didn't have any particular hang ups or problems with the United States. Certainly, Trudeau had a very ambivalent attitude toward the United States, as we discussed before. His immediate predecessors, Lester Pearson and John Diefenbaker, were certainly ambivalent in their attitudes. Mulroney was an unabashed supporter of the United States, but he had a strong sense of Canadian pride. He did not like to be taken for granted. He particularly felt that if he was going to be a close friend and supporter of the United States, he deserved to be

treated with respect, and not to be taken for granted, and not to be shown to be out of the loop with the United States. It absolutely drove him crazy, and understandably so, when decisions were taken in Washington, or announced in Washington, that had a big impact in Canada, which he learned of in the newspapers. It was infuriating for him, and for me, too. I can sympathize with him. That happened, and it happens to every Ambassador. It happens because of the size of our system and the uncoordinated nature in which it operates.

The best example in my experience was a trade case, and I should talk a bit about the trade issues, because that was really the biggest single item on the agenda. Before turning to the Free Trade Agreement, I should mention another trade case that was an example of what can go wrong in U.S./Canada relations, even under the best circumstances. This was a case involving western red cedar shakes and shingles.

*Q: It sounds like those things come out. You've used the terms many times.*

NILES: Western red cedar shakes and shingles. The words have a nice ring to them. Before this case hit the fan, I had no idea what the product was. I soon learned that this is a product that people like to use to achieve rustic effect in vacation homes. A shake is a large shingle that you put on the side of your house. This was a trade item, maybe \$100 million in a trade turnover of \$150 billion. Some producers in Oregon and Washington brought a trade case claiming that the Canadian forestry management system, the so-called "Stumpage System," gave the Canadian producers a western red cedar shakes and shingles an unfair advantage. This was found to be the case by the Department of Commerce and then the International Trade Commission, which has to decide whether the subsidy actually resulted in injury, decided that there was injury. It went to the President. We knew about this and were watching this case, and keeping the Canadians informed. Keep in mind that this was May/June 1986, and that the Free Trade Negotiations had just begun. Then, somehow everybody lost sight of the case, until suddenly it was approved in the White House at a relatively low level. It never got to President Reagan, although formally he had to approve it. It was released in a press announcement by the White House, which stated that the President had approved the imposition of countervailing duties on Canadian western red cedar shakes and shingles. I found out about it from a press release, so did Brian Mulroney. He hit the ceiling. The Canadian government was in a state of great agitation. Mulroney was calling everybody in Washington, as was Foreign Minister Clark. Alan Gottlieb was going nuts. I was upset too. I recognized that you could not suspend all other trade-related activity during the Free Trade negotiations, but I felt that you had to handle these cases intelligently. That included giving us time to prepare the way, to get the press statement, to inform the Canadian government. You don't just kick this thing out the door in the middle of the night. I later learned that the people in the White House assumed that because the case was so relatively small, you did not have to take any particular precautions in dealing with it.

It happened that this case came immediately before a NATO Foreign Minister's meeting in Halifax, involving Secretary Shultz and all the other NATO foreign ministers. I sent a

telegram to the Department describing the situation, saying that the Canadian government, which was pretty nervous to begin with because the Free Trade negotiations had just begun, had lost its nerve and panicked. Some helpful soul in Washington leaked that telegram. This was the situation: Niles' telegram in the Canadian press; headlines say "Government Panics." Secretary Shultz arrives in Halifax. My wife and I were out there to meet Secretary Shultz and his team from Washington: Charlie Hill, Roz Ridgeway, and all the folks. I had always had great respect and affection for Secretary Shultz, but I loved him after this. They asked him as he got off the plane, "Your Ambassador has written this telegram describing the Canadian government as having panicked. The Canadian government is upset with that. Do you support your Ambassador?" Secretary Shultz said, "I always support my Ambassadors." I thought, "What a great man." This thing ultimately died down and we solved the problem. Ultimately, the Canadians made some changes in their forestry management practices, specifically concerning red cedar forests, and we were able to remove the countervailing duties. I think that was in 1987. But, this was a classic example of how badly the system can operate from time to time. A sensitive issue was handled as badly as it possibly could have been, and we extracted the maximum negative publicity out of it. That was a little blip on the screen, but it was an example of how things can go off the track. The important thing...

*Q: Before we get to that, as you talk, it would seem to me that you would almost have to have your Embassy do a dual thing. One would be keeping a very close eye on developments in the United States opposed to most other embassies abroad, you understand what is going on. Here, where you have seismic things happen, every time something happens within our government, you really almost have to have your radar implanted within the United States and Oregon, Maine, and all over. Was this true?*

NILES: Absolutely true. Although we were concerned with the actions of state governments and other jurisdictions along the Canadian border, we were primarily concerned with things going on in Washington and being taken by surprise. Every embassy depends, to a tremendous extent, upon the country desk and being kept informed. We were more dependent than most because there was so much going on. There were so many government agencies that, one way or another, did things that had an impact on Canada. Many of them, left to their own devices, would go along blithely unaware that there was a Canadian aspect to the pending action. I was very fortunate. I had two Deputy Assistant Secretaries for Canadian Affairs who were really on top of things and did a terrific job supporting Roz Ridgeway as Assistant Secretary, and supporting us in Ottawa. The two guys were Jim Medas, who was in the White House during the first couple years of the Reagan administration. He came over to the European Bureau in 1983 when every bureau in the State Department was required to add a "political" deputy assistant secretary. Jim stayed until 1986 when he went off to be Consul General in Bermuda. He was replaced by Fred Jones Hall, a businessman from Oklahoma City. He, too, proved to be a very capable guy. I was very fortunate in having those two and a good Canadian desk supporting them. As you suggest, they spent a great deal of its time trying to keep on top of the extraordinary agenda in Washington and being an early warning system. We needed an early warning radar system like the DEW Line, but in this case facing south to warn us of incoming missiles.

*Q: Did you also have somebody within your Embassy keeping an eye on the United States?*

NILES: We all did. We were in touch with Washington every day, three to four times a day. This was something that I didn't have to tell people who were working for me to do. It was absolutely essential that they be aware of what was going on down there and keep us all informed of potential bombshells that might erupt south of the border. President Reagan and Prime Minister Mulroney agreed tentatively at the Quebec Summit that...

*Q: This was when?*

NILES: March 1985. They agreed to negotiate a U.S./Canada Free Trade Agreement. President Reagan was a consistent supporter of free trade, although, as the case of the shakes and shingles case, sometimes things just slipped through. He liked the idea and shortly after I arrived in Ottawa, in February 1986, we began the Free Trade negotiations. The negotiations lasted for almost three years, and the formal signing occurred right after January 1, 1988. The breakthrough negotiating session occurred in September 1987, in the Department of the Treasury, led by Secretary Baker, who proved to be an extraordinary, capable negotiator. He did a great job, with Clayton Yeutter, who was the Trade Representative, Dick Lynn at USDA and various others who were involved. Mac Baldrige played a very positive role. He was tragically killed that in the summer of 1988 in a rodeo riding accident. We got a lot of help, of course, from Secretary Shultz, who was also a strong supporter of the Free Trade negotiations. We had a good team supporting Peter Murphy, our principal negotiator. He did an excellent job. He tragically died from brain cancer in 1993.

*Q: What was your initial take when this Free Trade thing came up with Canada? Did you think this was a possibility?*

NILES: I thought for sure we could do it. One thing that most people in the United States didn't realize was that we had had Free Trade agreements with Canada in the past. We had a Free Trade agreement in 1854, negotiated for what was then British North America, by the Colonial Governor, Lord Elgin. This Agreement lasted only 10 years. We renounced it in 1864 because we were angry at the British for having supported the Confederacy during the War Between the States. We couldn't do too much to the British, so we took a swing at Canada and renounced the Free Trade Agreement. The Canadians, particularly manufacturers in Quebec, had done well during the War, selling goods for the Union forces, and probably to the Confederate forces as well. The Free Trade agreement helped. Then, of course, in post-1865 period, the war-generated demand ended and the Free Trade Agreement ended. This threw Lower Canada, as Quebec was called then, into a profound depression. One of the consequences of that was that millions of Quebecers left Quebec and moved to New England. One of the striking things, if you go through New England today, in a city like Providence, and you open up the telephone directory, you see masses of Quebec names such as Cournoyer and Leveque. The estimate is that somewhere in the neighborhood of three or four million people, over the

next 30 years, moved south from Quebec into the United States. If they had not done so, the French-speaking population of Canada today, had those people stayed in Canada, would be close to 25 million people, which would probably be a majority of Canada. That was an important event, the renunciation of the first Free Trade Agreement.

We signed our second Free Trade Agreement in 1911 with the Government of Prime Minister Sir Wilfrid Laurier. That government, a Liberal government, was defeated in a Canadian election shortly after the Agreement was signed, and it never went into effect. Free trade was an issue, no question, in that Canadian election of 1911. The Tory Party ran on an anti-Free Trade platform. Finally, in 1946, Prime Minister W.L. MacKenzie King negotiated, secretly, a Free Trade Agreement with the Truman Administration. However, at the very last moment, mindful of what had happened to Laurier, he back away and decided to drop the entire project. So, Free Trade between the United States and Canada was nothing new. In 1986, as before, it was not a big issue in the United States, but it was very controversial in Canada. I recognized that this was not going to be easy. It was going to be a tough negotiation and it was going to be a tough political selling job in Canada, not for us, although we could help, mainly by keeping quiet, but for the Canadian government and Prime Minister Mulroney personally.

In the inevitable, domestic political controversy in Canada, you had this strange realignment of forces. The Progressive-Conservative (Tory) Party, which had traditionally been the protectionist, anti-Free Trade party, was finally in power again and was negotiating a Free Trade Agreement with the United States. The Liberal Party, which had been the traditional Free Trade party in Canada, went into opposition in September 1984, under John Turner, and became the anti-Free Trade Party. One reason the Liberal Party and John Turner personally, were not as effective as they might have otherwise been in opposing the Free Trade Agreement was that, in their hearts, they didn't agree with their position. They were uneasy. You could see that when John Turner went on television, attacking the Free Trade Agreement, he gave the impression, with his body language, that he was in a pair of shoes that didn't fit him properly. He was uncomfortable. This was not the traditional policy of the Liberal Party. With that said, there were lots of tough issues that had to be resolved. The Canadians have a different kind of federal/provincial relationship than ours, and those differences had to be accommodated in the Free Trade Agreement. We had some American constituencies that had some strong concerns about Canadian practices, particularly the Motion Picture Association, the MPAA, lead by a very powerful figure, Mr. Jack Valenti. The Pharmaceutical Manufacturers Association had some big problems with Canada because Canada didn't recognize pharmaceutical patents. There was a big generic industry in Canada that the United States Pharmaceutical Manufacturers Association believed, correctly so, was taking advantage of that situation. We had to resolve that problem, which we did. The Canadians agreed that to the international norm that you have to give patent protection to pharmaceutical products like everything else. There were other big issues, including conditions for investments and the phasing of tariff concessions. All these things had to be resolved. One issue that had to be resolved, for example, was what to do about some of the provincial practices in the area in the lumber/timber industry, the so-called "stumpage" problem. All these problems were very difficult. At the end of the

day, they were all resolved and the Agreement was signed, approved by the United States Congress and sustained in Canada by the Mulroney government's victory in the November 1988 general election. The final cleaning up of the text took place in Ottawa. Deputy Secretary of the Treasury Peterson, who is now President of Michigan State University, was the key negotiator on that process. He and I were responsible for working out little language issues that arose as we prepared the legislation that had to be approved by the Congress before the Free Trade Agreement could go into effect. At the end of the day, it's an Agreement that worked well both for the United States and Canada. It led directly to the NAFTA Agreement, which has had an even more fundamental impact on the economies of the three partners.

*Q: North American Free Trade Agreement.*

NILES: Right. The North American Free Trade Agreement, which added Mexico. One other issue which was extremely important...

*Q: Before we leave this, what was your role and the role of the Embassy in this? As you mentioned, the Treasury and Commerce was very much involved.*

NILES: Well, the negotiator for the Agreement, right up until the very end, when Secretary Baker took over the final cut, was Peter Murphy. There was an Embassy representative on his team. Our key job was really between the actual negotiating sessions. We had to follow up on the various issues and try to come up with ways of accommodation to resolve issues or to prepare the ground for the negotiators at the next negotiating session to be able to make progress. I think we were able, on some of the issues, to make a contribution and did so. That was basically our role. I got personally involved in some of our issues, although some of my suggestions did not go down well in Washington. For instance, I proposed in early 1987 that we drop the concept of dumping in US/Canada trade and replace it with the anti-trust concept of predatory pricing. I still believe that would have made a lot of sense, but it was not politically salable in Washington. I don't know whether I can take credit for any particular breakthroughs, but we helped keep the process moving forward. The other thing that the Embassy did, and in which I played the key role, was kind of a missionary effort with the Canadian people. We had a very large public affairs program where I gave approximately 200 speeches a year. It was almost one a day. I talked with high schools, colleges, business groups, social groups, labor groups, on television. At that time in Canada, their major Sunday talk show was a show called "Question Period," on CTV. I was on that television program probably once every three or four months for four years. I still have the tapes. It would be interesting to roll them again. One of my objectives was to contribute to the effort to demystify free trade for the Canadian people, to the extent I could, and also to reassure them that this was something that would serve their interests and would be in the interest of Canada. I think, to a degree, we certainly contributed to that. At the end of the day, the Mulroney government won a substantial reelection victory in November 1988 after the conclusion of the Agreement. And the election really was primarily about the Free Trade issue. Obviously, the Canadian people bought the argument that this was a good thing for them.

One interesting aspect of the impact of the media on Canadian attitudes is the role of United States media. As far as the electronic media is concerned, the influence of the United States is strong and pervasive, but there is so little in the public affairs programming of the U.S. networks that concerns domestic developments in Canada that its impact on political developments is negligible. The United States print media are much less pervasive, and their impact is also limited by the fact that their coverage of Canadian events tends to be very sparse. Even in the fall of 1988, with the election campaign in Canada effectively about the relationship with the United States, coverage of Canadian issues in U.S. newspapers was very limited. However, since both the New York Times and the Wall Street Journal have substantial readerships in Canada and are viewed with respect, I thought it would be helpful if each ran an editorial endorsing the Free Trade Agreement and, as a practical matter, the reelection of the Mulroney government. With the help of David Rockefeller, I got in touch with senior editors at the two papers and discussed the issues, and the stakes for the United States. Both papers then ran lead editorials in October 1988 on the Free Trade Agreement and the Canadian election. The Times editorial was very serious, in the spirit of the paper. Its impact was probably limited. The Wall Street Journal editorial was another matter. It was written by Paul Gigot, with whom I spoke at some length, and was entitled "North to Argentina." In it, the author compared Liberal leader John Turner with Juan Peron, and made the point that Turner's policies, if adopted, would do for Canada what Peron's policies had done for Argentina. It was a brilliant, if slightly exaggerated, piece of work. Paul Gigot and I had discussed the comparison between Canada and Argentina, which really is quite apt. The two countries have some striking similarities and began the post-WWII era at roughly similar levels of economic development, and Argentina, which sat out the War and did good business with both sides, was the more prosperous country. The subsequent experience of Canada and Argentina was an excellent example of how good and bad policy choices can have huge impacts on the fate of a country. In any event, the Journal's editorial really struck home, to the extent that John Turner felt obliged to respond to it publicly with the remark at a press conference somewhere in Atlantic Canada "Don't cry for me Wall Street Journal," a play on the musical "Evita." I thought this was a good use of the media.

*Q: How did you find the Canadian media on this thing?*

NILES: It was a challenge. There were some smart, well-informed journalists in Canada who tended to be skeptical of the United States, but I wouldn't say they were as a general rule hostile. Most of them were friendly, but skeptical. Of course, some were not at all friendly. There were newspapers there, *The Toronto Star* for example, which had an ingrained, automatically hostile attitude toward the United States, whether the issue was acid rain or free trade or baseball, it didn't really matter. It was the largest circulation newspaper in Canada at the time, about 600,000 or 700,000 copies a day, centered in the largest metropolitan area, Toronto. *The Toronto Star*, then and now, was an influential media voice, which was not at all receptive to our arguments. On the other hand, the *Globe and Mail*, which was a national paper, also published in Toronto, was prepared to listen; you could talk to them, and argue with them. They listened, whereas *The Toronto*

*Star* generally did not. By and large, I got along well with Canadian journalists. It was a challenge and I worked very hard at it. As I said, we had a very active public affairs effort. I had excellent Public Affairs officers from USIS working with me in the Embassy, and excellent Consuls-General around the country. We had seven when I arrived in September 1985. Unfortunately, for budgetary reasons, in February 1986 we had to close our Consulate-General in Winnipeg, Manitoba, which was established in 1879, before Winnipeg was called Winnipeg. At that time, it was called the Red River Settlement. In any case, we developed a coordinated public affairs program involving all of the Consulates which focused on the free trade issue.

*Q: How about unions on both sides during this period?*

NILES: It is interesting that you raise that. The Canadian Labor Congress (CLC) and the Canadian Auto Workers (CAW), its most powerful unit, were generally hostile to the Free Trade negotiations and to the concept of free trade. The CAW was concerned about the US/Canada Automobile Pact, negotiated by Assistant Secretary Phil Trezise and signed in 1964. This had created largely free trade in automobiles and parts between the United States and Canada, with certain protections for Canada. As a result, Canada had a disproportionate share, at least on a population basis, of the North American automobile production. All three major U.S. manufacturers had big production capabilities in Canada. The CAW was very interested in preserving its status. All the key union leaders - Shirley Carr, the CLC President, Robert White, head of the CAW, who subsequently replaced her as CLC President, Buzz Hargrove, who is now the head of the CAW and then headed the CAW's Chrysler union - were hostile to the concept of a Free Trade Agreement. The AFL-CIO was generally favorable to the Free Trade Agreement with Canada. They were skeptical about some aspects of it, but Lane Kirkland was a very responsible leader of the AFL-CIO at that time. He saw that the Agreement was beneficial to labor, although business, too, benefitted from it. I met with Bob White and Shirley Carr regularly, and with others such as Buzz Hargrove, in an effort to persuade them of the wisdom of this negotiation. I was unsuccessful. But, I maintained good relations with the union leaders. The political party linked with the CLC and the CAW, the New Democrats (NDP), were also strongly opposed to the free trade negotiations. I saw NDP leader, Ed Broadbent quite frequently, and kept him informed of what was going on and tried, again unsuccessfully, to persuade him of the wisdom of this negotiation for Canada. I have a feeling that Ed Broadbent saw the wisdom of the negotiation and the virtues of an Agreement. But his base, particularly the CLC and CAW, was so opposed to the Agreement that the NDP had no choice but to oppose it.

*Q: Did Quebec, as a unity, play any role in this or was it along party lines?*

NILES: That was an interesting situation, too. Quebec was pro-free trade and it remains pro-free trade today. Lucien Bouchard stabbed Mulroney in the back on the question of Quebec's position in Canada, but he didn't abandon him on free trade. And the Liberal Party in Quebec under Robert Bourassa, which was in power from December 1985 on, bucked the national Party and supported the Mulroney government's efforts. All of the big enterprises in Quebec also supported free trade.

*Q: Why?*

NILES: Because of the American market, which the Quebeckers see as an alternative to total dependency on the “rest of Canada.” For the separatists, the United States appears to be a key to eventual success. For the Federalists in Quebec, free trade with the United States simply made good economic sense. In addition, the “cultural” issues that loomed so large in English Canada did not seem very important to French speakers in Quebec. An English-speaking United States culture did not seem to be much of a threat in Quebec. One of the interesting issues of the sovereignty argument involving Quebec is whether a sovereign Quebec would automatically be part of the Free Trade Agreement? I don’t think so. They would have to be admitted to the Free Trade Agreement, and one of the countries that would be able to say whether a free and sovereign Quebec could join the Free Trade Agreement would be Canada. I would take a look at that if I were a Quebecker. But as I said, the Liberal government in Quebec under Robert Bourassa was a supporter of free trade. It is one of the peculiarities of Canadian politics that a provincial affiliate sometimes can and does take positions on key issues that diverge from those of the national party. So, Bourassa made no bones about the fact that he supported efforts to negotiate a Free Trade Agreement, even though the federal Liberal Party and its leader, John Turner, opposed it.

Separatism in Quebec while I was there was largely quiet. But, as I think I mentioned in our previous discussion, the political Consul in the Embassy, Robert Montgomery, told us not to believe that it was dead and that it would come back. And it did.

*Q: We talked about free trade. What other issues were there?*

NILES: We had a whole range of what I would call the multilateral issues, arising from the East/West confrontation. For example, What would Canada’s role be on European security issues, on East/West arms control issues? One issue that was fairly sensitive in Canada was the testing of air-launched cruise missiles (ALCMs). We had an agreement, reached with the Trudeau government, under we launched ALCMs over the Beaufort Sea. They would fly down the McKenzie River and land in Northern Alberta. They would be pursued along the way by Canadian Air Force CF-18s and by F-15s from Elmendorf Air Force Base in Alaska. You had a virtual air armada flying along behind the ALCMs. You might ask why we wanted to test ALCMs over Canada? Obviously it was because the terrain and other conditions were very similar to those of the USSR. If we ever had to launch one over the Arctic toward a target in the Soviet Union, we wanted to know how it performed in Arctic conditions, going South down river valleys. This might very well be what we would want to use one of them for in a worst case scenario with the Soviet Union. There was opposition in Canada to cooperating with us in this test program, but the Mulroney government said that they were cooperating with their American allies in an important defense program. We had to manage these cruise missile tests carefully, to get ready for them, and make sure that everybody knew what was happening. One of them failed. The ALCM was dropped from a B-52 over the Beaufort Sea but the engine didn’t start and it fell through the ice. Ultimately, it was retrieved at great expense to

guard against the possibility that the Soviets might retrieve it. That, of course, occasioned a lot of hilarity, laughing, and finger pointing by those in Canada who opposed the test. That was one issue.

We had relative calm on the fishery front. The East Coast fisheries' issue had been largely resolved by the International Court of Justice's delineation of fishing rights in the Gulf of Maine. At that time, we had not yet reached the point, which occurred in the mid-1990s, when the fish stocks sank so low that the Canadian and US governments had to close the fishery. I think it is still largely closed today, which has reeked terrible havoc on poor areas in Eastern Canada, particularly Newfoundland, that depended so much on it and abused it so much. This was a result of years of over fishing, not just by the Canadians but by boats from the USSR and countries of the European Union, notably Spain. This was a very rich resource, but they depleted it. In the West, we had periodic disputes over fisheries around the Dixon Entrance, which is the passageway between the southern tip of the Alaska Panhandle and the northern tip of Vancouver Island. We and the Canadians do not agree on the location of the maritime border. We claim that it is equidistant between Alaska and Vancouver Island; the Canadians claim that it runs along the coast of Alaska. To avoid problems, we agreed on so-called "flag-state enforcement." That means that the U.S. Coast Guard would seize any U.S. ships that were breaking the rules while the Canadian Coast Guard would do the same with Canadian ships. The problem is that we did not agree on what the rules were, and, occasionally, a ship would be seized by the other country's Coast Guard. But we were able to generally manage that. The West Coast salmon issue was there, but it was not as acute as it became in the mid-1990s because the stocks were not as low. While I was in Ottawa, the West Coast salmon stocks were sufficiently high as to obviate the need for a dispute between the United States and Canada over how they should be divided because everybody had enough. It is clear now that everybody was over fishing then, and we didn't manage the stock very well. The Great Lakes Water Quality Agreement of 1971 was a flourishing agreement. We had meetings from time to time to deal with ongoing problems, but basically it was a classic example of how the United States and Canada worked together to solve problems along the frontier.

As I said, we had major trade disputes which went along concurrently with the negotiations for the Free Trade Agreement, particularly on softwood lumber. This was a major Canadian export to the United States, probably \$2.5 billion. It wasn't like western red cedar shakes and shingles, which amounted to \$100 million. Softwood lumber was a serious issue for both countries. We also had a trade dispute over Canadian grain subsidies, particularly transportation subsidies, which we claimed made Canadian grain more competitive vis-a-vis American grain than it would otherwise have been. This is an issue which continues to this day. One thing about U.S./Canada relations is that you never had a dull day. There was always something going wrong, something unexpected; all along the border there was a potential for things to go wrong.

There was another interesting negotiation that we concluded successfully with Canada during my time there. This involved the Porcupine River caribou herd, which migrates from the Yukon to Alaska, along the Porcupine River. The importance of the Porcupine

River caribou herd is that spends summers in the Alaska National Wildlife Refuge (ANWR). That happens also to be a place where there is a lot of oil, although there are disputes about exactly how much there is. I visited ANWR in the summer of 1987 and saw where the oil and gas seep to the surface. It is in those spots that the caribou cows have their calves. I was told that the oil and gas that come to the surface contain a natural insecticide that keeps the mosquitoes away. Whether we did a good job in that negotiation or not is hard to say, but I doubt that most Americans know that we have an Agreement with Canada that gives the Canadians a voice in determining whether we can drill for oil in the ANWR. Secretary of Interior Hodel and his Canadian counterpart signed this agreement in 1987. It essentially sets up a system of joint management of the Porcupine River caribou herd. That was basically how we managed things between the United States and Canada, where you have cross-border migration of birds, caribou, elk, fish etc. It works pretty well.

*Q: Were there any problems with airlines?*

NILES: Yes. When I was there, the Canadian/U.S. airline arrangement was very restrictive. It was very much a managed service, and it was hard to get from here to there. We sought while I was there to expand service and proposed an “open skies” agreement to the Canadians, which they rejected it. Their position was understandable. They were in the process of privatizing Air Canada, and Canadian Airlines, their number two carrier, was weak (it was eventually absorbed by Air Canada). So, they said they couldn’t compete under an “open skies” agreement. We subsequently achieved an “open skies” agreement, I believe in 1993 or 1994, and it has worked out beautifully for Canada and the United States. Air traffic has expanded enormously and they have cut fares. It really has turned out to be a win/win situation for everybody, including travelers and airlines. But while I was there we didn’t have any major disputes. We had a system of managed civil aviation, which worked reasonably well, but didn’t really serve the traveling public. For example, there was no direct service between Ottawa and Washington. You could fly from BWI.

*Q: That’s not really Washington.*

NILES: No, it’s not. Now, you can fly from National to several cities in Canada. Part of the problem was the availability of customs facilities, which you do have in Ottawa but do not exist at National. The solution has been “preclearance” by US Customs and INS personnel at Ottawa, which works well. This is the same system we have at other Canadian airports.

*Q: How about on the cultural side, tv and publications?*

NILES: That was a major area of controversy because of Canadian discrimination against U.S. publications, films, and TV programming. Under the guise of “protecting Canadian culture,” the Canadians had a fairly restrictive policy and subsidized Canadian productions. This was a big issue in the Free Trade Agreement. In the end, in the Free Trade Agreement the Canadians undertook not to make the existing situation worse from

our point of view. That was all we could get. They stood on their “Canadian content” requirements and protected their programs to promote Canadian culture. We subsequently took the Canadians to the WTO on their restrictions against American magazines, the so- called “split edition” issue, and we won that case. It was a difficult issue and one that goes on to this day.

*Q: What was your personal impression of this push for Canadian culture? Was this something that the people in Canada whom you met were all for it, except you found that they were really watching American tv programs and reading American magazines?*

NILES: There was more to it than just protecting Canadian culture. Most Canadians wanted to have a unique voice, their voice, which is quite understandable, although many of them balked at paying for it and they also wanted to have access to world culture, including culture from the United States. When I say “culture,” I put it broadly. We are talking about pop culture, too. We are talking about movies, music, rock n’roll, country music, etc. But what was not always expressed with quite the same clarity on the Canadians side was that much of the pressure for protecting Canadian culture came from the industries in Canada that benefitted from it. This came from the Canadian movie people, publishers, and so forth. It was, for them, a very real economic issue, and we were dealing with protectionism in the guise of cultural nationalism or protecting culture. That was not, necessarily, a very popular argument to make in Canada, because when the Canadian media got hold of it, they reacted quite negatively. But, I think it was a fact.

*Q: What about the Canadian intellectual class? I think we have talked about this before, but when you were up there, was there an identifiable group of opinion makers?*

NILES: There is a political class everywhere, and parts of the Canadian political class was allied with cultural nationalists and were among those who were more skeptical of the United States, in particular some of the policies of the Reagan administration. I do not believe this included the broad mass of the Canadian people. One of the reasons that I thought it was so important to have a very active public affairs program in the Embassy was so that we would be able to speak to the Canadian people directly. One of the reasons I particularly liked to go on live network television in Canada was that it gave me the opportunity to bring our message into Canadian homes without the filter of some journalists who would put his or her spin on whatever it was I said. I cannot remember one opportunity to go on television that I passed up. We sought out the most obscure programs. I felt that this was the way in which we could get our message across most effectively.

*Q: Were there any criminal problems while you were there, such as people hopping across borders, law enforcement problems?*

NILES: We had very good cooperation between the FBI and the DEA on our side and the RCMP on the Canadian side, but, inevitably, we did have problems. One way people can escape from the law in Canada or the United States is to go to the other country. That frequently happened. We had an active extradition process going in both directions that

worked well. Problems did come up with people who were potentially subject to the death penalty in the United States because in most cases the Canadians would not extradite them unless we could give them assurances that this person would not be subject to capital punishment. In many cases, we were unable to give that assurance. The federal government couldn't give that since the cases were under state jurisdiction. One of the realities of life in North America, is that the criminal syndicates, organized crime families work together and don't respect the border. Drug smugglers don't care that there is a border between the United States and Canada. We found that many people who were engaged in narcotics operations in Canada, for example, were allied with crime families in the United States. There was one guy named Frank Catroni whom the Canadians were trying to get back for heroin smuggling. We jailed him in the United States, and we were trying to extradite him. Mafia lawyers are good. They took full advantage of all the legal loopholes and made it difficult for us to do what we wanted to do, which in this case was to send Frank Catroni back to jail in Canada.

*Q: Words keep changing, but how about indigenous people, Indian tribes, Newts? I can see two aspects, (1) a certain amount of backwards and forwards business, but also (2) a look at the way the Canadians were dealing with their tribal problem as opposed to what we were doing. Was that at all a factor while you were there?*

NILES: It wasn't a problem. The Canadians claimed to be more sensitive to the needs of their indigenous people, but I think in reality the problems of the indigenous people in Canada were very similar to the problems we have in the United States. Whether they were living on "reservations" in the United States or "reserves," as they call them in Canada, the situation was not good. I remember visiting the DEW Line base at Hall Beach in northern Quebec, which was about half way between Ottawa and Elsmere Island as part of a visit to Alert Base, the northernmost point in Canada where we and the Canadians maintain a communications intercept post. We flew up in a Canadian force plane. The Hall Beach DEW Line site was in the process of being phased out, but it was neat and spiffy. We had breakfast there and a briefing on the status of operations and the phase-out process. As we were going back to our airplane, we were invited to visit the town of Hall Beach, which we agreed to do. So, we went to the Indian settlement of Hall Beach, which was about two miles from the DEW Line site. The contrast could not have been greater. Whereas the DEW Line site was very neat and tidy, the Hall Beach settlement looked like a group of marauders had just ridden through and destroyed half of it. It was full of wrecked automobiles, wrecked snowmobiles, wrecked boats and, sadly enough, wrecked-looking people. There was trash everywhere. It was awful. We walked through the streets of Hall Beach with the group who had been with us at the DEW Line site, one of whom was a French-Canadian Catholic priest. I was looking around at this awful place and said to the Catholic priest, "What is going on here?" He answered me with one word: "Welfare." The point is that it was worse than what I have seen of some of the poorer Indian reservations in the United States. Although the Canadians talked a good line about doing better than the Americans in dealing with problems of the indigenous people, but I don't think they did. I think the problems are very, very similar. In eastern Canada, the native people in places like Iqaluit, which is the Inuit name for Frobisher Bay, had depended traditionally on two sources of income: sealing and fishing.

By the time I got up there, in 1987, both were essentially dead. Sealing had been killed by environmental protests in Europe against the killing of the baby harp seals. The decision originally taken by the Europeans theoretically exempted indigenous sealing, but the fact was that the protest against the method used in killing the seal pups essentially destroyed the market for seal pelts. It killed the industry irrespective of whether indigenous or non-indigenous people were sealing. So, there was no sealing going on for the people in Frobisher Bay, which meant that the seal population mushroomed. Each seal would eat several pounds of fish a day. One of the things that had helped kill the fish reserves off Eastern Canada was the proliferation of seals. You lost the sealing and then you lost the fishing, and the economy of Frobisher Bay, or Iqaluit, was in a state of very serious distress when I was there in 1987. In western Canada, there was basically nothing for the Inuit and the Indians to do in the northern areas. Some of them worked on oil rigs and mining, but that was small scale, compared to the numbers. So, there was tremendous unemployment. It was a very serious problem.

Let me mention one other thing because this was a classic U.S./Canada issue. We have treaties with Canada, going back to the 1800s, that exempt the native tribes that lived on both sides of the border from customs duties and other excise taxes. They can move back and forth without hindrance. One of these tribes is the St Regis Mohawks, who live near Messina, New York and Cornwall, Ontario, and in western Quebec, along the St. Lawrence River. These people took advantage of their special to run huge bingo parlors in northern New York. This was before casino gambling became commonplace on United States Indian reservations. They also engaged in a huge cigarette smuggling operation. Cigarette prices in Canada then were about \$6.00 per pack, about four times what they were in the United States. The St. Regis Mohawks were making tons of money buying cigarettes in the United States, taking them to Canada and selling them. The Canadians tried to crack down on this. The St. Regis Mohawks resisted and claimed that under the various US/Canadian treaties they were exempt from customs and excise taxes, which was true but missed the point that the products were for personal use. Legally, some of the tribes had the right to U.S. and/or Canadian citizenship, and some of them had U.S. and Canadian passports. One of whom was Bryan Trottier, the famous hockey player who played for the New York Islanders. He is a Micmac Indian. He played with Mike Bossy on the Islanders team that won four consecutive Stanley Cups in the early 1980s, and he could play for the American or the Canadian team, depending on his choice, in international competition.

*Q: What about, as you looked at it, during this time, some of the regional things? In the first place, what you call the Maritime provinces?*

NILES: The provinces on the Atlantic Ocean: Nova Scotia, Newfoundland, New Brunswick, and Prince Edward Isle.

*Q: Yes.*

NILES: These provinces are very much linked with New England. By the way, if you go out to Halifax, you don't see the kids wearing sports paraphernalia of teams from

Montreal or Toronto. They are wearing Red Sox hats and Bruins hats. I don't remember seeing too many hats or jackets from the New England Patriots. But for hockey, it is the Boston Bruins all the way. As far as baseball, they don't care about the Expos or the Blue Jays, they are big Boston Red Sox fans. Many people in the Maritimes call New England "The Boston states." Boston is really the center of their world. There is a lot of movement back and forth between the Maritimes and New England. The governors and the provincial Premiers meet very frequently. I used to go to some of their meetings. They were very convivial meetings. People had similar problems. It is a very close relationship. The same thing is true all along the border. In British Columbia, the people feel much closer to the people in Washington State and Oregon than they do to people in Manitoba or Ontario, not to speak of Quebec. Canada, in a way, breaks north/south, and they tend to look south to the neighboring region of the United States. People in Alberta look to the inter-mountain region of the United States. If you look at the inhabited part of Ontario, it is surrounded by the United States. It cuts down into the United States and borders on states ranging from Minnesota to New York. The Premier of Ontario was in constant contact with his counterparts from Michigan, Indiana, Ohio, New York, Illinois and Wisconsin. They recognize that they have to work together on environmental, trade and other issues, and they do so, generally quite well. It works both ways. I remember once when Chief Justice Burger and his wife visited in the initial visit of what became an ongoing exchange between the two Supreme Courts. It turned out to be extremely productive for both sides. But Mrs. Burger remarked that living in Minneapolis, where they were from, they thought nothing of driving to Winnipeg to see a hockey game and vice versa. She said that people used to drive to Minneapolis/St. Paul for dinner from Winnipeg. There was a tremendous amount of movement back and forth between the border states and the Canadian provinces. It was very healthy. It makes people understand better the strong common interests that we have with Canada.

*Q: Did the language, French/English thing, intrude at all on your work at the Embassy? Did you have to be careful about this?*

NILES: We had to be careful. In Quebec, I did business largely in French except in Montreal, where the language with the people I generally dealt with was English. I gave speeches in Quebec in French, not in English, unless it was a business group that was clearly not Francophone. We had our two Consulates in Montreal and Quebec City, and the Consulate in Quebec operated almost exclusively in French. Even with a liberal administration in the Province, the city of Quebec was very much French, whereas Montreal was mixed.

*Q: Did the French Embassy have much influence? Did you find it to be an Embassy to be reckoned with?*

NILES: That is an interesting point. The French Embassy in Ottawa was careful about its relationship with Canada and handled the Quebec issue with care. I kept in close contact with the French Ambassadors. One of them, Bujon d'Estang, is now the Ambassador here. He was a close associate of Chirac and was appointed Ambassador to Canada at the end of the "Cohabitation" government of 1986-1988 when Chirac was Prime Minister.

When Chirac came back in as President, he was Ambassador to Washington. The French, perhaps duplicitously or deviously, basically allowed their consulates in Quebec to lead the way on support for Quebec nationalism, whereas the Embassy in Ottawa was very, very careful. I had the impression, frankly, that for the French Ambassadors in Ottawa their consulates in Quebec were very independent. It was probably convenient for the French Ambassador to Canada, not to know too much about what was going on.

*Q: Deniability?*

NILES: Yes, deniability. I don't think there is any question that some elements in France, up to and including the President in the case of DeGaulle, were playing a dangerous game with Quebec nationalism. DeGaulle came to Canada in 1966 on board the cruiser *Colbert*, a choice of conveyance that the Soviets would have said was "not accidental." As Louis XIV's Finance Minister, Colbert had established the "factories," which the French colonies in North America were originally called. He was responsible for the establishment of French Canada. So DeGaulle came up the St. Lawrence River on the *Colbert* and had a tumultuous welcome in Quebec City. He came out on the balcony of the Quebec City Hall and cried, in his own dramatic way, "Vive le Quebec Libre." This created an enormous stir in Canada. I had one very interesting personal insight into this, 19 years later. My driver when I was Ambassador, Vaughan Cameron, a wonderful Canadian from Nova Scotia, was at that time the Regimental Sergeant Major of the Guard's Regiment in the Canadian Army. They were the ones who marched in front of the Parliament Buildings wearing ceremonial red coats and tall bearskin hats, very much like some of the units in London, and deliberately so.

*Q: The Sixty-Nines, or something like that?*

NILES: No, that was the Quebec regiment. Vaughn Cameron told me that he was out drilling his regiment on the lawn in front of the House of Parliament, between the House of Parliament and the American Chancery to prepare for the reception of President DeGaulle. Prime Minister Lester Pearson came down from his office in the Center Block, walked up to Regimental Sergeant Major Cameron, and said, "Regimental Sergeant Major, you can send your men home. We won't be needing them because he is not coming. I withdrew the invitation." So, Vaughan said, "Yes, Sir" and ordered his men back to their barracks. DeGaulle's intervention in Canadian politics was doubtless the worst example of French meddling in Canada politics, but there is no question that in the period since then Governments of France have consistently played an unhelpful role in the whole Quebec issue. I don't think there is any question that the Quebecers assume, as I am sure Lucien Bouchard did when he treacherously stabbed Mulroney in the back, that France would recognize an independent Quebec one minute after the Declaration of Independence. Bouchard had lots of contacts in French, where he had been Canadian Ambassador from 1984 to 1988. When he returned to Canada, he became Minister of Environment. He resigned in 1991 and became a separatist again. He makes no effort to conceal the fact that he expects France that would recognize the independence of Quebec the moment it was achieved. I am sure he is right. So in my view, France has played a very unhelpful role in the Quebec issue. Can you imagine what the French would do if

the Italians were found to be supporting the separatists in Corsica? Remember that France bought Corsica from Genoa in 1768, which was a few years after they lost their North American colonies to the British. The Italians, or at least the Genoese and the Branco San Giorgio, have as much of a right to be concerned about Corsica as the French have in the case of Quebec. I can tell you that if that happened, the French would go crazy. Managing the situation in Corsica is already difficult enough for the French. Or if some foreign country supported the independence of Brittany, can you imagine what you would hear from Paris? The French would go absolutely into orbit. But they seem to think that they have an absolute right to encourage Quebec separatism. It is a sort of French version of the “Brezhnev Doctrine.” They ought to be more respectful of Canada, I think.

*Q: During the time you were there, were there any people in the Canadian government who were of Quebec origin, come and say, “Well, this is what I really feel,” or did they say, “What would the United States do if...?”*

NILES: Absolutely not. You might have expected something like that, but it never happened. As I said, Quebec separatism, on the surface, seemed to be a thing of the past while I was there. We fortunately had Bob Montgomery in the Embassy constantly reminding us that the issue would not go away. Mulroney made a valiant effort to solve the problem with the so-called “Meech Lake Agreement.” This Agreement between the Federal government and the 10 provincial governments recognized that Quebec was a “distinct society” within the Canadian Confederation and it gave all the provinces, including of course Quebec, almost total autonomy in areas such as education and culture. Had it gone into effect, the anomaly that Quebec has not signed on to the Constitution of Canada would have been removed.

*Q: When did that come in?*

NILES: The Agreement was signed in 1988. It was finally torpedoed in 1990 by an odd collection of provincial Premiers: Gary Filmon (Tory) in Manitoba, Frank McKenna (Liberal) in New Brunswick, and Clyde Wells (Liberal) in Newfoundland. It was very unfortunate for Canada, I believe. The Meech Lake Agreement was by no means perfect. After all, it was a political compromise. But it was a step ahead. And its rejection by the group of three English-speaking Premiers was the key element in the resurgence of separatism in Quebec. The separatist leaders told the Quebeckers that the failure of the Meech Lake Agreement meant that they would never get a fair deal in Canada, and many believed it.

*Q: How did we view the Meech Lake Accord and the rejection of it, from the Embassy?*

NILES: It was rejected after I left. Although we kept resolutely out of it, we devoutly hoped that it would succeed. We thought it was good for Canada, and if it was good for Canada, it was good for the United States. We also recognized that the one thing that would probably kill it quicker than anything else would be an endorsement from the United States. To use Secretary Baker’s idiom, we did have a dog in that fight, but we

didn't want to recognize it. We didn't want to say that that was our dog.

*Q: Well, Canada, particularly since the time of Trudeau, or maybe even before, has played the American role, except in a minor key, or maybe a major key, being the world nanny, going around on various things, peacekeeping and also coming up with resolutions, and all this. Did this cause difficulty?*

NILES: There was much less of that during the Mulroney Administration. Mulroney didn't change the basic Canadian approach, particularly on peacekeeping. Canada remained very active on peacekeeping around the world. But, Mulroney deliberately avoided what might be considered gratuitous slaps at the United States. Generally, speaking, he was careful about initiatives that were likely to be of concern to Washington. He didn't see any particular virtue, from Canada's perspective, in getting out in front of these things. The current and Foreign Minister Lloyd Axworthy, in particular, obviously do not feel that way. So, on the Land Mine Convention and the International Criminal Court, Canada took a very forward leaning position on both.

*Q: How about the role of Canada and NATO? Their military force is pretty blinded by this time.*

NILES: By now, yes. They have cut it back and they have withdrawn their forces from southern Germany. Of course, they would have done that anyway, because of German unification. Canadian forces have been really paired back. While I was there, it was still during the Cold War, and Mulroney tried to maintain a capable Canadian force in NATO. He took the NATO commitment seriously, not to say that the present Canadian government doesn't. Obviously, the situation has changed. Jean Chretien is also a supporter of NATO. While I was there, there were no major problems that I can recall between the United States and Canada about the defense spending issue, even though Canada did not achieve the three percent of GDP target that NATO had established for defense expenditures at that time. They did their best to keep up their forces, and did so. They were limited, but capable.

*Q: Cuba?*

NILES: It didn't raise its ugly head. Canada had relations with Cuba. There was a Cuban Embassy in Ottawa and Canadian Embassy in Havana. But, the kind of grandstanding that we get on Cuba today, did not happen. For whatever reason, Canadian corporations had little or nothing to do with Cuba. At that time, Cuba was basically living off the Soviet Union. They had their sugar-for-oil deal, and Cuba was receiving a fair amount of support from the Soviets. They really didn't have to look to countries like Canada, Spain, France, United Kingdom, for help. It was only after the end of the Soviet gravy train that the Cubans realized that they were out of luck unless they were able to find an external source for financial support and began to encourage foreign investment. Canadian companies have invested there, as have others.

*Q: Did Iran Contra business of Central America cause an annoyance to you?*

NILES: We got some spin off from it. There were a few loose ends of Iran-Contra that lead to Lebanese people in Montreal who claimed to be able to influence the groups that were holding some of our hostages in Lebanon. We coordinated all of this with the Canadians and worked with the RCMP. I was in touch with the Department and with the FBI. But it was a minor part of it, and fortunately it was never publicized.

*Q: What about the Central American policy during this time?*

NILES: We didn't have any support to speak of in Canada for our Central American policy from the Canadian political class, the media or the population. Essentially, nobody understood what we were trying to do and why we were so concerned. But, again, the Mulroney Administration, though not supporting our policy, sought to downplay the issue. The Prime Minister knew that this was an issue of importance to President Reagan, and the position of the Mulroney Administration was, "Look, we value our relationship with the United States. We don't agree with you on everything. Where we don't agree with you, we will let you know, but we will try not to make a federal case out of it." The Canadians let us know, on things such as Central America, that they didn't agree with what we were doing, but by and large, they did not make too much of a fuss about it. It was a fairly low-key, but clear expression of their policy, I would say.

*Q: Well, Tom, before we end this session on Canada, is there anything we haven't covered?*

NILES: Overall, it was a great experience. There was one great disappointment, namely the outcome of a competition to sell aircraft to Air Canada in which Airbus won over Boeing, with the help I believe of large amounts of money spread out in the Canadian political system. This issue continues to surface from time to time in Canada. If the German go-between, Karl-Heinz Schreiber, who is now under investigation, ever tells his story, it could still, almost 15 years later, have major repercussions in Canada.

I benefitted tremendously as Ambassador from the excellent personal relations between President Reagan, Vice President Bush, Secretary Shultz and Secretary Baker with their Canadian counterparts. President Reagan and Prime Minister Mulroney had annual meetings. President Bush's first foreign trip was to Ottawa in February 1989. Prime Minister Mulroney came down to Washington in June 1989 to inaugurate the new Canadian Chancery. This interchange at the top cannot be overestimated in terms of its beneficial impact on the relationship because it forces our system to focus on the issues. It gives you a reason to say to all these recalcitrant bureaus and agencies in the United States that the President is involved, therefore, they need to get with it. It really helped. But, overall it was a great experience.

*Q: With this telephoning back and forth, and chatting and getting together, they didn't need an interpreter. Did you find yourself out of the loop sometimes?*

NILES: It was a danger. You could get out of the loop quite easily, and I had to make a

tremendous effort to stay, at least, partially in the loop. I spent a lot of time doing that. People in the NSC were understanding and they generally kept me informed. Sometimes I found out what was going on from the Canadians, which was a little embarrassing, but you have to do that. It was not just between the President and the Prime Minister, but it was between Canadian ministers and our Cabinet officers. They were on the phone constantly, and I frequently had to be playing catch up ball. But, that was just part of the relationship.

*Q: Do you have any stories to tell about Reagan and Mulroney, while you were there?*

NILES: Not really. It was a very warm, and I think, genuine relationship. They liked each other. Their spouses got along well. The Mulroneys were very solicitous and respectful of the Reagans. They played that card well. They knew it was important. For the Ambassador, the tremendous advantage of those close personal ties at the top cannot be exaggerated, not just in substantive terms, but in terms of my access to Prime Minister Mulroney or President Reagan. I got to know the Reagans in ways that career officers rarely get to know the Chief Executive of our country. When Mulroney came to Washington in 1986 and 1988, we invited upstairs in the White House before the dinner an hour with the Reagans and a very small group of Americans and Canadians. It was quite a remarkable experience, something that every American should do.

*Q: One last question. In one way, Mulroney was riding pretty high. Did you see any cloud on the horizon about Mulroney and his party at that time?*

NILES: It is strange what happened. He was riding high. He won a big election victory in 1984 and a big reelection victory in 1988. He retired in 1993 and was replaced by Kim Campbell, who people thought was a sure winner but then suffered the greatest loss in the history of Canada. The Progressive-Conservative (Tory) Party went from 180 seats in Parliament to 2. It disappeared practically at the Federal level. By the time Mulroney retired in 1993, he had lost much of his popularity and was generally seen as not entirely honest. While in office, he was, I think, respected but not liked, and not trusted by many Canadians. This was what the poll data would suggest. Many in Canada saw him as too slick, too smart, too telegenic, too "American." Ultimately, he paid the price for it. There were corruption scandals in his administration, whether more or less than the norm, I don't know. Several of his ministers were clearly engaged in inappropriate conduct and there were other cases. This happens in the best of families. Mulroney himself was the subject of investigation in 1997/98 growing out of the Airbus affair I mentioned a moment ago. But I cannot explain why the Prime Minister fell from grace after he retired from politics. My explanation, to the extent I have one, would be that while the Canadian people saw him as competent and effective as Prime Minister, he never really connected at a personal level with most Canadians, who found him to be a little too smart, too slick, and too handsome.

*Q: Well, Tom, we will pick it up the next time. You left Canada in June 1989.*

NILES: June 30, 1989. I went on a direct transfer overnight from Montreal to Brussels.

*Q: All right. We will pick it up then.*

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*Today is September 4, 1998. Tom, there are two questions that occurred to me that I would like to ask you about Canada. First, how useful did you find our Consulates? How many did we have?*

NILES: We had seven when I started and six when I finished. We closed the Consulate in Winnipeg, Manitoba in February 1986. I lost the fight to keep it open. I found the Consulates extremely useful. They were excellent sources of information on developments of what was a very federal and disparate country, a huge country, and they were excellent points for contact with Canadians - media, business groups, local politicians - as well as providing services to Americans who were visiting, or who had property or other interests in the area. I found it a very useful part of our structure in Canada and fought hard to keep them all. I succeeded in standing off efforts to close the Consulate in Quebec City. Justifying it to some people was difficult. They would say, "Well, you have a Consulate in Montreal," which was true, but this two-officer post in Quebec City was extremely valuable to us. We needed to be present in the political center of the Province of Quebec, as well as the economic and media center in Montreal.

*Q: I would think you could see a real justification because these aren't minor matters in regards to American interest.*

NILES: Absolutely not. We need to know what is going on, first-hand, through contacts with the government of Quebec. Doing that from Montreal is hard.

*Q: One other thing. You mentioned that you had been around several times with President Reagan, when he was meeting Mulroney. What was your impression of President Reagan, as far as his grasp of the issues, because often he has been portrayed as somebody who read talking points on cards, and that sort of thing?*

NILES: I think the fact that President Reagan used 3 x 5 cards for his meetings with foreign officials is nothing to be scoffed at or used as a basis to downgrade President Reagan's performance. He respected the ability of his staff to give him specific points to use with visiting officials. He also recognized that on many of the nitty gritty issues of Canadian/U.S. relations, he simply wasn't going to be able to get up to speed. There were simply too many of them. He relied on his staff, and sometimes his staff let him down. I saw a couple cases, certainly one during the 1982 Siberian pipeline dispute when the NSC staff put together some talking points for President Reagan which were absolutely stupid and got him into a great argument with Margaret Thatcher. That can happen. Where President Reagan had problems, it frequently came because of too great a reliance on his staff, for example Iran/Contra. The President, I think, recognized that he had a heavy agenda and a lot of things to do, and he wasn't going to be able to do them unless he had a lot of help. That was his attitude. On the basic issues with Canada, two or three

key issues, President Reagan didn't need any help from us, certainly not on the principle of the Free Trade Agreement. Now, if it had gotten to the point, which fortunately it never did, where President Reagan was negotiating the specific detail questions in the Free Trade Agreement, he would have used talking points. He never had to, fortunately for him, because that is not what Presidents should do. We do not have a President to negotiate a Free Trade Agreement. He sets the general guidelines and then people who work for him go off and negotiate. I had a lot of respect for President Reagan in that he had several things in which he believed very strongly, pursued them, and inspired his people to go out and pursue those same objectives. Those, I think, were laudable objectives, such as reducing trade barriers and building up structure of free trade around the world. That was something in which he strongly believed. He believed in less government, which I think most people today probably agree is a good idea. He believed in a strong defense and a strong U.S. posture vis-a-vis our enemies, and it worked. President Reagan, I know, is a controversial figure, but I have a lot of respect and affection for him. It was hard not to like him, even for those who really disagreed very strongly with him. Speaker O'Neill, for example, liked him as a person.

Let me give you one example of President Reagan's strong commitment to free trade. I participated in a meeting in the White House in May 1984 (as a Deputy Assistant Secretary for European Affairs) at which we were preparing President Reagan for G-7 Economic Summit in London. That was the year he first went to Normandy for the spectacular 40<sup>th</sup> anniversary of D-day. After that, he went from Normandy back to London for the summit. During this briefing of the President on all the issues for the Summit, where our principal objective was to persuade the European Community, which at that point really meant persuading Francois Mitterrand, that we needed to have another international trade round to build on the success of the Tokyo Round. The French were against it even though all the other members of the European Community and the Japanese agreed with us. President Reagan was very frustrated with this, in part because he had been trying since 1981. (We finally got agreement from the French at the Bonn summit in June 1985.) But, in London, we did not succeed. In any case, we were having this meeting with President Reagan in the Roosevelt Room of the White House. There were about 35 or 40 people there, including Secretaries Shultz, Regan, Baldrige, and Block, USTR Bill Brock, and others. At one point in the discussion, President Reagan stopped and said, "You know, this is a very important anniversary," and he looked around the room. Everyone around the room began to wonder what he had in mind, what important anniversary occurred in 1984, what was the President thinking about. Everybody, of course, wanted to impress the President and no one wanted to disagree with him at a large meeting of that kind. So, everyone waited and said nothing, and President Reagan went on to said, "Yes, you know, this is the 50<sup>th</sup> anniversary of the Reciprocal Trade Agreements Act." Everybody said, "Yes, right, Mr. President." He said, "You know, that was an extremely important step away from the protectionism of the Smoot-Hawley Tariff and a step toward economic recovery for the world. Cordell Hull really was a visionary man and we ought to try to do something this year, at this Summit, to take notice of the fact that that was an important step. It merits recognition at this time, in some new move to open up markets." Everybody said, "Yes, Mr. President, that's right." And we used that theme -50 years from the first Reciprocal Trade Agreement Act

- at the London Summit. But it was not enough to move the boulder in the road named Francois Mitterrand, who was implacable in his opposition, and that of his lackey Jacques Attali, who was so clever in finding reasons for not doing things. Ultimately, we did succeed, and we had the Uruguay Round, and ultimately it succeeded too, although later than we had hoped. I tell that little story simply to demonstrate that President Reagan was a person of principles and ideas. He was not a person of details. He was totally bored with them. He didn't care about all of the nitty, gritty stuff that made our lives.

*Q: It also points out, that Reagan, basically was the New Dealer, to some extent.*

NILES: President Reagan was a liberal Democrat in the 1930s. He changed his position in the postwar period, but he was a supporter of Franklin Roosevelt in the 1930s. In 1934, he was still finding his way and obviously living in modest circumstances, and Franklin Roosevelt and Cordell Hall and others in that Administration looked pretty good to him. In retrospect, they look pretty good to me today. That is what we needed then. Reagan admired President Roosevelt. He talked about him at various times.

*Q: We were talking about Presidential styles. You had something to add about Carter.*

NILES: The contrast between President Carter and President Reagan could not have been greater in terms of Presidential styles. Both were fine gentlemen, are fine gentlemen. But, in terms of operating styles, they couldn't have been further apart. My favorite example involving President Carter comes from his strong and valid concern about nuclear proliferation. He had his experience in the Navy when he had been a nuclear engineer on one of the earlier submarine programs, with Admiral Rickover. He knew a lot about nuclear energy and this influenced his concern about proliferation. There was a lot of concern at that time in the Congress and elsewhere about it. It was an issue that deserved a lot of attention. One issue that we got involved in was retransfer authorizations for low enriched uranium that we had supplied to European countries for nuclear power reactors. Under one of the pieces of legislation - I think it was passed in 1977 - we had to assemble a great deal of data for each of these transfers. I remember one in particular that I was responsible for as Director of Central European Affairs because the Swiss wanted to retransfer used nuclear fuel elements, originally supplied by the United States, for processing in France. A certain amount of plutonium was going to be extracted from the fuel as a result, and it was subject to special controls, as it should have been. We coordinated the preparation of a large packet of material that we had to send over to the NSC because, under the law, the President of the United States has to approve each of retransfer, even if it is quite small. In this case, we were talking less than a kilo of plutonium. The Department sent the material to the NSC and, low and behold, it came back for additional information. Even more astounding, it had the President's own handwriting on it. You could see from the routing on the package that it had gone from someone on the NSC staff to Dr. Brzezinski, to President Carter, who had read through all this and made marginal notations on it where he had questions or problems. He had written bit of various technical information that we had simply could not understand since we had merely compiled material that other people had given us. Even though nuclear proliferation was a very important issue, that case to me demonstrated a misuse

of presidential time. President Reagan would have never even seen the package, much less read it and come back to us for more information. Somebody would have signed off for him if it looked okay. There has to be some kind of a balance, perhaps, between these two approaches, but I do think that in terms of running the United States government, President Reagan was closer to what we need than was President Carter.

*Q: While we are on this subject, and while you were around it so much, I gained the impression that a good number of President Reagan's staff in the White House underestimated the President, himself, and felt they were in charge of things. They helped to, almost denigrate him in order to show that they were really doing something. This was the problem of a staff with a laid back Executive. Did you get that feeling?*

NILES: I didn't really get that impression from anybody with whom I dealt over there. There was a lot of respect for the President. They were perhaps overly protective as a matter of fact. Of course, I am talking now mainly about the people on the NSC staff. We dealt occasionally with Chief of Staff Baker and his deputy, Dick Darman, on big events, summits and things of that nature. Secretary Baker was, of course, always very careful to ensure that the President's interest was protected, whatever the issue might have been, and that all the legalities were followed. Dick Darman had a rather sardonic wit and made a lot of rather cutting jokes about people, some of whom could be in the room, but his jokes were never about the President. I do think that President Reagan's style contributed to the Iran/Contra disaster. I think at the end of the day, President Reagan was, in fact, surprised and dismayed when he found out how far his staff had taken his evident desire to free our hostages in Lebanon and aid the Contras, without going back to him and letting him know exactly what they were going to do. They did not ask him whether what they were doing was consistent with his direction. Iran/Contra in my view was a bit like another great staff breakdown when Henry the II of England made the offhand remark, "Will no one rid me of this meddlesome priest?" A couple of his courtiers took him literally, went to Canterbury and killed Cardinal/Archbishop Thomas a Becket. Henry II was then shocked to find what those well-meaning idiots had done. The Iran/Contra affair was a little like "Murder in the Cathedral. President Reagan may have said, "We must get these poor people out of captivity in Lebanon!" So, people said, "Yes, there is a way," which turned out to be illegal. That is what happens when you have poor staff work or when you have a Chief Executive who is too detached. Maybe Henry II was too laid back, and made offhanded remarks from time to time in exasperation. It was a pain in the neck. He was the King of England and this guy who had been his friend and close advisor was tying knots in his tail. He was angry. President Reagan was angry at the Hezbollah, who kept kidnaping and holding Americans hostage, that after having blown up the Marine barracks and our Embassy in Beirut.

*Q: Tom, in 1989, you were in Canada...*

NILES: Up until June 30, 1989.

*Q: There had been an election.*

NILES: Both Canada and the United States had national elections in November 1988. President Bush was elected at the beginning of the month, and then the Canadians reelected Mulroney around November 20, 1988 with a slightly reduced but still strong majority. President Bush's first foreign trip as President had its first stop in Ottawa around the February 10, 1989. It was on that occasion that Secretary Baker told me that I would be going to USEC, the United States Mission to the European Community, when my time in Ottawa ended. President Bush confirmed that when we were sitting at the table, waiting to have lunch with Prime Minister Mulroney at Rideau Gate, the Canadian official guesthouse. I was very fortunate. I expressed an interest in going to the European Union to Secretary Baker, while he was still Secretary of the Treasury, and to Deputy Secretary to be Lawrence Eagleburger, who was an old colleague from Belgrade days. It was one of those rare occasions when they said, "Yes, that makes sense. You have worked on European Community issue, why not?"

*Q: Incidentally, how did you find Mulroney and Bush?*

NILES: It was a close and very friendly relationship. During the Reagan administration, on one occasion, when Prime Minister Mulroney was totally frustrated with "the Americans," because nothing seemed to be working (the Free Trade Agreement negotiations were bogged down in endless details, acid rain talks didn't seem to be going anywhere, nor did the talks on the "Northwest Passage") he let out a cry of anguish to President Reagan. They had a phone conversation. This was in February 1987. President Reagan sent the Vice President up for a one-day visit, along with Secretary of the Treasury Baker. I went with them to the meetings, at which the Vice President basically told the Prime Minister, "Hey, look, these are tough issues. We have to stay the course. We are committed to them. We will work this out, but be patient. We understand you." Mulroney was under incessant attack from all sides, but particularly, from the Liberal Party and the New Democrats that he was kowtowing to the Americans and getting nothing for it. The Liberal line was that Mulroney was dancing to the Americans' tune but they did not even give him fifty dollars the way Colonel McCormick used to do when Mulroney sang songs for him back in the 1940s. This close relationship between the Prime Minister, Vice President Bush, and Secretary Baker was forged at that time. It was a very good one. They got along extremely well. Secretary Baker came up to Ottawa in April 1988 for specific issues that needed to be resolved before the G-7 Summit that was coming up in Toronto in June 1988. He also discussed some bilateral issues, including difficult trade problems such as the Airbus problem. So, Secretary Baker knew the Prime Minister quite well, as did then Vice President, and subsequently President Bush. It was a good relationship.

*Q: It was called the U.S. Mission to the European Community?*

NILES: At that time. Now, it is called the U.S. Mission to the European Union. As Assistant Secretary for European and Canadian Affairs, I decided that the name of the Mission should be changed after the December 1991 Maastricht Summit when the Europeans changed their name from "European Community" to "European Union."

*Q: You were there from when to when?*

NILES: July 1, 1989 to September 1, 1991. It was to have been a three or four-year assignment, but it was cut short in 1991 when we had a musical chairs routine that started when Henry Catto, who had been Ambassador to the UK, decided he want to leave London to come back to Washington as Director of USIA. He replaced Bruce Gelb, from Bristol-Myers, who came out to Brussels to be Ambassador to Belgium. Ray Seitz, who had been Assistant Secretary for Europe and Canada, replaced Henry Catto in London; I went back to replace Ray as Assistant Secretary; and, finally, Jim Dobbins, who had been Ray's Principal Deputy, came to USEC to replace me. Ray Seitz had been DCM in London from 1984 to 1989 suddenly went back to London as U.S. Ambassador to the United Kingdom. He was the first career officer, in history to hold that job and probably will be the last, the way we are going, to serve in that position. Ray's departure left open this job as Assistant Secretary for Europe and Canada. I resisted the assignment when the Director-General raised it with me, but when the Secretary of State calls and asks you to do something, you do not say "No." I told the Secretary that I had some important things going on over there, such as the Uruguay Round, and asked whether it would be better for me to stay. Secretary Baker said, "No, I think it would be better if you came back to Washington." I said, "Well, that probably is the best solution, Mr. Secretary. Thank you for your confidence in me." That was the way that went.

*Q: When you went out there, could you describe what the USEC was at the time?*

NILES: The relationship?

*Q: No. I am thinking of the mission itself, and then we will talk about...*

NILES: At that time, the Mission was of medium size as our foreign establishments go, and growing. In part, that was because people in the U.S. Government were beginning to understand that USEC was really an important place, and that the European Community, whether you thought it was good for the United States or not, was something that was: (1) here to stay; (2) probably a growth industry; and 3) of growing importance for the United States. Several U.S. government agencies that previously had never thought of having any particular interest in the E.C. or in the Mission to the E.C., suddenly wanted to have their people there. One thing I had to do was to manage the pressures from other agencies, not the State Department, to expand the Mission. The growth phase of USEC began in the early 1980s when Bill Brock very wisely decided that he needed someone from USTR there. I think Tim Bennett was the first USTR representative on the USEC staff.

*Q: Trade representative.*

NILES: He was the representative from USTR on the USEC staff. We had a USIS office, of course, for some time. By the time I got there, a very able officer named Chris Marcich was the USTR officer. He now heads the MPAA office in Brussels. The Departments of Agriculture and Treasury had offices in USEC, and the first issue on my plate was

Commerce Secretary Mosbacher's decision to station USDOC officers there. Given Mr. Mosbacher's close ties with President Bush and Secretary Baker, I was not in a position to resist. Initially, Secretary Mosbacher tried to get a couple of Texas businessmen to come over and take the job, but I managed to discourage that. The businessmen quickly realized that it really wasn't the job that they wanted after they came over and looked at it. USDOC finally did the right thing and assigned Jim Blow, one of their top career professionals to USEC as Commerce's first Minister-Counselor at the Post. It was great for me since Jim had been my Deputy in the Moscow Commercial Office from 1973 to 1976 and my Commercial Counselor in Ottawa. While I was there, other agencies began to look at USEC, including, of course, the intelligence community. Shortly after I left, officers from the FBI and CIA were assigned. So, USEC grew while I was there and it has grown considerably since I left. While I was there, we almost doubled the floor space. I managed to get new space in the same building. When I arrived, we had one floor, and then we move to two floors in the same building. Now, I gather that they have moved to another building in order to obtain more space. USEC, now of course USEU, has become an even more multi-agency mission than it was when I was there, and we had quite a few agencies represented by the time I left. When I arrived, I found that USEC had no classified word processing because we could not establish the necessary "zone of control" required by State Security. This was an impossible situation, and one of the reasons why I pushed for the move to different space was because it involved the top two floors in the building. This satisfied the "zone of control" requirement for the top floor, as long we were able to control access to the roof, which we were.

One of the best things about USEU is that it is a totally "substantive" mission and has no Consular or Administrative Sections. Embassy Brussels handled consular affairs, and in Brussels we have a combined administrative section for the three embassies: USEU, U.S. NATO and the Mission to the Kingdom of Belgium. In a way that was good because I did not have to worry about those issues, but it had a bad side because the employees in the Joint Administrative Section were really working, in the first instance, for the Ambassador to Belgium. So, on occasion, I had a little trouble getting the kind of administration services my colleagues and I needed.

*Q: Your DCM was who?*

NILES: When I started off, my DCM was Michael Ely, who had been there with my predecessor Al Kingon. Mike stayed on for one more year with me. Then, Tom Weston came for my second year. Of course, we had planned to spend more years together than that but the personnel changes I mentioned earlier intervened. Tom stayed on with Jim Dobbins, who replaced me in 1991.

*Q: I interviewed Mike Ely and he said during the time he was your Deputy, the problem was that you knew how to run an Embassy, and he didn't have anything to do. That was a compliment to you. He said that you didn't really need a Deputy.*

NILES: I'm sorry to hear that because that means I wasn't using my resources very well. Mike was a great support and a big help to me in Brussels, and a good friend. Every

Ambassador needs a Deputy like Mike, and you want to use that capability well.

*Q: I think Mike probably had...*

NILES: I think it was obviously different for him, moving from Al Kingon, who was an outside guy.

*Q: Yes, someone who had already been an Ambassador to a major country.*

NILES: I think what Mike may have been thinking about is that as DCM, the care and feeding of a career Ambassador is considerably less time consuming than if you have a political appointee, as he did during his first two years at USEC with Al Kingon. There are some political appointees who don't require all that much special attention, but many of them do.

*Q: In a way, you were representing the United States at what was essentially one of the key elements of American foreign policy since 1945, and that was to keep the French and the Germans from fighting each other, and dragging us in. That was what the whole thing was about. By this time, however, as you have already indicated, it was maturing. This cornerstone of American foreign policy... When you went out there in 1989, were we beginning to rethink this and wonder whether we were creating an economic monster that is going to bite us. Was there a concern at that time?*

NILES: I'm sure some people felt that, but I didn't. I wouldn't describe it exactly as you did, although preventing another war between France and Germany was certainly an objective. But we had a broader view, which included promoting the reconstruction of Europe and creating a partner in a unified Europe. Initially, we felt that reconstruction was most likely to be accomplished if the Europeans worked together. So we used the Marshall Plan assistance and the leverage it gave us to force the Europeans to plan and implement the reconstruction program together. In doing so, we helped to sow the seeds for European integration, and that is something of which we can be very proud. By the time I got there, the European Community was a flourishing organization. It had its problems and still does, but no one questions its existence. You could argue that as a result of our efforts we have built up a potential competitor, or a real competitor in some areas, but we also built up a stronger partner. We can't have it both ways. We going to have to accept the fact that, in some areas, particularly in some commercial areas, the European Union is going to be competitive with the United States, but that competition, as long as it is fair, is beneficial to both of us. I think, to a degree, the intensification of the process of globalization, which we see going on particularly between the United States and Western Europe, is changing the conditions of much of that competition. Determining the "nationality" of a product or even a company today is not easy. Developments such as the merger of Daimler-Benz and Chrysler, for example, and the incredible interconnections that we see in the high-tech industries such as electronics, pharmaceuticals and so forth are creating one North Atlantic economic area with one industry linking Europe, Canada and the United States, with Japan increasingly joining. That is the way we are going. There are some areas, commercial aircraft, for example,

where we are still fiercely competitive and we have to continue to compete and insist that the Europeans play by the rules, which we have done. I think it has been a wise policy, and it has been a successful policy. It is a policy that American Presidents since President Truman have followed, encouraging European integration. President Clinton continued that policy and I hope President Bush will have the wisdom to do the same. There were those in the Bush Administration when I was Ambassador there who felt that it had all been a big mistake and wanted to slow this process down. That was very much a minority view, and nobody paid much attention to it, fortunately.

*Q: There are a number of issues to follow, but why don't we start with the fact that you arrived in the year of 1989, which was an earthshaking year.*

NILES: Well, it was. We didn't know when I got there exactly how earthshaking it was going to be. When I got out there, things in Europe seemed to be more or less intact. Interestingly enough, at the Paris economic summit in July 1989, President Bush and the other leaders agreed on a new program to assist Poland and Hungary. That was one of the things we built during my time there, a structure for cooperation between the United States and the European community within which we coordinated our assistance programs, first to Poland and Hungary and then to the other countries that overthrew their Communist systems. As the year progressed, we had the tumultuous events in Germany beginning in August 1989 when the East Germans vacationing in Hungary were allowed to go the FRG. Then the same thing happened in Czechoslovakia. Interestingly, when the Hungarian government declared that its 1968 agreement with East Germany, under which all East German tourists had to return to East Germany, was no longer valid, they cited the 1975 CSCE Agreement. That gave all of us who had worked on that process since 1972 an enormous sense of accomplishment. Then we had the extraordinary events of October and November in Germany, with the breaching of the Berlin Wall on November 8, 1989. In December, we had the fall of the Communist governments throughout Eastern Europe, culminating in the Christmas overthrow of Ceausescu. It was a truly amazing set of events. Then, we and the Europeans reacted in a sensible way by setting up a mechanism for coordinating our programs to assist these governments as they embarked upon a process of democratization and building free market economies. That is a process that goes on to this day, but we started in 1989. Secretary Baker was very much involved in that.

Of course, we also had a host of other issues. We had the Uruguay Round trade negotiations, which were not going to well, largely due to disagreements between the United States and the EC on agriculture, and were very complicated. They were scheduled to end, but actually did not, in December 1990. We had a number of serious trade disputes with the European Union, particularly on food products and agriculture. In the commercial aircraft sector, a very difficult negotiation underway involving subsidies for Airbus. But at the same time, the European Community was going through its own internal development process, which culminated in the December 1991 Maestricht Agreement on economic/monetary union and the formation of a political union. At that same time, the United States was in the process of rethinking our relationship with NATO and with the European Union in the security area. Secretary Baker, for the first

time, in a speech he gave in Berlin in December 1989 to the Berliner Pressekonferenz, expressed the view that we would be prepared to cooperate with the European Union in the security area if the European Community were able to get its house in order on the security side. I got an advance copy of section of the speech on security cooperation from the Department, and went in and showed it to President Delors. He was absolutely ecstatic about it. I rarely saw him so enthusiastic about anything. He said “Secretary Baker has shown us the way.” That marked an important step in the work, which continues to this day, to develop a security relationship between NATO and the European Union. We have made a lot of progress, and it really started then. It was difficult, primarily, because of the French position, as usual. But, we have overcome many of those difficulties, and today we have a fairly good system in place to cooperate with the European Union within the overall NATO context.

*Q: In a way, we have had, for almost 50 years, an apparatus, a NATO military thing, in which we have troops well integrated in with other European troops and NATO. What is the big deal about switching it over to the European community from NATO?*

NILES: It wasn't so much a question of switching it over. The question, as we posed it in 1989/1991 period, was whether the European Union would develop its own separate security institutions parallel with, and in a sense, competitive with NATO or whether, in some way, we would find a mechanism whereby the European Union could develop its security capabilities within the framework of NATO, perhaps using the Western European Union, which had been set up in 1948 under the Brussels Treaty. The crux of the discussion was whether the European Union was going to have a security capability parallel to and separate from NATO or whether we were going to do this in a way that preserved the NATO framework and allowed the European Union to act as a European Union when the United States, for whatever reason, decided not to participate in a given military operation, but within the context of NATO and using NATO assets in the command, control, communication and intelligence areas (C3I). Secretary Christopher used the expression “separable but not separate” to describe the relationship of the United States and EU military forces within NATO. What that meant was that, as necessary and as appropriate, NATO capabilities could be used by the Western European Union for specific operations if the United States, for whatever reason, decided it would not participate. This led to this concept of the “Combined Joint Task Force” within NATO, which, in theory, at least, would mean that NATO capabilities in the command, control, communications, and intelligence areas would be made available to the Western European Union for some operation. An example of this would be a humanitarian operation in Africa if the United States decided that it didn't want to take part in the Combined Joint Task Force. Defining exactly how this would work is not easy, particularly because of the French position. If it had not been for the French, we could have solved all this in six months.

There were some points along the way where we signaled the Europeans that we thought they were getting a bit out of line. One came in February 1991, when we got some pretty stiff instructions from Washington which told us to go in and read the riot act to the Europeans. The reaction was not too positive, and afterwards the question came up of

who had written these instructions. No-one in Washington would take responsibility for them. It was as if the telegram had, somehow, written itself. Some tried to pin it onto Reggie Bartholomew, who was Under Secretary for Security Assistance. Others attributed it to Jim Dobbins, who was the Principal Deputy Assistant Secretary for in the European Bureau. Everybody ran away from this demarche, which, as I told the Department, reflected an unbalanced view of what the Europeans were considering. They were reacting to some things that the French had said that didn't reflect the overall European position. The debate within the European Community about the defense role for a unifying Europe had been going on for a long time, and was intensified by the move toward the Maastricht EC Summit and its consideration of proposals for monetary and political union. The European Community was in the process of transforming itself into the European Union, and it announced to the world that the Union was going to have a common foreign and security policy. That raised the obvious question about the relationship with NATO. That is what really gave the issue, which had been around for years, much greater prominence during 1991. And the debate goes on today, but a great deal of progress has been made in developing pragmatic solutions that enable NATO to continue as the principal vehicle for both European and Atlantic defense cooperation while the European Union continues the development of its own unique capabilities, within that general framework. One of the vehicles for cooperation is the so-called "Combined Joint Task Force," which was agreed at the NATO Madrid Summit in July 1997. In brief, this arrangement would involve a situation in which the United States decided not to participate in a given military operation and it was taken on by the European Union, relying on NATO capabilities in areas such as command, control, communications, intelligence and, perhaps most important of all, air lift. The fact remains that the only country that can move large numbers of military personnel and their equipment long distances is the United States, and that is not going to change anytime soon. We haven't yet had a Combined Joint Task Force in which the United States has not participated. When we do, it will be an interesting test.

*Q: We are talking about the time you were there, 1989 to 1991. You keep talking about the French. Was it your impression that the French essentially were using the European Community to separate the United States from a military role in Europe?*

NILES: The French always denied that, and I would agree that for many French officials, that was not their objective. But what I used to tell the French, in Paris, in Brussels and anywhere I could find them, was that, as a practical matter, their policies were having the effect of making it more difficult for us to maintain the U.S. military commitment in Europe. The French approached the issue from another direction. They said, "Look, World War II ended in 1945, and it is now 1991. Are you guys going to stay here forever? No, you are not. Sooner or later, the United States is going to pull the plug on its military commitment to Europe and Europe has to be ready to deal with that." My argument to the French was: "You are establishing a self-fulfilling prophecy. Do you want the United States to do this?" The French response was always, "No," to which my answer was: "Okay, fine. Why don't you take a look at your policies because what you are doing is having the practical effect of making it more difficult for us to argue in favor of this continuing American commitment." It was essentially a circular argument. They

never accepted my logic, and there were, and are, significant forces in France that want us to leave and would like to see NATO disbanded. But even those French officials who supported a continued U.S. military presence in Europe believed that a U.S. withdrawal was inevitable and that Europe had to prepare for it. I told them that the process of preparing for it was going to help make it happen. It was an impossible argument with the French. The French would deny to their death that they were interested in this outcome. I argued with them that by what they were doing, they were promoting it.

*Q: Just from a passive view from the United States, in reading the papers, it sounded like the French wanted to create a European force and make our contribution non-essential.*

NILES: To begin with, you have an anomalous situation in which the French are not formal participants in the integrated military structure of the alliance. For a time, one other country - Spain - was in that same anomalous situation. When Spain came in the Alliance in the late 1970s, they did not bring their forces into the integrated military structure, but they have now done that. Part of the problem that we had, and still have, in Europe was a practical consequence of the fact that the French formally were not in the integrated military structure of NATO. There had to be some way to take into account the fact that the French were different. We danced around that dilemma for many years. As a practical matter, from 1966, when DeGaulle pulled France out of the integrated military structure of NATO, until 1989, when I arrived at USEC, a great deal had changed in the French relationship with NATO. While the French forces were not integrated in the same way that the German and other forces were integrated into the military structure, the links that had been built up between SACEUR, always an American officer, and the French general staff, were very tight. NATO cooperated with the French bilaterally in all kinds of things. Basically, France was a part of the Alliance, militarily and politically, but in strictly legal terms, they were not. Whatever the practical reality might have been, formally they were not part of the NATO military structure. It was a cause of immense frustration for us and for others, and probably for the French, too. It underlines the fact that in U.S./European relations, sometimes you can't do it without the French, but you can't do it with them, either.

*Q: I would have thought, too, that a sub rosa argument would be, "Okay, France, if you get the United States out and you have a European Army, whose Army is going to be bigger?" All of a sudden, the fell growl of Germany comes in.*

NILES: There is no question that the change in the French position, which took place during the 1990s, was motivated in part by German unification and the realization that there was no more equality between France and Germany. France has now 58 or 60 million people, but the Germans have 82. They are comparable, but the Germans now are the much stronger country, despite the fact that they have this big internal economic development projected called "The Former East Germany" or "the Eastern laender." The disappearance of Francois Mitterrand had something to do with the change in French policy. The fact is that President Chirac and his government under Prime Minister Juppe in 1995-1996 period favored the formal reintegration of France into the integrated military structure of the NATO Alliance, if certain concessions were made on the NATO

side. They tried to use that as a lever to get control over the command at AFSOUTH in Naples, which we refused to relinquish, and other Allies agreed with us on that. Ultimately, the French decided that they couldn't go ahead without that concession. But it was clear that Chirac and Juppe, during the time of the Center/ Right Government, favored reintegration. I think, by that time, a majority of the people in France had come to accept that position. With today's government, a coalition between the Socialists and Greens that depends upon the parliamentary support of the Communists, such a move would be impossible. Still, relations between NATO and France, and between the United States and France in the security area are better today than they have been at any time since 1966, or maybe even before that, because we had a lot of problems before 1966.

By the way, let me just make one other point. The fact that this issue was so important during my tenure as Ambassador to the European Community demonstrates the reality that the US/European security relationship is also an issue between the United States and the European Union and that the Union is inevitably going to assume a role in this area. I'm sure that for all of my successors, going back to 1958, never got into the security issues to the extent I did. I know that my immediate predecessor, Al Kingon, did not. That was an important change that occurred during my tenure there. It was sparked by developments in and around the European Union, including the extraordinary changes in Eastern Europe. An example of this is German unification and the movement of the European Union toward what became the Maestricht Treaty in December 1991.

*Q: You did have this American involvement in Europe, which was sparked by the threat of the Soviet Union. Really, from December 1989 on, that threat no longer was a very credible one. Were you dealing with how are we going to keep the United States in here?*

NILES: The issue of the future of NATO and the future of the United States' security commitment began to come up during my time there, but not to the extent it did later. The Soviet Union still existed, even though it was clear that east/west relationship was changing radically as the threat from the East clearly diminished. But did not diminish was the sense of uncertainty about the future. By 1991, we were into the crisis in Yugoslavia. At the time I arrived in July 1989 there were people in Brussels who were concerned about developments in Yugoslavia, including the Yugoslav Mission to the European Community, which was headed by an interesting guy named Crnobrnja, who now lives in Montreal. He had been a close associate of Milosevic but had broken with him over the Kosovo issue.

In any case, the basic rationale for NATO, for a United States' troop presence in Europe, changed while I was there from dealing with the immediate military threat from the Soviet Union and the Warsaw Pact to dealing with an uncertain security environment around Europe. The Gulf War was part of that, as was the unsettled situation in the Middle East. But the situation in the Central and Eastern European region, including former Yugoslavia, was becoming a source of anxiety. All of these areas are in close proximity to Europe, and the Europeans were appropriately concerned, as were we. Under these circumstances, the NATO alliance became, in a sense, an insurance policy. It always had been that, but that aspect became more prominent as the Cold War faded.

There was a logical question, of course, as to why we still needed NATO and why we still had 317,000 troops in the NATO area, give or take a few thousand. Now, we are down to around 105,000 or so. So, we are down by more than two-thirds.

I characterized the NATO alliance at that time, and I would do it again today, as similar to your homeowner's insurance policy. You are a homeowner and you have an insurance policy on your house. Your house hasn't burned down for 50 years, but you keep paying the premium on it. NATO, in a sense, is the premium on a homeowner's insurance policy. It makes sense to continue to pay that premium. Fortunately, for the United States, the cost of that premium has gone down enormously. If that annual premium in 1989 was \$60 billion (this included the direct costs of our NATO commitment 317,000 troops in Europe and all the ancillary structure you needed to maintain that structure), we are now down to a less than one-third of that. It is a wonderful example of how your insurance policy can pay a dividend. NATO paid us an enormous dividend, we still have the insurance policy, and the premium has gone down two-thirds. I can't imagine a better deal.

*Q: There was a U.S. mission to NATO. What was your relation to that?*

NILES: That is a good question. One of the things that I tried to do while I was there was to build closer links between USNATO and USEC. There was a tendency on the part of some of the people at USNATO to see USEC as the competition. I wanted to avoid that. Fortunately, I had good relations with Will Taft, who was my counterpart at USNATO. I think we managed to get the idea across that we were not competing and that NATO and the European Union should work together, and that USEC and USNATO should set an example. We started regular meetings. I encouraged our Political Section to get together and talk about all these issues with their USNATO colleagues. Will Taft and I, with our DCM's would have periodic luncheons and breakfasts. We really managed to work well together and to instill in our Missions a sense of joint purpose.

*Q: You mentioned that when you arrived, one of the earliest things was an outreach to Hungary and Poland. This was before they were even able to shake themselves off of what had been known as the Soviet bloc.*

NILES: This began with the G-7 Summit in Paris in July 1989. Poland and Hungary were still Warsaw Pact countries and they both had quasi-Communist governments, but it was clear that they were moving away from their former orientations. The Hungarian government took an incredibly important step in August 1989 when it announced that its 1975 CSCE Treaty commitments calling for freer movement of people nullified an agreement they had signed in 1968 with the GDR under which all GDR tourists who went to Hungary could only return to the GDR. Gyula Horn, who was Foreign Minister in the Nemeth government, was largely responsible for that decision, which led to the fall of the Berlin Wall three months later. You may remember Gyula Horn from Belgrade. He was a junior officer in the Hungarian Embassy in Belgrade from 1963 to 1965. When you met Gyula Horn, he would say, "I am not a diplomat. I am a representative of the Central Committee Secretariat of the Hungarian Socialist Workers Party. So don't get me wrong

here.” Everybody said, “That’s fine, we don’t care.” So, this guy ultimately became the Secretary for International Affairs for the HSWP and was Foreign Minister by 1989. He was the guy who drove one of the stakes into the heart of the Warsaw Pact and the GDR by opening up the border for the German tourists and taking down the barbed wire. I have a piece of that barbed wire, cut down from the border between Hungary and Austria.

*Q: That was the real beginning.*

NILES: That was it. In July, at the Paris G-7 Summit, the seven heads of state/government plus Commission President Delors took the important decision to begin the program of assistance to Poland and Hungary. Delors, by the way, played an important role in this. He was a leader of vision.

*Q: This was the European Community which was going to help Hungary and Poland.*

NILES: Yes, but together with the United States.

*Q: How did we fit into this?*

NILES: We had our own program, the so-called SEED (Support for Eastern European Democracy) program. They had their program, which was called PHARE (Poland and Hungary Assistance in Reconstruction by Europe). In money terms, their program was much bigger. This was one of the realities of the post-Communist era in Europe, that the United States has not been able, either in Eastern Europe or in the Soviet Union, to come forward with the kind of money that was really needed to assist these countries. Fortunately, the Europeans were able to pick up the bulk of the burden. You could say, as we did, that the Europeans were able to provide this assistance in part because the United States had helped them in 1947-55 with the Marshall Plan. If you look at the programs for assistance to Eastern Europe and the former USSR, I would say that the division of labor has been roughly 80% Europe and 20% US. That does not take into account the assistance from the International Financial Institutions, where we have a large quota, but still only about one fifth of the total. The total European share in the quotas of the Bank and the Fund, and the EBRD, is much larger than ours. We coordinated our programs with the EU so that we weren’t stepping on each other’s toes, each trying to do the same thing. We talked in advance about what kind of programs we were going to undertake in each country. It worked out quite well. Ralph Johnson was the first coordinator of that effort, in working with Ray Seitz. He was one of Ray’s deputies and stayed on as a deputy with me when I came back as Assistant Secretary. He is now Ambassador to Slovakia.

I had an interesting insight into the nature of the problem very early on. This was in January 1990, immediately after the revolutions in Eastern Europe. The area was clearly in the stage of a major transformation with extraordinary opportunities for the West. German unification was clearly going to happen. The so-called “2+4” four process began that month, January 1990, at a CSCE meeting in Ottawa. In any event, we had a session in London of the semiannual meeting between members of the European Parliament and

the US House of Representatives. The meeting was in London because the British had the EU Presidency during that six-month period. In the second half of 1990, the European Parliament delegation went to Washington. A major topic on the agenda in January 1990 was what should the US and the EU do to respond to these extraordinary developments in Central Europe. The European Parliament representatives opened the session by talking about the need for a new Marshall Plan. Now, keep in mind, this was a House of Representatives' delegation consisting of members who were interested in international affairs. They were interested in Europe. They wouldn't have been there otherwise. These were not members of Congress who were inclined to say "no" to all kinds of foreign involvement. But the reaction on the part of the United States Congressmen was very negative to the idea that we would come forward, once again, with a big assistance program. Their position was that the US had undertaken what they called "the first phase of the reconstruction of Europe" with the Marshall Plan but that Europe was responsible for "the second phase of the reconstruction of Europe, which begins now." The US members of Congress said that the US would help, but Europe had to take the lead this time. There was some grouching on the European side that the Americans were shedding a burden, but in the end, the Europeans did it. But, that was the attitude then, and now.

Some experts claim that the Bush administration failed in 1992 because it did not come up with a big assistance program for Russia, Ukraine, and the successor other countries. My answer to that is that we had no chance of a big assistance program through Congress at that time. What we did might not have been the best alternative, but it was the only one we had, which was to involve the international financial institutions in a big way. That is why the IMF and the IBRD are out there. This was Bob Zoellick's idea and I think it was a very credible response. Bob realized that after we had done some consultations on the Hill that the Administration was not going to get big resources from the Congress to help in the reconstruction of the former Soviet Union. We had to find some other sources, and they were Western Europe, Japan, Saudi Arabia, and other oil producers from the Gulf, and even South Korea. We passed the tin cup and coordinated the effort. Secretary Baker hosted a Conference in Washington in January 1992 to coordinate assistance to the former Soviet Union. Our part of it was not very big, which was somewhat embarrassing. But we used to tell other countries that we had no choice in view of Congressional attitudes.

*Q: During the time you were at the mission there, how did you feel about the attitude of the European representatives? Were they indicating that they wanted more power, but yet wondering what we were going to do about it? In other words, did you feel you were trying to press a reluctant baton, which they were reluctant to pick up, or not?*

NILES: Yes. They were reluctant, for a number of reasons. First, they didn't want to pay the price of leadership, although ultimately they bit the bullet and accepted it. They also disliked the fact that even though they were paying the largest share, the United States got the credit, or at least what they felt was a disproportionate chair of the credit. They had a good case there, there is no question about it. We probably did take too much of the credit. They also institutional problems in that their structure didn't enable them to do some of the things that they wanted to do. This was particularly obvious in the case of

former Yugoslavia. The Europeans, specifically the Dutch Presidency of the EU, told us in July 1991 that they would take the lead on Yugoslavia. Hans Van den Broek, who was Foreign Minister of the Netherlands, made this commitment when he met with Secretary Baker in Washington around July 10, 1991. They should have realized that they could not take the lead because, first of all, they didn't agree among themselves about what should be done and they had no mechanism for settling these disputes within the European Union. It was an idle, empty pledge on the part of the Dutch, but it was not a pledge that was given in bad faith. They really thought they could do it, and we hoped they could. There was at that time a sense that the "hour of Europe" had arrived, as Jacques Poos, the Foreign Minister of Luxembourg, put it. It turned out that they couldn't. This more active European role in international affairs as the European Union has been a hard thing to implement, but it is a reality in some ways. It is less than what the Europeans had hoped, but it is certainly more than what it was.

*Q: At the time, when you were at your Mission, European economic cooperation was the easy part. Money, economic things can be integrated in a way the major companies are integrating, and all. But, when you get around the politics, the idea of having a Parliament decide whether Europe goes, particularly when you have people like the French and the British, did you see this as a practical thing? Was this a hope? How did you see it at the time?*

NILES: Let me say that I think you are absolutely right. The European Union has made tremendous strides in the area of economic policy coordination, particularly in the area of trade policy. They still have their problems, and there are still areas where more needs to be done, such as tax policy for example, but they made a great deal of headway. They made much less headway in the area of political cooperation, and in foreign and security policy they have made least of all. I think this reflects the fact that national governments are loathe to relinquish responsibility for these attributes of sovereign countries. The Europeans agreed, shortly after I left, at the Maastricht EU Summit in December 1991, to move to the next stage of economic integration, which was called economic and monetary union. They also agreed to form a political union, which included greater powers for the European Parliament. That agreement has still not really resulted in what its supporters had hoped. The European Parliament has more responsibility, particularly after a second inter-governmental conference that concluded in 1997. The union has become a bit more cohesive in the political area, but with the move into monetary union on January 1, 1999, you are going to have a very wide gulf between the extent to which these European countries participating in the monetary union have unified their systems and what the 15 have done in the political area. This is what Chancellor Kohl feared prior to Maastricht, namely that you would have a serious imbalance in the Union between the degree of progress in the economic/monetary area and the political area. He warned against this, but in the end he agreed to go along under pressure from Mitterrand and Delors. The European Central Bank in Frankfurt began operations on the January 1, 1999, for 11 countries, and Greece plans to come in on January 1, 2001. Who controls it? Basically, it is pretty much on its own out there.

*Q: Like a Federal Reserve?*

NILES: The ECB is much more independent than the Federal Reserve. It is on a par in this respect with the Deutsche Bundesbank, which is the most independent of all Central Banks. The Central Bank, in a way, doesn't answer to anybody because the European Union has a big deficit in the political area, which should parallel the structures that they developed in the economic, monetary trade, financial area. I think this is going to be a problem, particularly if economic conditions worsen, which they may well. One of the things we and the Europeans need to worry about is that the implementation of this extraordinary change in Europe that began on January 1, 1999, may take place during poor economic conditions. The last couple years, things have been great, better and better. When we look now, it is hard to say that the outlook is quite so good. So, I am a little bit worried about that. I think the Europeans should be too.

*Q: At the time, what was your impression of the caliber and the future of the European Parliament?*

NILES: Dreadful. In terms of caliber, it was a very mixed bag. You had some distinguished statesman, people who were, in most cases, near retirement, and some very promising younger people who were just beginning their careers and who might dedicate all their political life to the European Parliament, or might, if the Parliament didn't seem to be going anywhere, go back to their National Parliaments, after they made a name for themselves in Strasbourg. My short hand explanation of the European Parliament was that if you have a body like this which has no real responsibility, it will act irresponsibly. That is basically what happened. The European Parliament has generally behaved in an irresponsible way. They have passed all kinds of resolutions, laws and regulations in areas where they did have some responsibility which caused great problems for the European Union. One of our longest standing trade disputes with the European Union involves their regulations which forbid the import of beef from cattle that had been given growth enhancing hormones. There is absolutely no scientific data that would suggest that these hormones are dangerous, that this beef is dangerous to eat, or that the animals suffered. But, the European Parliament decided back in 1989 that they didn't like this. They passed a ban under the guise of protecting public health. At that time, the Commission and the Council had the authority to override the Parliament, but they declined to use it. This ban became European law, and now we are in this big trade dispute, which has been going on for 10 years with the European Union. The European Parliament is constantly doing things like this. One of the reasons it happens this way is because the European Parliament 550 prominent political people sitting in Strasbourg in great luxury, drawing big salaries with big expense accounts. But, they don't have anything to do compared with the national legislatures. And they go off and do half-witted things. If they were given greater responsibility, I think they would behave more responsibly. Given no real responsibility, they tend to behave irresponsibly.

*Q: My looking at this, as a non-economist and all, looking at the European Union, Community at that time, as a competitor, it seems to me that we have a certain advantage which won't dissipate. That is that you have this bureaucracy that is building up, making all sorts of demands, economic rules and regulations.*

NILES: European Commission?

*Q: European Commission, trying to bring everybody into line and a big bureaucracy that means...*

NILES: It is pretty small. People talk about this bureaucracy in Europe, which is growing, and it is large, in absolute terms, but consider that you are talking about a Union with almost 400 million people, the European Commission, the bureaucratic mechanism in Brussels, is pretty small. Of course, then, you have 15 national governments, which have not downsized, behind them. This is one of the things that is wrong with Europe. As the European Commission has taken over more and more responsibility in the policy making area, I don't have the impression that the European governments have cut back on their own bureaucratic structure very much, if at all. For all I know, they may be growing. It would be a normal function of bureaucracy. What these European governments should do, is that when policy responsibility for a given area is transferred from the national governments to the competence of the European Union, they ought to cut back on their staffs in national capitals. It hasn't worked that way. Compared with the European governments, I would say that the Commission staff is fairly lean and mean, although they get a bad rap from various people for living high and having big expense accounts.

*Q: Beyond that, did you see that there was a tendency for overgrowth of regulations within this or not?*

NILES: Really, no. The principal of the European Union, and they generally follow this, as one with the terrible name of "subsidiarity." "Subsidiarity" is Euro-speak which means that you regulate an activity at the lowest appropriate level. The only things that you need to regulate at the European Union level are really rather special areas that affect the Union as a whole. Even there, you can delegate responsibility down to the member states, for example. Although the Commission is accused from time to time of being engaged in an enormous power grab, I don't really see it. At least while I was there and in my subsequent observation of the European Union, albeit from a distance, I really didn't see that happening.

*Q: What were our principal disputes or concerns during this time you were there?*

NILES: Well, I have talked about several of them. We talked a lot about the political side, particularly the NATO-EU relationship. We had the GATT Uruguay Round negotiations, which began in 1986 and were slated to end, but did not, in December 1990 in Brussels. We had an unsuccessful ministerial conference in Brussels in December 1990. We couldn't agree on agriculture. We had everything else more or less worked out. Within the Uruguay Round negotiations, the principal dispute between the United States and Europe was over agricultural subsidization. We had a number of major trade disputes with Europe, most of which involved agriculture in one way or another. I mentioned the beef hormone issue. It is a small amount of product, but it was a very sensitive issue. We

had big arguments with them about things like corn gluten feed, a product most Americans have never heard of, and never will. It is a by-product of the production of high fructose corn syrup. It is a fairly high protein content. It is a by-product, and in a sense is worth nothing. If you can sell it for a nickel over transport costs, that is a profit to you. We were exporting a lot of that Europe and Europeans thought that was unfair. We had a zero tariff binding from the Kennedy Round GATT Agreement in 1967 on that product and on soy products. The Europeans kept trying to find ways to get out from under those zero tariff findings. We fought them tooth and nail to preserve that access. We had already lost our markets in Europe for wheat and corn. In the 1950s and 1960s, those sales had been fairly substantial. They were killed by the Common Agricultural Policy of the EC/EU.

*Q: Why had we? When you think of Europe, it doesn't really have a lot of land. Wheat and corn take a lot of land.*

NILES: Well, they do. This is a classic example of a bad policy decision. In 1967, the European Community, made up of six members, made a terrible decision. They decided to apply, in most cases, German agricultural prices across the board. German agriculture was relatively inefficient and based on small farms, and the prices were high. In France, the prices were relatively low, the farms were larger, and productivity was higher. So, immediately you had this extraordinary upsurge of grain production in France. As you go around France today, particularly in the Isle de France area around Paris, which is flat with big fields and so forth, it is like Kansas. It is extraordinary. Big farmers in France are making tons of money. These big farms have accumulated thousands of hectares of land in that area. They are used to grow wheat and some corn, but mainly wheat. The European Union has become a major wheat producer. They have applied all of the lessons of Kansas, and then some. They have their own enormous tractors and combines. It all goes back to this very unwise decision in 1967, which made the European Union very quickly self-sufficient in most feed and bread grains. We managed to secure the zero bindings on soy products and corn gluten feed. Otherwise, we would have lost that market too. The subsidies of the European common agricultural program when I was there (I'm not sure what the numbers are now) consumed 50% of the budget of the European Union.

*Q: What was the farm population?*

NILES: The percentage of the population in Europe in agriculture was a little bit higher than in the United States. On the average, we were down, by the time I got to Brussels, to less than 1 ½ % of our active population in agriculture. In Europe, it was about 5 ½ to 6%, depending on how you counted. Within this farm population, you had an awful lot of part-time farmers. We joked that these were people who worked at the Mercedes and Porsche plants, and farmed on the weekend. They would have a couple cows and they raised a little bit of wheat. They would benefit from these extraordinary subsidies. There was some of that. In some European countries, Greece for example, you still probably have close to 20% active in agriculture. Portugal is a little bit less, maybe about 15%, Italy, probably about 8%. So, it is considerably higher than in the United States.

*Q: Did you find there were problems for you, representing the United States, arguing against these subsidies, when you would have what amounted to American subsidies, either over it or at least, not labeled as subsidies?*

NILES: The fact is we were prepared and had proposed to eliminate our subsidies on a multilateral basis in the Uruguay Round. Our principal subsidies, and we have a number of them, were the so-called “deficiency payments” that we pay to farmers who were raising certain crops, specifically wheat, corn, and cotton. Soybeans were not covered. The “deficiency payment” was the difference between the “target price,” established by the Department of Agriculture, and the market price for a commodity. Tobacco was under another acreage control program. Peanuts and sugar were the subjects of separate programs that resulted in vastly higher prices for those products. The European system was different in that it was based on commodity prices established by the European Commission and maintained by a border tariff called the “variable levy.” The “variable levy” was set at a level high enough to ensure that whatever the world-market price of a commodity, the delivered price of an import would be sufficiently higher than the internal EC/EU price to make it economically impossible to import. Both systems are bad. They encourage overproduction and major misallocation of resources. The European system is, I believe, worse than ours in that it is totally market distorting, but ours is awful, too. When I was at USEC, I fought, unsuccessfully, for major cuts in these programs. I carried around little laminated cards that compared the levels of agricultural subsidization in the EC and the US. I used to hand them out to people like playing cards, saying “Here is the story, if you want to look at it.” Our subsidies were running somewhere in the range of \$15-\$17 billion a year. Subsidies to European farmers were much greater. The European Union budget, at that time, was around \$100 billion. Of that, about half went in one form or another to the Common Agricultural Program. That included export subsidies. We had our own subsidy export program which we enacted in 1984 to try to force the Europeans to drop theirs. It quickly became an entitlement in the United States, which everybody loved. It was called the “Export Enhancement Program.” I remember a meeting in 1983 when we discussed this proposed program. Jack Block, the Secretary of Agriculture, maintained that we needed this program to fire “a shot across the bow of the European Community.” I will never forget it. Jack Block was a big corn and hog farmer from Iowa, a good guy. He was mad at the Europeans and came up with a proposal to subsidize the sale of 250,000 tons of wheat flour to Egypt. This was meant as a signal, or a warning to the EC: either you cut back on EC export subsidies or we will expand this program. I recall that Mac Baldrige, the Secretary of Commerce, said “Let me tell you something, “If you subsidize this sale to Egypt, we will be launched upon a new entitlement program that will be big bucks and we will never get rid of it.” Jack Block said, “No, nothing like that. This is a one-time effort to fire a shot across the bow of the European Community.” Mac Baldrige replied, “Don’t believe it.” Secretary Shultz, who was there, said, “I agree with Mac. This is a crazy program. Let’s not do it.” But for domestic political reasons we did, and the export enhancement program became a big program with big money attached, and nobody wanted to give it up. Baldrige and Shultz were right, and Jack Block was wrong. So, we had our programs, but we were prepared, even anxious, to get rid of them. The Freedom to Farm provisions in the 1996 Agricultural Act, were aimed at

reducing, very substantially our agricultural subsidies, but now people are complaining about them and want to go back to deficiency payments.

*Q: In Japan, I know that the consumer ends up paying a hell of a lot for food.*

NILES: Because of farm programs such as the rice policy.

*Q: What about in Europe?*

NILES: It is essentially the same thing.

*Q: Were you able to find that this was all very fine, but it costs so much to have a schnitzel and sauerbraten in your neighborhood restaurant?*

NILES: Absolutely. I continually pointed out that food prices in Europe, on the average, were 50 to 75% higher on a purchasing power parity based currency exchange, largely as a result of the Common Agricultural Policy. That was an argument which played well with people who were economically oriented and the “Economist,” but they were a minority. Strangely, it was not an argument that carried a lot of weight with European voters. The farm groups argued, dishonestly in many cases, “We are preserving the European style of life, rural life, don’t desert us.” They developed a concept in Europe at that time, called the “Desertification of Europe,” where vast areas would be depopulated because they could no longer farm them profitably. That is what the Common Agricultural Policy was supposed to prevent. But it didn’t, because the bulk of the subsidies went to large, rich farmers, as they do in the United States. But the CAP, despite the economic consequences, had a lot of supporters. Jacques Delors believed in it very strongly.

*Q: Did you find that, particularly in farm policy, the Germans, who were very much behind this, let the French carry the charges of barricades?*

NILES: That’s right. The French were the most obdurate in resisting any kind of change. The Germans kept their heads down, but in fact, German farmers were benefitting a great deal from the CAP, and the Germans, when it came to the crunch, talked a good game, but didn’t play it. Their hearts were not in agricultural reform, either. Part of this was CDU/CSU/FDP coalition politics.

*Q: How about the Brits?*

NILES: The UK was serious about cutting back on CAP subsidies, although there were people in Britain who benefitted considerably from it, particularly big grain farmers, and to a degree, big beef producers. Of course, big beef producers were suffering because of mad cow disease. Interestingly enough, the country, on a per capita basis, that made the most out of the Common Agricultural Policy was not France but the Netherlands. The Danes were close behind. One of the reasons for that was because they had developed an extraordinary factory livestock farming enterprise in the Netherlands and in Denmark.

They were using Common Agricultural Policy export subsidies to move a lot of that stuff onto the world market. Their arguments were not totally bogus. The Dutch farmers, who had very efficient factory farms for pigs, cattle, and chickens, would come to the Commission, and say, "Hey, let us buy corn from the Americans and we won't need export subsidies. But, if our principal input is European grain, and that grain is twice the world market price because of the Common Agricultural Policy, we need export subsidies in order to move our products. The Commission was happy to oblige. Now, the fact of the matter is that the Dutch also were the principal importers of corn gluten feed and soy products from the United States. All of this stuff went into Rotterdam. Some of it was sent to other countries, but the Dutch were the major importers. Their arguments were slightly disingenuous because they used every opportunity to use non-EU origin feed grains for their livestock, but they did use a lot of European corn, which is twice as expensive as American corn. So, they said, "Hey, we need subsidies in order to compete." Now, of course, in the Netherlands and Denmark, and other countries in Europe, and U.S., this very intensive factory livestock operation is becoming very controversial because it produces so much livestock waste. The Dutch are essentially drowning in pig manure.

*Q: We are having a terrible time too.*

NILES: In North Carolina, for instance. Look at the chicken manure problem in the Eastern shore of Maryland.

*Q: Yes, we are having the fish diseased.*

NILES: This is one of the consequences of factory livestock operations. As a result of this extraordinarily efficient factory farming for livestock that the Dutch employed, and their ability to get export subsidies for it, they got more from the Common Agricultural Policy, on a per capita basis than any other country. They were big free traders, the Dutch.

*Q: You had left by the time Maastricht came, but in leading up to this, was your mission playing a role in the American side of things? I was wondering how we viewed that at the time, and what we were doing?*

NILES: We had two inputs. First, to the Commission in Brussels and the Council Secretariat in Brussels, and secondly to the Dutch Presidency in The Hague. Basically, we didn't have major problems with what they were proposing, namely monetary union. Washington concluded that European monetary union was a good thing for the EU and for the US. If they wanted to do it, more power to them. So, we did not pose objections to monetary union. Now, on the political union side, we did have a very active discussion regarding security issues, which predated Maastricht, beginning in 1989. I talked about that earlier. That involved the relationship between NATO and the European Union, and we did inject our point of view on those issues in the period leading up to the Maastricht European Summit. But, basically, because the principal issue at the Summit was monetary union, we didn't play a big role in it.

*Q: Did we see any problem with the EURO unit being a threat to the fact that the dollar seems to be the place where people, when in doubt, go for the dollar?*

NILES: The issue was raised, but we did not raise objections. That included Treasury and the Federal Reserve, where there was some doubt, on our side. If the Euro is a hard, reliable currency, which the Germans and the others hope it will be, it will be a competitor with the dollar for a role as a reserve currency and a currency of trade. For example, today most products that are traded internationally are priced in dollars. Oil, almost all industrial raw materials, agricultural raw materials, and a lot of finished products such as airplanes are priced in dollars. The Euro could change that. One of the consequences of it may be that foreign countries, companies, and individuals would be less willing to hold dollars as a reserve and investments, U.S. bonds for example. That could be a real problem for us in the out years. It would force us to reduce substantially our balance of payment deficits, which would be a good, though painful thing for the United States. We would be more disciplined ourselves about our own economic policy. That was not something that people were terribly concerned about in 1991, although the issue did come up. There was commentary in the press and there were those in the government who said that this could be a problem. It may well be.

*Q: During this period, 1989 to 1991, did you see an increase of American owned, or essentially American owned business, trying to get in under the tent? In other words, were we setting up factories, that type of thing, in order to say, "We are going to have this European Union that is coming about. It may start erecting barriers, and already there are barriers, so let's get inside, rather than outside?"*

NILES: That has been a continuing feature of U.S. European relations since the Treaty of Rome establishing the European Economic Community went into effect in 1958. Even before that, there was a major presence in Europe of US companies. After 1958, that presence has grown enormously. It involved U.S. companies investing in one or the other of the EC countries in order to gain "European firm" status under article 58 of the Treaty of Rome, and therefore be able to operate freely in any of the EC/EU countries. It is an enormous customs union, with 400 million people if you count the associated countries. People want to be inside that customs union. What has happened is there has been some greenfield investment with new plants going up along with a lot of merger and acquisition deals in which U.S. companies acquired European companies, or merged with European companies. There has also been a lot of portfolio investment, particularly in the 1990s. This started while I was there. There was a growing interest on the part of European companies in listing shares or ADRs (American Depositary Receipts) on the New York Stock Exchange. The European companies, in order to issue ADRs, had to satisfy U.S. requirements, including SEC requirements, in the way of auditing standards, publicity, and information. That process accelerated during the 1990s. One of the consequences of that is the U.S. ownership of the equity of some big European companies is pretty high. If you look at the companies which have ADRs right now, British Petroleum, British Telecom, Shell Transport & Trading/Royal Dutch, Daimler-Benz, somewhere in the neighborhood of 30-50% of the equity is held by American

persons, either mutual funds, pension funds, or individual investments. One of the consequences of the Daimler-Chrysler merger was that the resulting company's equity was initially more than 50% owned by American holders. Much of that has now been sold, but that is a sign of globalization.

*Q: You had just come from Canada and the Free Trade Agreement, was that beginning to pose a counterbalance to you? Did this play any factor at all?*

NILES: Some people suggested that. The U.S./Canada Free Trade Agreement, or subsequently, NAFTA could be a counter to the European Union. That is only if you see the U.S./European relationship in an adversarial sense and thus believe that we need to have this counterweight. I never saw it that way, so I thought those arguments were wrong. The arguments made in favor of expanding NAFTA to include Chile, and then maybe other countries such as Brazil and Argentina made sense in an of themselves, and not as an alternative to the European Union. Those are important trading partners for the United States, but as an alternative to European Union, that's not serious.

*Q: Were they carrying a watching brief during the same time? I mean, they were outside this thing, too, weren't they?*

NILES: They had their own relationship. We coordinated with the Canadians in Brussels on issues of mutual concern, particularly agricultural trade issues, as we did also with the Australians, the New Zealanders and others. We had good relations with the Canadians. The relationship with the EU is important for Canada, but I do not think, except in the mid-1970s when Trudeau tried to present the European Community as an alternative to the United States, that the Canadians ever really saw Europe in that light. They recognized Europe as being very important and saw a need to develop their relationship with Europe, but not as a serious alternative to the United States.

*Q: Geography is...*

NILES: Canada had a strong Mission to the EU and they watched closely over their interests, as well they should, but they did not consider that to be an alternative or even in the same category, for Canada, as the relationship with United States. Keep in mind that by now 80% of Canada's exports go to the US market.

*Q: What about Greece? Later, you were to become Ambassador to Greece. Greece always struck me as the "odd man out" in this whole thing.*

NILES: It was, particularly then. When I got to Brussels in 1989, Andreas Papandreou was still the Prime Minister of Greece, in his first incarnation, but he was fading fast, both in terms of health and politically. The Greeks, as a general rule, were the odd people out in Europe. One European Union official once told me once that the European Community had made two fundamental errors over its history, going back to the Treaty of Paris in 1950 that set up the Coal and Steel Community: one was the decision I mentioned in 1966 to adopt German agricultural prices as the basis for the CAP, and the

second was to admit the Greeks in 1981. Greece was not ready for prime time. They were brought in to the EC in 1981 as a way of expressing support for the restoration of democracy in Greece and support for Constantine Karamanlis, who was then Prime Minister of Greece. Andreas Papandreou replaced Karamanlis in 1981, pledging that Greece would leave the European Community and NATO and get rid of the American bases. When he left office in 1989, Greece was still in NATO and the European Community, and we had signed a base agreement. He never really paid a political price for his hypocrisy. By the time I arrived in Brussels, Greece had become much more enthusiastic about EC membership because they realized that they could benefit tremendously from it because they are the poorest country in the EC. When it joined the EC in 1986, Portugal was the poorest country in the Community, but they soon passed Greece. Greece is now the 15<sup>th</sup> on the EU's per capita GDP rate.

We worked closely with the EC, with the Commission and the member states, in the period right after the Iraqi invasion of Kuwait, to get political support from the Community for what became Desert Shield, and we got it. They also supported us in the UN Security Council on Chapter VII economic sanctions against Iraq. We got good support from the Commission, and most of the European states, not as members of the Community but as allies of the United States, including France, sent substantial military forces to the theater and participated in both Desert Shield and Desert Storm. At that stage, there was virtual unanimity that we had to stand against this, and we couldn't acquiesce in the Iraqi occupation of a sovereign country, Kuwait. We had very few voices raised against what became Desert Shield, and then Desert Storm, in Europe.

*Q: How did you find the, more extreme to the left, politically? Was this much of a factor?*

NILES: Really not. The collapse of the Soviet Union and the decline of Communism had plunged the European far left into a state of relative disarray. The only country in which the Communist Party, by the time I got there, was still very strong was Italy. In other countries, Spain, Portugal, and France, where you had had a fairly strong Communist movement, it was gone. It had been reduced to irrelevancy in the political life of the countries. But, in Italy, the Communist party was still fairly prominent in 1991.

*Q: Of course, in Italy, the Communist party, at this point, really was more indigenous.*

NILES: It claimed to be a national party, and it had gone through a number of stages, from the time of Gramsci and Togliatti, who were true internationalists. It had established itself, as you suggest, as a much more national party. Today, of course, it has renamed itself and is one of the major factors in Italy. The Secretary General of the Party, Massimo d'Alema, is a respected center-left politician. The Communist Party in Italy has made the transition to the post-Communist world better than any Communist party in the world, as far as I can tell. There is a hard-line, true-believer Communist Party in Italy, as there is in Greece, which occupies the far left.

*Q: They were already there, in a way. It had Berlinguer, and all.*

NILES: Berlinguer came from an upper-class, aristocratic background. I think it was his cousin who was the Security Advisor to several Italian Prime Ministers.

*Q: One last question on this particular field. What about the role of the French that you were getting from the Germans, the Brits, and others? I mean, how did they see France?*

NILES: They were frustrated by the French, from time to time. We got a lot of that from the British, and to a degree, from the Germans. I had close ties with the British and German PermReps to the EC/EU. They were frustrated with the French, but their attitude was, “Well, what can you do? You have to find some way to bring the French along?” The French had a tremendous advantage in the sense that the other Europeans recognized that there was no way in the world you were ever going to make progress in the European Union if the French were opposed to whatever you were trying to do, so you had to work with them. You had to find ways to accommodate them. The Germans, in particular, felt this tremendous need to accommodate the French. I would frequently go to the German EU PermRep, and say, “How can you guys do this, change course here on us?” They would say, “Well, we can’t split off from the French.” The Germans were very much under the influence of the idea that the Franco/German relationship was the motor of the European Union. According to this view, nothing happened in the European Union without Franco/German cooperation. The French played the Germans like a piano and twisted the Germans around in all kinds of contortions. The British were less subject to that, but the British recognized, too, that if they wanted to do anything, you had to do it with the French. The British were different in one respect that often they were happy to do nothing, particularly during the Margaret Thatcher period.

*Q: What about back in Washington? I mean, for years, we had in the Department the European group, the George Ball group, that argued that whatever happened in Europe to bring unity was really great for us. These were true believers, in a way, but time had moved on. Did you find that we had a more practical group, or was it a split that you were getting?*

NILES: I think our attitude was reasonable and pragmatic. We supported European integration. We thought it was good for us, and I think it has been good for us. It is not been good in every single respect, but, overall, European integration has good for us. By the time I arrived in Brussels, as opposed to the earlier period, one thing had changed, and we made this clear. There were limits to the price we were prepared to pay to make European integration happen. While I was there, some on the Commission would come to us and say, “Well, it is very expensive integrating these new countries. Shouldn’t you make trade concessions, give up your zero binding on soy beans, or something like that, in order to make it easier for us?” Of course, we said, “No way are we going to do that. We favor European integration, but you guys are big enough now to pay the price.” In that sense, we were quite pragmatic about it. By the time I arrived in Brussels, we were no longer prepared to pay part of the price for European integration, although we had been prepared to do so before, as for example when we acquiesced in the establishment of the CAP in 1966/67. The Bush administration, for which I worked as Ambassador of the European Union, had a very clear and pragmatic view of European integration. We

saw it as being beneficial to the United States, on balance, but where we thought it wasn't, we made our views clear. Secretary Baker did, as did President Bush.

*Q: All right. Is there anything else we should cover, do you think?*

NILES: Well.

*Q: You could mention some and we can pick it up the next time.*

NILES: That probably does it for Europe. We can pick it up when we move. Some of these issues continued over to my time as Assistant Secretary for European Affairs.

*Q: So, we will start in August 1991.*

NILES: Back to Washington.

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*Q: Today is the 9<sup>th</sup> of October 1998. Tom, how did the EUR, Assistant Secretary for European Affairs come about?*

NILES: Well, it came about into response to personnel musical chairs and strange events. First, Henry Catto, who was the Ambassador to the United Kingdom, decided he was tired of that and wanted to come back to Washington. He was given the job of Director of USIA, replacing Bruce Gelb, who went out to be Ambassador to Belgium. Ray Seitz, the Assistant Secretary for Europe and Canada, who had been DCM in London until 1989, was selected to be Ambassador to the United Kingdom. This was the first time in the history of US/UK relations that a Foreign Service Officer was selected to that position. Ray went out to London by May or June of 1991. The question came up about whom the Secretary would select to replace Ray Seitz. I was in a very interesting time in Brussels. The European Community was moving toward the Maestricht Summit in December. We had a ton of big trade issues with the Europeans; we were trying to conclude the Uruguay Round while dealing with lots of trade disputes. You could see that the Yugoslav crisis was coming up. There were extraordinary things going on in Eastern Europe, and the Soviet Union. I was enjoying myself in Brussels. It was a fascinating time to be there. I was not interested at all in coming back to Washington to the EUR, Assistant Secretary job.

Bob Kimmitt, who at that time was Under Secretary for Political Affairs but on his way to Bonn to replace Ambassador Walters, came through Brussels sometime in April or May 1991. He came to NATO and then came to the EU and we had some consultations with Commissioner Franz Andriessen and his people on various issues, particularly Eastern European developments. He and Eric Edelman, now Ambassador to Finland, who was his Special Assistant, stayed at my house. As I put him on the train to Paris, Bob said, "Well, we are looking forward to seeing you back in Washington." I said, "Doing what?" He said, "Replacing Ray." That was literally the first time I had heard of it. No

one ever asked me whether I was interested in this job. I expressed such astonishment that Kimmitt himself was surprised, and said, "Well, haven't they called you about this?" I said, "No." Apparently, it was decided, possibly by Secretary Baker, or someone else, that I should come back. I was never asked whether I wanted to. I was simply told by Kimmitt, and it was then confirmed by others. I complained mildly about the process and also said, "Look, I would just soon stay here." I was told, "No, you are coming back." So, I didn't argue. It was a strange set of circumstances that led me back to EUR at an extraordinary time in the development of U.S. relations with Europe and developments in Europe. Although it was difficult, and almost painful at times, because of what was going on in Europe itself, particularly in Yugoslavia, it was really an opportunity to participate in some extraordinary events.

*Q: You were there from when to when?*

NILES: I left Brussels on the 31<sup>st</sup> of August 1991, arrived back at Dulles on the same day, with family and dog, and two cats. The next day, 1<sup>st</sup> of September, I was in the office. I was not yet confirmed. I had not yet had a confirmation hearing or anything. That came around the 15<sup>th</sup>. I was finally sworn in around the 1<sup>st</sup> of October. The bureau was basically empty. Jim Dobbins was on his way to replace me in Brussels. He had checked out. Curt Kamman was on his way to Chile as Ambassador. He made one last foray out into his area, visiting the Baltic States, which were in the process of establishing their independence, in September 1991. Ralph Johnson was the only continuity between the Seitz team and my team. Ralph, who is now Ambassador to Slovakia, became the principal Deputy Assistant Secretary. My other deputies all came in about that time: Mary Ryan, Rich Kauzlarich, and Ray Caldwell. There was one more element of continuity. We had a "political" Deputy in the office named Robert Pines, a businessman from New York, who handled Canada. He was an entertaining, interesting guy. He worked well with us. So, that was the team that quickly assembled in September.

For the first month, I was not confirmed, so I could not operate outside the building. Inside the building, I could generally act as Assistant Secretary, but outside the building, I had to be very careful. Congress, very correctly, doesn't want people going around acting as if they are Assistant Secretaries, or something like that, when they haven't even had a hearing. Things were moving very fast, and not necessarily in the right way. There was close to total chaos in the Baltic States. As I said, Curt Kamman went out there as our special representative and we quickly established diplomatic relations with the Baltic States. Of course, we had never recognized their forcible incorporation into the USSR, so this was not a big change. But it had to be managed carefully with Gorbachev, who was on his last legs in Moscow, although we did not see it quite that clearly in September 1991.

*Q: We never really did.*

NILES: We established diplomatic relations quickly, in September 1991, with the three Baltic states, and let Gorbachev know what we were doing. We got into the process very quickly of selecting the first three Ambassadors. Bob Frazier to Tallinn, Daryl Johnson to

Vilnius, and Ints Silins to Riga. I was largely responsible for picking these three guys. We had to do it so quickly. We couldn't go through the regular process. Ints Silins was the only Latvian-American Foreign Service Officer, as least as far as I was aware. I had worked closely with him when I was at USEC and he was Consul General in Strasbourg. He was appointed Ambassador to the newly liberated, reliberated Latvia. He had his swearing-in ceremony on the seventh floor with his mother there. It was quite an emotional time. Whether it is generally a good idea or not to send people back to the countries of their national origin as Ambassador is another story. But, he did a fine job in Riga. We were into the collapse of the Soviet Union. It was clear that extraordinary things are going down there. The coup against Gorbachev had failed in August 1991, but the whole structure was collapsing.

*Q: There still was a Soviet Union when you were there?*

NILES: Oh, indeed, there was. Gorbachev was still the President and General Secretary of the Communist party. Yeltsin had been elected President of Russia, but that was all he was. There were stirrings of independence everywhere, beginning in the Baltic States, that culminated in the December 25, 1991 end of the USSR. On the Baltics, Gorbachev grumbled and talked about protecting the Russian minorities and economic ties, but he didn't fight it. We sent a private message to him from President Bush, early in September, saying essentially that: This is our traditional policy; There is nothing new here; We are going to establish diplomatic relations with these governments, which we have always recognized as independent.

At the same time, the final steps were being taken on German unification, and the European Union was moving toward Maastricht. Yugoslavia was clearly in a state of profound crisis. Croatia and Slovenia had declared independence on June 25, 1991, and by August 1, Slovenia already was pretty much out of Yugoslavia. The Serbian-dominated Yugoslav's People's Army had withdrawn from Slovenia into Croatia. The fighting in Croatia and the efforts by the Serbs to detach large parts of Croatia in Slavonia and the Krajina regions had begun already in August. That was really heating up. So, we had a full blown crisis there. We had new governments throughout Eastern Europe, from Poland to Bulgaria. The Communist governments had been overthrown, although in Romania the process didn't go quite as deeply as it did in some other countries. But, we had new governments everywhere, with opportunities and problems. This was the concrete situation and the atmosphere into which I came on September 1, 1991.

*Q: You were there from 1991 until when?*

NILES: I formally left on April 1, 1993.

*Q: When you came there, with all hell breaking loose in the area, did Secretary Baker sit down with you and his team, and figure out wither Europe, and what are we up to, or did you pretty much deal with the crises as they came, or was it a mixture?*

NILES: Well, it was really more of the latter. There was no time for an in-depth

discussion. Secretary Baker, whom I saw frequently and talked to on a daily basis, gave rather clear instructions – things to do and things not to do. I worked most closely with Bob Zoellick, who at that time was Counselor and shortly afterwards also took on the Under Secretary for Economic Affairs position. It was pretty clear what our objectives were, very broadly expressed by President Bush: A Europe whole and free, with democratic governments and free market economies. There was an effort to prevent the emergence of crises which could involve major commitments by the United States, or pose major problems for the United States. What this amounted to, frankly, was an effort on the part of the Bush administration, led by Secretary Baker, to prevent the disintegration of states, that whatever their merits might be, that were part of European structure and whose collapse did not necessarily promise greater stability. Here, I am thinking of Yugoslavia and the Soviet Union, and to a lesser degree, Czechoslovakia. I can talk about the latter a little later in the context of an interesting discussion between President Bush and President Havel in Helsinki in July 1992. But, in the summer and fall of 1991, our general approach was to see whether these structures, which were obviously faulty, the political structures of Yugoslavia and the Soviet Union, could not be modified in some way to accommodate the forces for change within the countries, but at the same time preserve some sort of coherence there. Reckoning as we did that both the political and the economic downsides of breaking these units up into their component parts were considerable, we tried, unsuccessfully, to control and channel the process. But it was essentially uncontrollable.

*Q: Looking at it, sometimes The State Department and those dealing with Foreign Affairs, are accused of (that is not really the right term) not wanting to upset whatever the existing thing is. In other words, the devil we know is better than the devil we don't know. Was this a factor in it?*

NILES: No question. But, let me just say, it is hard to look at what has happened in the Soviet Union and Yugoslavia today and say that what replaced the political structures that existed of September 1, 1991 are better from the point of view, first and foremost, of the people who live there, and also of the United States. You can argue that we are better off with a broken up, weaker Russia, and an independent Ukraine, etc. I am not all together sure. I think the final story hasn't been written there. We certainly are better off without a imperialistic, expansionist Soviet Union, but by 1991, the Soviet Union had largely ceased to be that kind of a threat to the United States and our Allies, at least at that time. It was very unlikely, it seemed to me, that a similar threat would reemerge in the Soviet Union, which had become essentially a status quo power and very much concerned in the first instance with its own internal problems, which were insuperable ultimately. Nobody as far as I am aware could make a case that anybody, except the Slovenes, have benefitted as a result of the breakup of the Yugoslav Federation. The chaos of the millions of refugees, endless destruction, death, and misery which is going on today, particularly in Kosovo, but also in Bosnia and elsewhere, is just unbelievable. The price that we have all paid and continue to pay for the insane ambitions of Tudjman and Milosevic is beyond calculation. So, yes, we tried every way we could to encourage some new structure in the former Yugoslavia. We supported efforts by Gligorov and Izetbegovic to cobble together some sort of Confederation. Secretary Baker clearly saw

what was about to happen and told the leaders of Yugoslavia when he met them in Belgrade on June 21, 1991 that they were on a course toward “civil war and bloodshed.” This was directed particularly at the Slovenes and Croatians, who were moving toward formal declarations of independence. Essentially, their answer was, “To hell with you. You don’t know what you are talking about.” Five days after Secretary Baker was in Belgrade, they declared independence on the June 26, 1991, and the rest is history. Secretary Baker saw that once you took Croatia and Slovenia out, in fact, once you took even little Slovenia out of the Yugoslav Federation, it was like a house of cards. You took one small piece out, and the whole structure became unstable. As when we were there in the 1960s, the Croatians and the Slovenes formed a kind of a mutual support society against the Serbs and the others, poorer people. Each reassured the other. But, if you took Slovenia out, it made it so much more difficult to keep Croatia in. If you took Slovenia and Croatia out, there was no way that Bosnia and Macedonia were going to stay in there with Serbia, which was so much too large for them. They needed Croatia and Slovenia in order to balance against Serbia. As weak as it was, the Yugoslav Federation 1991 was much better from the point of view of the individual peoples of that area, and from the point of view all of the surrounding countries, and of the United States, than what has followed. We tried to discourage the fracturing of the country, to discourage independence, keep the EU from recognizing Croatia and Slovenia. That was our big push in the fall 1991, against the wrong headed and nutty policies of the Federal Republic of Germany, specifically Genscher aimed at recognition of the independence of Slovenia and Croatia. Genscher recognizes it now and refers to that policy as the greatest mistake of his career.

*Q: When many people point, I must say, I felt shivers go up and down my spine when I heard Germany had recognized Croatia, why they had jumped in the front. Why don’t we talk about Yugoslavia first. Then, we will move onto some of these other issues.*

NILES: I was working on Yugoslavia before I got back because the European role was so important. It was clear that the Europeans wanted to get involved. They felt that they should, and indeed, they were right. There was a strange coincidence of circumstances in the summer of 1991, which had an impact on the way this Yugoslav crisis developed, in terms of the European role. Remember, we were coming off the Gulf War, which had concluded in March 1991. Everybody in Europe recognized that the Gulf War had been the United States against Iraq, with significant help from the Europeans. The Europeans admired that, but at the same time, they felt somehow envious that the United States had the dominant role. They, after all, they were moving toward the establishment of the European Union. They felt that they needed something to demonstrate their capability, just as the United States demonstrated its capabilities in the Gulf War. That was one element. The second element was the Dutch Presidency. The Dutch assumed the Presidency of the European Union on July 1, 1991. The Dutch are, by nature, activists. They are wonderful allies. They are, more often than not, on the right side of issues. I admire them. They are tough, resilient, and smart. Their Foreign Minister at the time, Hans Van den Broek, who is now a Commissioner of the European Union, was an active, dynamic leader. So, you add these elements, including the European sense that they had been involved in the Gulf War but that it was the Americans show, and they were a side

show, and you had the sense in Europe that it was the time for Europe to do something big in foreign/security policy. Yugoslavia is in Europe, unquestionably, for better or worse. Then, you had an activist Dutch instinct, and Hans Van den Broek, who was an activist even among the Dutch, as the President of the European Council. The mix was unfortunate.

*Q: I'm not too familiar with the European Union, but whichever nation has the Presidency, it can be a very influential role for them.*

NILES: It can be. The Presidency country can set the tone of the way the Union operates. It does not totally control the agenda, but it can have a lot to say about the agenda. It can really influence the way the Union functions, politically and economically. It is one of the crazy things about the European Union, which is going to have to be discarded, because you really have a new Presidency every six months. It is a bit like Switzerland. If you want to be effective, internationally, you need continuity. Ultimately, the Council structure in Brussels and the Commission, and the Parliament, to a degree, provide continuity in the European Union. But, this revolving Presidency is crazy. It really has to be discarded. It does give a country, if the country wishes to take advantage of it, considerable opportunity to put that country's stamp on the policy.

In any case, Hans Van den Broek came to Washington on July 9-11, 1991 for his initial meeting as President of the European Council of Ministers with Secretary Baker. I don't know if he saw President Bush or not. Secretary Baker and Van den Broek were good friends. They got along well and worked well together. Van den Broek's pitch on Yugoslavia was complicated. There was an extensive discussion. Baker had just been there. It was obvious that things were going very badly and would get worse unless somebody got involved quickly. Van den Broek's approach with Secretary Baker was: "Hey, you guys did a fabulous job on the Gulf War. It was wonderful. The next big problem for us is going to be Yugoslavia. That is in Europe. We, the European Community, will take the lead." Secretary Baker, who had just been there and thought the Yugoslavs were all crazy, and didn't see anything particularly good or beneficial coming out of Yugoslavia, said, "Fine." In retrospect, these two outstanding leaders were both wrong in this. Van den Broek had to know that the European Community couldn't take the lead on Yugoslavia. They were incapable of doing it because they didn't agree on what they were going to do. The Germans had one policy and the French another, and the British a third, the Italians a fourth. The Italians were very much influenced by the Vatican.

*Q: Which meant Croatia.*

NILES: Which meant support for the independence of "catholic" Croatia and Slovenia, and a lot of unfortunate things, at least in my view. In any case, Van den Broek should have known that. This was a smart guy. But, for him to come to Washington and say, "We will take the lead on Yugoslavia." It is really mind boggling in a way. Secretary Baker knew a lot about the European Community. He knew, or at least should have known, that the Europeans were not up to it. They weren't and still aren't because they

don't have a structure. They don't have a mechanism for reaching an agreement, and for implementing it, on a difficult foreign policy issue, as Yugoslavia was. Both should have known better and didn't.

*Q: Was Larry Eagleburger playing a role in this?*

NILES: No. Well, he met with Vandebrook, but he didn't take an active role. Larry seemed a little tentative on Yugoslavia at the time. He didn't want to get too involved in it, I think, because he was worried about what was going to happen. I think he recognized that people were going to say, "Here, it is yours," which subsequently happened. Larry, by that time, had spent close to eight years in Yugoslavia, three years in the 1960s when we were all together there, then four years as Ambassador from 1977 to 1981. By the way, have you interviewed him?

*Q: No, I haven't.*

NILES: Boy, that should be an interesting interview. You really should. I mean, for the whole career, but only for this period or this issue. He has a story to tell. In any case, that was, I think, a misunderstanding on the part of both the European Union and the United States regarding who could do what in former Yugoslavia. The fighting in Slovenia lasted for about two weeks. Milosevic didn't care about Slovenia. There were no Serbs living there. He was prepared to see it go. He also knew that it would be easier to deal with Croatia when Slovenia was gone. That was part of his calculus, I'm sure. You can say what you will about Milosevic, but he is very smart, particularly in short-term, tactical decisions. He is a real street fighter. In any event, the fighting began in Croatia in August 1991. So, by September 1, 1991, when the Europeans came back from vacation, we had a full-blown crisis on our hands. Of course, the world could be coming to an end, and still everybody would go on vacation in August.

*Q: Well, World War II started, I think, the 1<sup>st</sup> of September 1939, didn't it?*

NILES: It sure did. And World War I started on July 28, 1914.

*Q: Before vacation.*

NILES: Before vacation, that is right. The Europeans came back from vacation at the end of August. I was there, just getting ready to leave, to come back to Washington. I had a dinner with Franz Andriessen who was Vice President of the Commission, and Commissioner for External Affairs. He was a good guy, basically interested in trade issues as befitted a former finance minister of the Netherlands. He was strong on finance and trade, but he was also responsible for foreign policy at that time. After that, the Commission split the job into two Commissioners, one on the economic side and one responsible for foreign and security policy. Frans had a dinner for me at the Commission building at the end of August. We talked about Yugoslavia, and he, of course, was in close contact with his fellow Dutchman Hans Van den Broek. The EC was preparing to organize what became the Conference on former Yugoslavia together with the U.N. The

first meeting was to take place in The Hague, on the 3<sup>rd</sup> of September. The effort there was to try to find some framework within which we could knock heads and force the Yugoslavs to stop fighting and negotiate a settlement to their problems. This Conference on former Yugoslavia really was a continuing mechanism. This idea of cooperation between the European Union and the UN, that these two organizations had a special role to play in former Yugoslavia, began really at that time. Lord Carrington for the EU and Sir David Owen for the UN were the two people who emerged initially from that meeting in The Hague, and then, finally, former Secretary Cyrus Vance got involved on behalf of the United States. This first meeting, was on September 3, 1991. My first day in the office was on September 1. When I arrived in the office, we began to consider the first issue on the agenda, which was Yugoslavia. I remember talking to Ralph Johnson, and Mike Habib, who was the Eastern European Director, about options for the US. I had a few thoughts, coming as I did from Brussels, about cooperation with the European Union. The Europeans, as I said, were going to have the first EC/UN conference on September 3. We agreed in the European Bureau that we should support them by sending our Charge in The Hague, Tom Gewecke, to the opening session as a symbol of that support. Then I went up to Secretary Baker's 8:40 meeting. He welcomed me to this "show and tell" session, with the Under Secretaries, Assistant Secretaries, and various other people, which was a very useful thing that he did every day. It lasted 10 to 20 minutes, but it was a very useful means for people to call things to the attention of the Secretary, for him to give signals of what was important to him, what he expected us to do during that day. It was a good technique. Secretary Baker ran very crisp meetings. There was no detailed discussion of issues. He defined the issue was and what to do with it. There was not too much discussion around the table. Anyway, he welcomed me. I said, "Glad to be back. I do have one thing, this Conference on former Yugoslavia is opening tomorrow, and it seemed to us, down in the European Bureau, that maybe we should ask our Charge, Tom Gewecke, to represent us there as a sign of our support for the effort." (Howard Wilkins, one of the founders of Pizza Hut, had been Ambassador to the Netherlands and had left in July, and so Tom Gewecke was the Charge.) The Secretary said, "Don't do that." I said, "Okay." So, we didn't. That, in a way, was a kind of a policy decision, or signal, that I took from the Secretary, that we were to be very circumspect about our involvement and let the Europeans do their thing. In the initial stages, in September and October 1991, that was our approach.

*Q: I want to catch it at the beginning there, because Washington revolves around, and decisions often revolve around, not only just what happens in the Secretary of State, but also in The Washington Post, The New York Times, or somebody interested in Congress. At the beginning, was there a general feeling that you were getting from the media, and maybe from Congress, that this was great, and Europe, at last, was going to take a problem off our backs?*

NILES: I can't ever recall that that point was emphasized. There were expressions of concern to be sure. I remember Senator Pell, in my confirmation hearing, asked me about it. So, some in Congress were concerned. It was limited, but at that time the atrocities and tragedies hadn't yet started, so there was no big pressure that the United States had to get involved in Yugoslavia. We had just fought a major military engagement against Iraq.

We still had at that time 150,000 troops in the Gulf region. We were fast drawing down from Desert Storm, but we still had a substantial commitment out there. The idea that somehow we ought to leap from Desert Storm into what might be the Balkan storm, people thought, was crazy. There was no pressure from within the Administration that I can recall at that time that we should do anything. Certainly, in the White House, the NSC, the State Department, not to speak of the Defense Department, there was no readiness to take a major role in Yugoslavia.

*Q: So, how did things develop, then?*

NILES: Well, in September and October, the fighting intensified in Croatia. The Serbs used the Serbian population in the Krajina and Slavonia to set up these so-called “Republics” of Slavonia, and Serb Krajina, driving the Croatian population out in most cases. The Serbian Army began, by the end of October, its assault on the town of Vukovar, standing off on the Serbian side of the Danube and shelling the city with 155 millimeter guns, just lobbing shells into the town, gradually destroying it and killing people. At the same time, the Serbs were bombarding Dubrovnik from near Trebinje in southwestern Bosnia-Herzegovina.

That was the time, looking back on it now, when some form of U.S. military intervention might have had an effect. In the Bureau, we talked about whether air strikes on Serbian artillery that was bombarding Vukovar and Dubrovnik, to pick two worthy cases, would send a hard message to Milosevic that he was engaging in unacceptable behavior. But when we tried to move this discussion beyond the strictly theoretical, we ran into a buzz saw of opposition, not in the Department itself but the other agencies. I think Deputy Secretary Eagleburger was attracted to the idea, but the Pentagon, both JCS and OSD, thought we were lunatics. The question that was asked was, “Okay, you bomb the Serb artillery. They put in new guns. What do you do then?” Of course, we didn’t have the answer to that. Basically, we raised the question, “Should the United States use its military power?” which at that time, in the wake of Desert Storm, looked as if whatever we wanted to do, we could do it. We felt that if we could send missiles into the window of a barn or down the streets at Baghdad and turn left at the second stop light, we could certainly send a message to Milosevic. It would have been difficult. Vukovar is a little bit far inland, but using F15Es out of Aviano would have been simple enough. Hitting the Serbian guns that were bombarding Dubrovnik would have been easy. Overall, it would not have been a militarily difficult thing to do. Would we have lost airplanes? Probably not. But, you couldn’t be absolutely sure. After all, we lost some airplanes when we went in the Gulf War. You couldn’t be absolutely sure that you wouldn’t have losses, and you also couldn’t be at all sure what the outcome would be, what kind of a message Milosevic might draw from this.

In retrospect, I think we missed a tremendous opportunity. We should have gone in, not just with one strike, but with some serious military actions. If we had gone in, not against Belgrade, but to hit the artillery batteries across the Danube from Vukovar and near Trebinje, that would have been a powerful signal. How it would have been read by Milosevic, who knows. But, the idea that there are limits to what was acceptable was an

important message to send. In any case, it wasn't sent. In October 1991, Ambassador Zimmerman came back to Washington with essentially that recommendation. We met in the morning with Deputy Secretary Eagleburger. I thought that Larry supported Warren's idea. After lunch, the three of us then went to a small meeting in the White House sitroom [situation room] with Bob Gates, then Deputy National Security Advisor, Lieutenant General Shalikashvili, then Military Assistant to the Chairman, Lieutenant General Ed Leland, then head of J-5 (Policy and Plans) in the JCS, Steve Hadley, then Assistant Secretary of Defense for International Security Policy (OSD/ISP) and David Gompert, the NSC man for Europe. Dick Kerr and John Halverson were there for CIA. I believe they were the DDO and DDI, respectively.

Warren presented his proposal for air attacks on the Serbian artillery being used against Vukovar and Dubrovnik. I thought he did an excellent job. The other agency representatives present were either opposed (OSD, JCS and Gates) or non-committal (Kerr, Halverson, Gompert and Eagleburger). I supported Warren. At one point, Gates left to call General Scowcroft, who was traveling with President Bush. Gates came back to the meeting with the word that Scowcroft and the President would not support such an action. And that was that. We never again reached even that degree of specificity in discussing a United States military response to Serbian aggression during the Bush Administration.

*Q: Did you sense, at this time, that this was, in a way, a peculiar war, in that there seemed to be an awful lot of reliance on almost indiscriminate artillery firing, and not really very serious, real troop movement?*

NILES: Well, you have to remember what we are talking about here, Stu. We are talking about the Serbian Army, the so-called Yugoslav National Army, the YPA. That was an army developed by Tito, but very much on the Soviet model, and based on Soviet military experience in the Second World War. Now, what would that Soviet military experience in the Second World War suggest? Among other things, it would emphasize massive artillery bombardments such as the Soviets did to Warsaw and Berlin. You stand off, you mass as many 155's and 205's as you can and you fire them off against your target for an extended period, then you see what the situation is. Vukovar and later Sarajevo were like Warsaw or Berlin. This was the Serbian military tactic. For example, at one point in October or November 1991, the Serbs were firing FROG (Free Rocket Over Ground) missiles at Zagreb. Now, the FROG is about as accurate as shooting an arrow into the wind. You know it is going to hit somewhere, but you don't know exactly where. They were firing these rockets, with a range of about 75 to 100 kilometers, maybe a little bit more, into Zagreb from the area south of Karlovac in the Lika region. No one knew where they were going to land, in the old town or in the new town, or out of town altogether. Wherever they came down, they did a lot of damage but, even more, it terrorized the civilian population. But, that was the very much Milosevic's style. It was like Hitler's use of the V-1 buzz bomb in the Second World War. They wanted to destroy things, but they particularly wanted to terrorize people. Mass artillery fire puts a maximum hurt on the other guy, and minimizes your losses, since he doesn't have any tube artillery. In a sense, it was a cost-free, painless way for Milosevic to meet his

objectives, which he did. So I think what we were seeing there was the Serbian application of Soviet military doctrine. They did it, and very successfully. They blitzed Vukovar and did considerable damage in Dubrovnik. Vukovar was much more important to them. They wanted to take all of Eastern Slavonia, which they did. What would have happened if we had gotten involved then? Who knows?

One of the lesson I took away from this experience is that the State Department was at a pronounced disadvantage because none of us had the military knowledge or capabilities to say, “Well, here is the operational plan.” We were dependent upon the Pentagon, and they were dead set against any US military involvement. By the way, in present this option in October 1991, we did not simply suggest that we should start bombing the Serbian artillery emplacements opposite Vukovar and above Dubrovnik. Rather, we presented this as part of an overall plan that would have sought to mobilize international support for our plan and use the threat of bombing to stop the shelling. But we agreed that we had to be prepared, from the beginning, to move to the use of force if the Serbs refused to yield to political pressures. I am leaping ahead, but I remember another meeting at the NSC, this time almost a year later in October 1992, when the focus had shifted away from Vukovar and Dubrovnik to Sarajevo. This meeting included some of the cast of characters who were there in October 1991. General Shalikashvili had been replaced by that time by Lieutenant General Barry McCaffrey. Ed Leland was still there, I think. Ed was replaced by McCaffrey around that time, and Lieutenant General Mike Ryan replaced Bary as Assistant to the Chairman. Paul Wolfowitz was there as Under Secretary of Defense for Policy, and Steve Hadley and David Gompert were there. Gates had left the NSC for the CIA and had been replaced by Vice Admiral Jon Howe. Finally, Eagleburger by that time was Acting Secretary, and he had opted out of most of the Yugoslavia mess. Arnold Kanter, who was Under Secretary for Political Affairs, was the senior State representative, and I was there also. We were under a lot of pressure from outside the Administration to “do something” about the situation in Bosnia, and I noted that we really needed to think hard about what we could do in the way of using military force. I said, “Haven’t you guys got some plans we could use? We have military forces all around us. Let’s talk about whether this plan would work or that plan would work.” The answer from Wolfowitz was, “If President Bush wants to discuss military options in Yugoslavia, he should raise that with the Chairman, and the Chairman will discuss military options with him.” In other words, “Assistant Secretaries in the State Department should shut up.” Wolfowitz then went on to ask whether we had our diplomatic strategy developed to support the use of force by the United States. I said that we could surely develop one but that before we could do so, we needed to know what it was we were talking about. So, we were at a very big disadvantage in all these discussions with representatives of OSD and JCS. They were, at the time, totally committed to keeping us out, militarily, of former Yugoslavia.

The other side of their position was that if the President were to decide to use force in Yugoslavia, we were going to go in and really clean things up. I remember at the beginning of the Clinton administration, Secretary Christopher was being educated in a crash course in Yugoslavia. I was at a meeting with him (one of the few I attended with him). Lieutenant General Barry McCaffrey was the principal JCS briefer. He had by that

time replaced Ed Leland as head of J5. This was before he received his fourth star and went to SOUTHCOM. Secretary Christopher said to the group, "Well, now, if we were going to intervene in Bosnia militarily to try to stop the fighting and to establish stability, what would that require?" General McCaffrey looked across the table at the Secretary of State, and said, "Well, Mr. Secretary, I think that would take a field army." Secretary Christopher said, "What's that? What does that mean, General?" He said, "Oh, about 400,000 troops." You could see all the blood rush out of Secretary Christopher's face. He said, "You are telling me that if we want to get involved in Bosnia, in an effective way, it would require 400,000 troops?" The General said, "Anything less, would be too big a risk." That was the attitude. If it seems that I am being critical of my military colleagues, I am not, because, in effect, they were right. Because ground troops in sizeable numbers, were absolutely required. Those who used to talk boldly about going in and cleaning the Serbs up with air power, cruise missiles, smart bombs, or one thing or the other, really didn't know what they were talking about. We could have sent a message. As General Powell used to say when he would talk with him about this issue at NSC meetings, "You can punish from the air, but you establish realities on the ground." When I heard him say that, I thought, "This is the infantry man talking." But I can see now that he was absolutely right." In 1991-93 when I was involved, up through April of 1993, if you talked about using ground troops in former Yugoslavia, you were talking about the United States Army or Marine Corps. There was no other ground force in the area. You weren't talking about the German Army, the French Army, or the British Army, or some other Army, it was the United States Army or the Marine Corps, that was going to go in there to do this. You had to be serious about it and recognize that.

So, when the events of the summer and fall of 1995 occurred, and we got to Dayton, people looked and said, "Why didn't we do this in 1992?" People looked at the U.S. involvement, and all it involved was air strikes against Serbian targets in Bosnia. We lost one plane but rescued the pilot, and we obviously put a heavy hit on the Serbs. What people who made that argument missed was that the ground forces in 1995 were supplied by the Croatians and to a lesser extent by the Bosnians. What brought the Serbs to Dayton in November/December 1995 was not the air war but the fact that the Serbs lost on the ground, the fact that the Croatians had kicked the Serbs out of the Krajina region and most all of Slavonia, and large parts of Bosnia. The Croatians were the ground force by that time, and they were good, at least compared to the Serbs. But, in 1991-94, there was no Croatian Army. It didn't even exist, except in the mind of President Franjo Tudjman. General Powell was right: you have to have ground forces. The difference between 1992 and 1995 was that in 1992 the only ground forces available would have been from the United States. In 1995, the Croatians did it. There is a great story out there that has not been told about how this Croatian army came into being, about who provided the arms and training. Basically, it was our friends the Germans, with help from us and others, in direct contravention of the UN Security Council arms embargo on all of the former Yugoslavia that was imposed in November 1991.

*Q: As one reads Holbrooke's book, to end the war, he does talk about urging the Croatian Army to keep going, pushing them.*

NILES: Sure, Dick understood that.

*Q: This was part of the Dayton lead in.*

NILES: I have not read his book. I guess I should. Dick, I think, would acknowledge that Tadjman played an extraordinarily important role in making Dayton possible. Dayton would have never happened had it not been for Operation Storm, which is what Tadjman called the expulsion of the Serbs from the Krajina and western Slavonia. The Croatians got a lot of help, in the form of armaments, in training, and so forth.

*Q: Here you have the Soviet Union, which is no longer considered as great a threat, and you had a big NATO Army sitting there. Why was it that you were thinking of an American field Army or the Marine Corps going in?*

NILES: Well, you had NATO forces, to be sure. But, Italian and German forces were ruled out from the start, because of the Second World War. Maybe we exaggerated this, but we just couldn't see sending the Bundeswehr into Bosnia. The Germans would not have gone. Subsequently, the Germans have gotten involved there, after Dayton. They have done a good job, and they crossed the Rubicon. Now, I think, we can look to Germany for assistance in such cases, but then we could not. I don't know whether we could expect a Red/Green coalition with Joschka Fischer as Foreign Minister to undertake such a role, but he has come a long way on these issues, and Germany is now a full participant in the military side of the alliance outside the NATO area. In 1991-92, we also thought that Italy was ruled out because of WWII, but the Italians got involved in post-Dayton Bosnia. So, in 1991-93, you were left, in terms of serious military forces, with the French and the British. But, even they did not have forces that could be deployed into Bosnia in something other than a peacekeeping mode, which they did in UNPROFOR, which was a disaster. The only force that was big enough, tough enough, equipped well enough to do the job in 1991-94 was the United States Army or the Marine Corps, or both. It would have required that. We could have bombed the Bosnian Serbs and the Serbian Serbs, but I don't think that alone would have solved our problem.

*Q: Also, I think that Desert Storm had just showed up the fact that the French practically couldn't operate within an alliance context, because they just didn't have the integrated equipment.*

NILES: I think that is a little bit of a mistaken view, Stu. It is true that their equipment is different, but in terms of NATO operations, the French are pretty well integrated. Once General Schwarzkopf started giving commands to the French units, out there in Desert Storm, they performed on the ground pretty well. In real life, France is a bilaterally, integrated member of the integrated military structure of NATO. It is just that they do it on a one to fifteen basis, instead of being with the sixteen. They participate in all of our exercises. The forces are largely compatible, but they have their own military equipment to be sure. The thing they don't have, which is a problem for all of the NATO forces, and for NATO as an alliance if you take United States away, is the command, control, communications and intelligence capabilities. They also don't the transportation

capabilities. If you want to get troops someplace fast, to use force quickly, how are you going to do it? The only way you are going to do it is with MAC (the Military Airlift Command). The European Allies don't have C-17s, or C-5s. They don't even have the capability, in the short-term, to go to Air France, Lufthansa, and British Airways, and say, "Hey, give us your 747s." They haven't done that. We have the civilian air fleet operations, so that all of the 747s that are flying with the US Airlines today have had their floors strengthened and doors enlarged. They can be taken over from the airlines and sent to Timbuktu, or wherever we want to send them. The Europeans don't even have that. To talk about the Europeans going into Bosnia, without the United States, or going anywhere without the United States, unless it is going to be a parade, forget it.

*Q: Well, now, in this early time, Dubrovnik was being shelled, but the real business was Zagreb and Vukovar. How about the Krajina, or was that off the screen?*

NILES: There wasn't that much fighting in the Krajina region. The Serbs seized it and expelled most of the Croat population in late 1991. There was not too much fighting there. Most of the fighting was in Slavonia, and a lot of that was, as we have discussed, Serbian artillery barrages onto defenseless Croatian towns and villages, which produced lots of refugees.

*Q: Were you feeling any particular problem with the Yugoslav desk officers, because this came up later on? But, at this time, it was a nasty situation, but we weren't getting around our throats being cut, things like that.*

NILES: The problems came up over Bosnia. For some reason, the terrible refugee problems that emerged in Croatia, when the Croatians and the non-Serbian population were driven out of the Krajina and out of Slavonia, didn't quite register in quite the same way as Bosnia. It was ethnic cleansing, perhaps on a more limited scale, and perhaps not quite as violently, and it didn't really register in the same way in the West. We certainly saw it as a serious problem, and we looked for ways to stop the fighting. What did we do? We had a lot of consultations with the Europeans. I participated in those. They didn't have any particular effect. In the fall of 1991, we sought to persuade the Europeans not to recognize the Slovenes and the Croatians as independent countries. That was a strong pitch by Secretary Baker.

*Q: What was the pitch? Obviously, these countries were separated. Were we saying, "Don't recognize it until something happens?"*

NILES: No. Our pitch was, "Don't recognize their independence, because that forecloses the possibility of putting some new structure in." This was our argument at the time. "If you think that what is going on in Croatia is bad, wait until something like this happens in Bosnia." We were not oblivious to the big danger that was lurking in Bosnia. "Let's see if we can force these guys to confederate. Don't recognize their independence." We thought we had a deal worked out with the Greeks in the first part of December. Greece shared our misgivings about the break up of Yugoslavia. So, we thought that we had convinced them that they would resist EU recognition of Croatia and Slovenia at the Maestricht

summit. We thought we had them all signed up at a meeting in Washington at the beginning of December 1991 between President Bush and Prime Minister Mitsotakis. In the end, however, the Greeks joined in, perhaps reluctantly, but they joined the consensus to recognize. It turned out that they cut a deal. Antonis Samaras, the Foreign Minister, agreed that if the Europeans agreed that they would not recognize the independence of Macedonia, he would agree that they could go ahead on Croatia and Slovenia. It was a stupid deal, from the Greeks point of view, because what it meant was that the issue of Macedonian independence would automatically come forward if you recognized that the Yugoslav Federation no longer existed.

*Q: This was prior to any recognition, obviously? I mean, this deal?*

NILES: Our deal with the Greeks to resist recognition of Croatian and Slovenian independence was in early December 1991, when President Bush and Prime Minister Mitsotakis met in Washington. It lasted for all of two weeks. Then, in Maastricht, the Greeks changed their position. The French were reluctant, too. But the French yielded to German pressure in response to a deal with the Germans on monetary union. This is the way the European Union functions. At many of the semi-annual EU summit meetings, the leaders come together with a number of unresolved, but often unrelated, issues. It is a little bit like what goes on in the United States Congress when a session ends with people are making deals right and left. The French gave in and agreed to EU recognition of Croatia and Slovenia independence, in exchange for something that the Germans gave them on monetary union. The Greeks gave in because of something that the others gave them on Macedonia. Now, this is an interesting point. The Germans were insisting that the Europeans had to recognize Croatian and Slovenian independence together, as a sign of a common European foreign and security policy. But the Germans also threatened that if the Europeans didn't do it together, they, the Germans, would do it unilaterally. This was an extraordinary example of the common foreign and security policy. The Germans said, "We need a common European position here, but by the way, if we don't get one, we are going to act unilaterally."

*Q: What was our analysis at the time, and what were we doing about it? Why were the Germans taking this particular thing, because I would have thought they would have been very sensitive to this?*

NILES: You would have hoped so, given historical experience, but that was not the case. The secret lies in German coalition politics and the role of the Bavarian wing of the so-called "Union Parties," the Christian Social Union (CSU). The Christian Social Union is an interesting party. It is a Catholic party, essentially restricted to the land of Bavaria. The Christian Democratic Union is the standard bearer for the "Union Parties" in the rest of Germany, although it, too, is strongest in the more Catholic laender such as Baden-Wurttemberg, Rhineland-Phaltz, and Hessen. It is weakest in the Protestant parts. In any case, the CSU was the principal voice in Germany for recognition of Slovenian and Croatian independence, and this was all tied up in support for the Catholic parts of former Yugoslavia against the Orthodox Serbs. We could have been in the eleventh century. Foreign Minister Genscher may have had some misgivings. I always thought Genscher at

least understood why Secretary Baker was so strongly opposed to this. He now admits that his adamant support for EU recognition of Slovenian and Croatian independence was the greatest mistake of his political career, and keep in mind that he was Foreign Minister of the FRG from 1974 to 1993.

*Q: I have the feeling that somehow Genscher was the driving force behind this.*

NILES: Genscher was the driving force because he was Foreign Minister. He was the front man. You never saw anybody from the CSU at the table.

*Q: He was FDP, wasn't he?*

NILES: Yes, Genscher was the CDU/CSU's coalition partner as leader of the FDP. He was replaced by Klaus Kinkel, another FDP leader, as Foreign Minister when he finally retired after almost 20 years as Foreign Minister. But, in any event there were no CSU fingerprints at the Maastricht summit, but the CSU was the strongest force within the Union Party/FDP coalition in favor of recognition. This reflected the Catholic, southern-German attitude toward the Balkans. The idea was that the Slovenes and the Croats are our Catholic Allies, and we have to protect them from the Serbs.

*Q: This goes back to the great Schism there.*

NILES: No question, 1054 and all that. That was something that was obviously of less concern to a Protestant from Saxony like Genscher.

*Q: Was there a significant Croatian vote or anything? I don't think of Germany as being very...*

NILES: There were Croatian immigrants. Yes, there were Croats living in Germany, but that was really not it. That was subordinate to the world view of some people in Germany in influential positions who felt that this was an opportunity for Germany to make up for some things that had happened 75 years before. The Greeks believe in conspiracies, as you know. They are conspirators and they figure everybody else is. They had this elaborate scheme that they presented to me when I arrived there as Ambassador in 1993 about what really happened in Yugoslavia. Who was responsible for this? The Greek view of what had happened in Yugoslavia was that there was this conspiracy which consisted of the Vatican, which they hate, the Germans, whom they hate, and the Turks, whom they hate. It was a very improbable triad, but the Greeks were not totally wrong on the role played by the Vatican and the Germans. Now, the Turks had little to say or do one way or another with what happened in Yugoslavia. But, there is no question that Vatican diplomacy was very strongly in favor of the recognition of Croatian and Slovenian independence. We got that from the Cardinal Secretary of State Sodano when Secretary Baker and I met with him in Rome in November 1991. We were there with President Bush for the NATO summit. The President and Mrs. Bush were having an audience with the Pope and the rest of us, four or five of us, sat in this extraordinary

room. Thomas Melady, Ambassador to the Vatican, Bob Zoellick and Reggie Bartholomew, then Under Secretary of State for Security Issues, were there, too. We sat in this room with a ceiling that must have been 100 feet high, and with extraordinary frescoes by Perugino all around. We were told that when he had finished his part, the lower parts of the facing long walls and one end of the Sistine Chapel, he did that room. We were sitting - eight of us - at a lovely small, ornate table in the middle of this great room. We talked mainly about Yugoslavia. These Vatican diplomats were very circumspect. Their solicitude for the Slovenes and the Croatians, and the religious people, was very strong and very clear. Cardinal Silvestrini was there. Archbishop Turon, a French prelate who is, as they all seemed to be, a very clever guy, was also there. He once came to call on me at the State Department with the Apostolic Delegate, another brilliant Vatican diplomat. Today, the Pope goes to Croatia and beatifies Cardinal Stepinac. I don't think Cardinal Stepinac was a war criminal, but to say that he was a Saint, and to do that in the present circumstances of the Balkans, to go to Zagreb and throw that particular ember onto the inflammable material lying around there, is incredible.

*Q: I thought it was incredible when it happened. You have the Pope recognize Croatia, almost right after the Germans. Thinking of that one-two, punch, and knowing as we did, and having been in Serbia before, about how leery the Serbs were, (and leery is a very mild word) of the Catholic Church and the Germans, if you want to talk about conspiracies and making somebody feel pushed into a corner...*

NILES: I find it unbelievable. I don't know whether people can attest to miracles that have been worked as a result of the intercession of the deceased Cardinal Stepinac, but his role during the 1930s, and 1940s, during the Ustashi period, and the period before the war, encouraging Croatian nationalism against Yugoslavia. Those people were terrorists. They killed King Alexander of Yugoslavia and the Foreign Minister Berthou of France in Marseilles in 1934. These were terrible people. The Vatican and its apologists say, "Well, by 1942, Cardinal Stepinac was denouncing the Ustashi." Well, he was a little bit late to the party, as far as I am concerned, particularly if he was going to be made a Saint. The Vatican certainly played a role in the 1991/92 Yugoslav disaster. The other thing that was remarkable about the Germans was that the Germans talked about common EU action as part of a common foreign and security policy. At Maestricht, which concluded, I think, on the December 16, 1991, the 12 European Union members said that they would recognize the independence of Croatia and Slovenia, presumably on January 16, 1992. The Germans went out and did it the next day, December 17, 1991. It was absolutely incredible. First, they went on at great length about the need for the EU members to act together, about a common foreign and security policy, and how important it was, and then they went and did their own thing. As you say, immediately thereafter, the Vatican proceeded with its recognition. Now, Genscher, in his memoirs, which I have not read in their entirety, but I did read this one section, does say that this was a big mistake. He did say that this was the greatest mistake of his career as Foreign Minister, which is gracious, and apart from being quite correct, it is a very courageous thing to do. But, it doesn't take away from the fact that they made a terrible mistake that had big time negative repercussions.

*Q: This is really a critical time. During this time, were we calling upon and saying, "Look, in the first place, we think you fellows ought to be in some sort of loose union, because all hell will break loose otherwise?"*

NILES: Hell had broken loose. Not all hell, but a good part of hell.

*Q: It was really going, and we were saying "There should be a way for us to act as mediator, or what have you." Were we joined by anybody, like the Brits, or the Norwegians, or anyone else, as far as singing that this is the way to go, rather than just recognition, without any good pro quo, or anything like that?*

NILES: The British were sympathetic. The French were sympathetic, up to a point, and the Greeks were also. But, otherwise, in the European Union, we did not garner much support. As far as I can recall, the neutrals didn't get too engaged.

*Q: What about the Dutch?*

NILES: The Dutch were in the Presidency, and I think, bear some responsibility. But the Dutch are very influenced by the Germans. They might not like that, but it happens to be a fact. We got support from the French, and the Greeks, and to a degree, from the British, in saying, "Hey, let's slow the train down here." There was an initiative that had been undertaken by Izetbegovic and Gligorov essentially to create...

*Q: Gligorov being?*

NILES: He was the President of Macedonia.

*Q: Izetbegovic being Bosnian?*

NILES: Right. As I was saying, this was an initiative to create a Yugoslav Confederation. That idea was alive, at least until most of the world, or an important part of the world, recognized the independence of Croatia and Slovenia. Once that happened, it was awfully hard to "put Humpty Dumpty back together again." It might have never worked. It was a real long shot, but it was a long shot that, if it had succeeded, carried with it, some significant advantages. By the way, one thing to keep in mind, is that throughout this period, even when the Serbs were bombarding Vukovar and driving Croatians out of the villages in Slavonia and the Krajina, and shooting FROG missiles into Zagreb, Tudjman and Milosevic were plotting the dismemberment and division of Bosnia. Even then!

*Q: They were greedy, weren't they?*

NILES: Yes. When they weren't meeting, their subordinates were meeting to plot the plan, and draw maps. It was very much like Hitler and Stalin, Ribbentrop and Molotov over Poland, or Maria Theresa and Friedrich the Great over Poland in 1770.

*Q: Well, they were fighting each other.*

NILES: That's all right. Hitler and Stalin, rhetorically, were fighting each other. There is a wonderful British cartoonist showing Hitler and Stalin shaking hands over the body of Poland. One is saying, "The scum of the earth, I believe." The other is saying, "The assassin of the working class, I presume."

*Q: Lowe?*

NILES: Yes, by Lowe. It was a superb cartoon, but Milosevic and Tudjman were essentially doing the same thing with Bosnia. They had the most unbelievably negative things to say about each other, publicly. But privately, those were two guys who could cut a deal, and tried to.

*Q: Did you get any feel, while you were trying to put this together, particularly you, having been the Ambassador to EU, that the EU was enjoying that "Back here, we are really doing something, and you Americans stay out of it. You don't really understand?"*

NILES: Well, that lasted for about a month. By October 1, 1991, the European Union was beginning to realize that they had a tiger by the tail, that it was not a good situation, and they were wondering what their next move was going to be. They were trying to get us in by then. We were saying to them, "Hey, if you want to get us in, be sensible." But, they were not prepared to step back from their plans to recognize Slovenia and Croatia as independent states. We took a step in November 1991 which subsequently turned out to be ill-advised. But, in looking around for things to do, without intervening militarily in the war between Croatia and Serbia, we intervened politically and tried to get them to stop fighting, in part through the imposition, through the U.N. Security Council, of a Chapter 7 arms embargo on all of former Yugoslavia, including Slovenia, Bosnia and Macedonia, all of it. At the time it seemed a reasonable thing to do, but it turned out to be a very misguided move. What it did was give the Serbs an even greater advantage because they had all the military equipment they could possibly use, and they were using it against everybody else. The Croatians and the Bosnians didn't have much military equipment and the embargo made it more difficult for them to acquire military equipment.

*Q: Was there any concern about this at the time?*

NILES: No. I don't recall anybody even mentioning it. There may have been somebody who asked whether we were thinking this thing through, but I don't remember anybody saying that. It was a mistake. It profited us nothing and helped the Serbs.

*Q: The Bosnians still don't forget this.*

NILES: That travesty began a little later. This was November 1991, but it was a dumb move.

*Q: Senator Dole was a major force on Bosnia, later on. I mean, it seemed to be almost his mantra of arms to the Bosnians. Did that start, or am I mistaken?*

NILES: I think you are right, but that really came after. It was in 1993 and beyond, after I left. He was not involved during the time I was there. Kosovo was a big issue for him. Somehow I recall that the US Army doctor who treated him after he was so severely wounded in Italy during WWII was of Albanian descent, and the doctor had a continuing relationship with the Senator.

*Q: What was our reading on what you were getting, when you got there, on Milosevic, Tadjman and Izetbegovic?*

NILES: How do you mean?

*Q: Were these people one could deal with?*

NILES: Oh, I see.

*Q: How did you feel about them?*

NILES: At the time, when I first got involved in this, I had never met any of these people. After getting to know these players a little bit, my assessment is that it was an extraordinary misfortune for Yugoslavia and for everybody else that Tadjman and Milosevic happened to be in positions of power at the time that things came unstuck in Yugoslavia. Izetbegovic has some responsibility, perhaps, but Milosevic and Tadjman were the principal responsible parties for the collapse of the country. Milosevic was a totally dishonest, totally cynical person, cynical about everything - people, ideas, you name it, he was a total cynic and was most responsible for the tragedy. But Tadjman, in his way, also was a very negative force. The difference between Tadjman and Milosevic is that while Milosevic was a total cynic, Tadjman was a total believer. Tadjman deeply believed in Croatian uniqueness. He was a Croatian chauvinist. Tito was right when he threw Tadjman out of the Yugoslav Army and put him in jail as a "bourgeois nationalist" in 1972. Tito was absolutely right, because that is what Tadjman was. The difference between the two of them is that whereas as Milosevic was totally cynical about Serbian nationalism and was prepared to use it or discard it, depending upon how it helped him, Tadjman was totally committed to his idea of a greater Croatian state. This goes back to the time of Tomislav the Great in the 14<sup>th</sup> Century. Tadjman resurrected the symbols of the Ustashi. People say, "Oh, this guy is a descendant of Ante Pavelic." Probably not, although he certainly did not condemn Ante Pavelic and the Ustashi to the extent they deserved to be condemned. Tadjman said he took those symbols because they were the symbols of the 14<sup>th</sup> Century Croatian Monarchy under Tomislav the Great. The name of the money, the Kuna, and the checkerboard design of the flag, probably the songs, and the purification of the Croatian language, is the same thing that the Ustashi did. Tadjman saw himself as the modern day Tomislav the Great, recreating the 14<sup>th</sup> century Croatian kingdom. For him, Yugoslavia was not just an impediment to his dream, but something that was evil, and had to be destroyed. Bosnia was an abortion from his point of view,

because it contained parts of the territory in the medieval Croatian kingdom, which had to be liberated. That was what he was doing.

Now, how did it happen that at this crucial moment in the history of the people of that territory that you had these two uniquely unfortunate people in key positions, Milosevic and Tudjman? It is extraordinary bad luck. It is such bad luck that you cannot believe it.

*Q: Well, of course, we also live with a Hitler, a Stalin, and a Mao Zedong, all at the same time.*

NILES: That is true, too. I am just looking at it in the narrow context of Yugoslavia. It could be that what we are looking at here is a case in which the events created the people, that the reason why Milosevic was the President of Serbia in 1987 and Tudjman became President of Croatia in 1990 had less to do with their personalities, and more to do with the developments in Croatia, Serbia, and former Yugoslavia. But, the fact remains that these two people bear a very heavy historical burden for their actions. They were uniquely negative. Milosevic was the worst of the two, and he has a bigger responsibility. Milosevic created a situation within former Yugoslavia in which the others did not feel at home, by his ruthless pursuit of Serbian nationalism in the period from 1987 to 1991. But the fact remains that in Croatia, from the fall of 1990 onward, when the Croatian Democratic Party under Tudjman took over, you had a succession of anti-Serb measures which reminded people of the Ustashi. There is no getting away from that. This was Tudjman's policy. What did Tudjman want to do? Basically, Tudjman wanted to drive the Serbs out of Croatia. I am sure that that was his long-term objective, and he has now achieved it. Very few of those Serbian refugees are ever going to make it back to the Krajina.

*Q: No. In fact, that was even part of the Dayton accords, really.*

NILES: It was and it wasn't.

*Q: I'm not sure, but once Croatia got what it wanted, it sat back.*

NILES: Like Slovenia.

*Q: Yes.*

NILES: The Slovenes attitude was that they were not part of it and it was somebody else's problem, even though they played a considerable role in creating it. Izetbegovic, whom I did not discuss, was a much less decisive, focused person. He was not, nor were his associates, Muslim fundamentalists. In fact, I don't think there were any Muslim fundamentalists in Bosnia until the Serbs began to kill people, right and left, because they had Muslim names, and burned down the mosques. The Serbs created Islamic fundamentalism in Bosnia. I don't think Izetbegovic is a fundamentalist today. He is a Muslim, but he was certainly not a person who was hostile to Croats and Serbs because they were Christians. He was a perfectly reasonable guy, and not terribly

focused, in terms of what he was trying to do. I don't think he was a terribly effective leader, although, I have to say, he faced a very difficult situation, from the very beginning. His country was invaded, largely, maybe 70% occupied, almost one million refugees out of the two million Muslims in Bosnia. There were four million people, I think, in Bosnia in 1992. We figured 44% or maybe 50% were or non-Orthodox or Catholic, whether they were Muslims or not. You visited Bosnia and I visited Bosnia when we were in the Embassy. I once met with the Riesz-al-Ulema, the Chief of the Muslim Clerics in Yugoslavia. He was a nice old guy, based in Sarajevo. He gave us a Slivovitz. I think he had some himself, as best I can remember. These guys were not serious Muslims. I don't think the Riesz-al-Ulema lived according to the Koran. He was nice low-key, old guy who had an impossible task.

*Q: I always think of my interpreter when I was in Bosnia for an election a year ago, who said that he was a good Muslim. He was a Captain in the Bosnian Army when he wasn't chasing girls and drinking. I asked him how often he went to the Mosque. He said that he had never been in one, but he was a good Muslim anyway.*

NILES: Those guys never darkened the door of a mosque. The mosques were historical places. They were respected, as far as I could tell, but they were certainly not used. Now, of course, you see Muslim women in Bosnia going around with head scarves and people praying in the (rebuilt) mosques. This was all a reaction to the brutality of the Serbs, and to a degree, the brutality of the Croats. So, who is most responsible for the destruction of Yugoslavia? Milosevic and the Serbs were the chief offenders, but Tudjman and the Croats played a key supporting role. If you ask who is primarily responsible for the humanitarian disaster in Bosnia, the answer is Milosevic, and his Serbian cohorts, Karadzic, Mladic, and Arkan. These people are war criminals. But, the Croats did terrible things there, too. The Croats were the ones who, in the area of Herzegovina around Mostar, destroyed all the mosques and blew up everything.

*Q: I just came back last month from near Banja Luka. It is the Croats who are the villains, as far as the Serbs who were voting, were concerned. Another villain on this scene was the Pope. In the first place, what were relations? Normally, if we send somebody to be our Ambassador to the Vatican, he or she is a good Catholic. It is a throwaway, political appointment. Did we have any connection with the Catholic church, either here in Washington, or in Rome, where we were "talking turkey" about how bad this would be if you had a breakdown in Yugoslavia?*

NILES: As I recall, the Apostolic Delegate here steered very clear of political discussions with us, at least in my experience, because of his official accreditation. While he is the Ambassador of the Pope, I think he saw his principal responsibility as the link with the United States Catholic hierarchy, not with the United States Government, at least on political issues. On humanitarian and human rights issues, he was involved, but not on what could be seen as political issues. When I was in EUR, we had relatively little to do with the people at the Apostolic Delegate's office, although Archbishop Turon did come to the State Department once to discuss Yugoslavia with me when he was visiting Washington. Now, in Rome, it is a different story. The Bush administration was well

represented, I think, at the Vatican, although the United States has not always been well represented there. I am not pointing fingers at specific people, but Tom Melady, who was our Ambassador to the Vatican during the Bush administration, was a very intelligent, wise man who was the President of Catholic University, I think. He had excellent ties with the Cardinal Secretary of State Sodano. Cardinal Silvestrini was involved in these issues, as was Archbishop Turon. I think Cardinal Casaroli had retired or was in the process of retiring. He had been the foreign minister of the Vatican forever. He was the Genscher of the Vatican. Turon, who was a French Archbishop, now Cardinal, and Silvestrini, obviously Italian, were the key guys. Our impression at the time was that the Vatican policy in Eastern Europe, including former Yugoslavia, was very much the province of the Pope. This was an area which he knew and about which he felt very strongly. So the key policy directions were established by the Pope. Of course, you could say that Vatican policy, worldwide, is established by the Pope, but I think it was even more so in Eastern Europe. He was the key actor.

*Q: Did we see him trying to recognize Croatia? I mean, were we trying to put a damper on...*

NILES: We made clear to the Holy Sea what our position was. Our position was that we thought that recognition of the independence of the component parts of former Yugoslavia was a mistake. We did not intend to do that, and others should not. We argued for trying to find some mechanism to keep these entities together and prevent a wider war. Whenever we made this argument, we would always point to Bosnia. We would say, "Come on guys, be serious. It is one thing in Slovenia. Croatia is ethnically mixed, at least it was then, until all the Serbs were driven out. But what about Bosnia? Bosnia was an incredible hodgepodge of nationalities. What are you going to do with that?"

*Q: Were we doing anything about this process, I mean, post-recognition? Were the Germans leading the way in the Vatican getting in? How did we see things developing at that time?*

NILES: This was post-December 17, 1991. Once Germany and the Vatican recognized, it was clear that the others were going to do it too. We stepped back a little bit. We didn't recognize, obviously. It was a set back for American foreign policy, a development that we had opposed and tried unsuccessfully to head off. It was something that created a new environment for us, so we stood back a little bit and asked, "Now what?" During January 1992, an armistice signed between Croatia and Serbia, and the fighting largely stopped in Croatia. Thirty percent or so of Croatia was effectively controlled by the Serbs. The active fighting between the Serbian Army and the Croats, to the extent they had an Army, stopped in January 1992. We had a relative lull in the former Yugoslavia, in during which we were adjusting to the recognition of the independence of Croatia and Slovenia by the EU and others, who followed suit, and to the cease fire between Croatia and Serbia. Attention then turned to Bosnia. It was inevitable, particularly after the fighting ended between Serbia and Croatia. The question came up, "Well, what about Bosnia?" We encouraged Izetbegovic to do nothing rash, and urged him and Gligorov to

keep working on their plan. We pointed out that we had not recognized the independence of Slovenia and Croatia, and we after all were the United States of America. They understood that, but at the same time, the European Union had recognized the independence of Croatia and Slovenia. The position of the Macedonians and the Bosnians was that they could not stay in a confederation with Milosevic without the Croats and the Slovenians. Gligorov knew that the Serbs have always regarded Macedonia, ever since Tito created a separate Macedonia in December 1944, as part of Serbia, as it was from 1913 to 1944 when it was called the Vardarska Banovina. As far as the Serbs were concerned, they had fought and died for Macedonia in the Balkan Wars of 1912 and 1913, and who was Tito to take it away from them. That was the Serbian attitude on Macedonia. It is certainly the Serbian attitude today and will always be the Serbian attitude. I remember a meeting that we had with Gligorov in December 1991. We said, "Hey, let's keep working on this, and see if we can work out a Confederation." He said, "Come on, a confederation with Milosevic? With two million of us, and ten million Serbs." We said, "Well, you would have Bosnia and Montenegro with you." He didn't dismiss Bosnia, but he said, "Look, without Croatia and Slovenia, this is not a runner." We really didn't have an alternative. EU recognition of the independence of Slovenia and Croatia killed our policy, which was based on this confederation idea.

We turned our attention to Bosnia. The question was, at that time, was "Should Bosnia move toward independence?" We told Izetbegovic, "Cool it. Don't do it." Warren Zimmerman was down there several times, saying, "Go slowly, see what happens. Don't shake the tree." But, Izetbegovic was under a lot of pressure from people on his team. This was pressure from Salagic and younger people. Izetbegovic was an older guy. He has been near 80 years, an intellectual and a scholar. He has written, I am told, some interesting stuff. He is a very slow moving guy. He is not a man for dramatic moves, but he was under a lot of pressure within his party, the Bosnian Democratic Party, from younger people who were less temperate, less moderate than he. After December 1991, he felt that he had to move ahead toward independence. In the meantime, the Serbs in Bosnia were agitating, using the Yugoslav Army to create problems. Bosnia was the heart of Tito's military system. A large part of the munitions and arms were stored there, in underground depots. They even had an underground air field in northern Bosnia, with hangars built into the mountains. This was where Tito was going to take his refuge when the Warsaw Pact invaded, as crazy as that would seem. There was a big Yugoslav military base in Sarajevo at the Marshall Tito barracks. The question came up, "Well, what are these guys going to do?" There was agitation throughout the Republic and it was clear that the Serbs were getting ready to move against Bosnia, internally and externally, and that the Army was part of this. This was already clear in January 1992.

The next stage in the tragedy was the Bosnian referendum, which happened to be on the February 29 1992. The question was, "Should we go for independence, or should we remain in Yugoslavia?" The Serbs boycotted it. The Croats participated, as did the Bosnians. The vote, predictably, was strongly in favor of independence. We had discouraged Izetbegovic from going forward with the referendum, but he did it anyway. By all accounts, it was well run and very democratic, but the vast majority of the Serbs boycotted it. In retrospect, the referendum was a catastrophic error on Izetbegovic's part

because it forced the issue of Bosnian independence at a time when they were totally incapable of doing anything about it. Even before the referendum, the Yugoslav Army was supporting the Serbs in Bosnia and was beginning the process of dismembering the territory, and establishing stronger military positions. There were demonstrations in Sarajevo by the population there against the Yugoslav Army, which was equivalent to the Serbian Army. Ralph Johnson and Warren Zimmerman negotiated a solution to that with Defense Minister Kadejevic.

*Q: Who is Ralph Johnson?*

NILES: Ralph Johnson was my principal deputy and is now Ambassador to Slovakia. You ought to talk to him about this, because he had some extraordinary sessions, eight hours straight in one case, with Milosevic during this period. He will be a very good source. But, he and Warren negotiated, ultimately, the peaceful departure of the Yugoslav Army with their heavy arms from the Marshall Tito barracks in Sarajevo. This was in March 1992, around the time of independence. But, the Yugoslav Army was clearly helping the Serbs. It was a Serbian Army, with a lot of Bosnian Serbs. We were then faced with the hopeless situation, asking ourselves what we should do when Izetbegovic declared independence. We were under a lot of pressure from the Europeans to join them and recognize Croatia and Slovenia. It was clear they were not going to take that back. So, reluctantly, at the end of March, we reached the decision that Humpty Dumpty could not be put back together again. We decided to recognize the independence of all three, Bosnia, Croatia and Slovenia. We went to the Europeans and told them that we would join them on Slovenia and Croatia, but that they had to join us in recognizing Bosnian independence, also. Our rationale, which I admit you can question, and we looked at it from both perspectives, was that if we recognize Croatia and Slovenia, and not Bosnia, it would essentially be a signal to the Serbs and the Croats to dismember it. We had to do something because Izetbegovic, on the basis of the referendum, was going to declare independence on April 5 or 6, 1992. We decided that we ought to recognize the independence of all three and convince the Europeans to go ahead on Bosnia. It didn't take much convincing. They agreed with us that as bad as it was, this was not as bad as not recognizing Bosnia. Today, still, you can cut it both ways. Did we make a mistake? Would it have been different if we had not recognized Bosnian independence on the 6<sup>th</sup> of April 1992? I really don't think so, because the Serbs were already engaged in their effort to seize as much as they could of Bosnia before we recognized it.

*Q: Were the Croatians looking at it too?*

NILES: Ooh yes! They had their knives and forks out. It was like Frederick the Great talking about Maria Teresa at the time of the second partition of Poland. When Maria Teresa expressed concern about the people of Poland, Frederick the Great said, "The more she wept, the more she ate." If Tudjman were expressing concerns about the people of Bosnia, he would have done so with his knife and fork, ready to eat as much as he could.

There are some other things we need to talk about, like the fall of the Soviet Union.

*Q: Oh yes, little matters like that, but we have been concentrating on Yugoslavia. We have talked about the steps leading up to the recognition of Bosnia in April 1992, and how Serbia and Croatia were already getting as you say, "their knives and forks out" to take it. One of the questions I would like to ask, around this time, is, What were you getting as we moved into this period, from the NSC? Then, Scowcroft was a very powerful National Security Advisor. He had also had Serbia/Yugoslavia experience. One is struck by the fact that you have Larry Eagleburger, you, Scowcroft, and others...*

NILES: You had more expertise on Yugoslavia at the highest levels of the US government - I wouldn't count myself in that - but with Eagleburger and Scowcroft, you had more expertise on Yugoslavia at the top reaches of the United States national security policy establishment than at any time in our history. The issue was right there and I can't say that we necessarily got it right. But, again, what could we have done differently?

*Q: Well, the Balkans are the Balkans.*

NILES: Maybe it was fated to be this way. I think General Scowcroft can speak for himself on this. On his staff, David Gompert was the person most involved on Yugoslav issues. Gompert tilted a little bit more to the activist side. His attitude was, "We have to do something. We have to be engaged there." But, he was not in favor of military involvement. General Scowcroft was very restrained in his enthusiasm for getting involved in Yugoslavia.

*Q: Representing the military side?*

NILES: Well, representing the President. Remember that 1992, among other things, was presidential election year.

*Q: And also, the Secretary of State, as you said.*

NILES: That was a top-flight foreign policy team. I am not criticizing it, and was honored to be a small part of it. It was the best national security policy leadership that we had had in a long time with President Bush, Secretary Baker, Secretary Cheney, General Scowcroft and General Powell. They worked together well. That was a very collegial group of people. Obviously, they disagreed from time to time, but the kind of State vs. NSC, State vs. Defense nonsense that we frequently get into in the United States Government, was largely absent during the Bush administration. That was a top-flight team, with good people in every job. I am sure they disagreed on some things, but one thing that all five of them agreed on, from the beginning to the end of the Bush administration, was that we should not become militarily involved in former Yugoslavia.

*Q: So, then, we will pick this up...*

NILES: Let me again make one other point here. The issue was not detached in space and time. It was an election year.

*Q: So, we will pick this up in April 1992.*

NILES: April 1992, as far as Yugoslavia is concerned. We really ought to go back and talk a little bit about the collapse of the Soviet Union.

*Q: Oh, no. We will talk about the EU, Czechoslovakia, unification of Germany, those other little matters.*

NILES: What a time.

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*Q: Today is the 28<sup>th</sup> of October 1998.*

NILES: The last time, we went up to April 1992 on Yugoslavia. We can keep talking Yugoslavia if you like, up through April 1993, when I left.

*Q: Okay. Why don't we keep on Yugoslavia. Then, we will go back to some other little things.*

NILES: Sure.

*Q: In April 1992, what was the situation?*

NILES: In April 1992, an armistice or cease fire was in effect between Croatia and Serbia. Serbia was occupying about one-third of Croatia: most of the Krajina region and large parts of Slavonia. A Bosnian referendum was held on February 29, 1992, with a substantial majority for independence, but most Serbs boycotted it. During March, there were increasing efforts by the Serbs to seize territory and destabilize the situation in Bosnia, aided by a very substantial Yugoslav military detachment in Bosnia, including in Sarajevo. Maybe we'll talk about this a little later, but there was a problem with the Yugoslav forces at the Marshall Tito barracks in Sarajevo that occupied us quite a bit in early April. In any case, on April 5, 1992, Izetbegovic declared the independence of Bosnia. The fighting had really broken out during March. The efforts led by Karadzic and Mladic, which were directed, of course, by Milosevic, were aimed at seizing as much territory in Bosnia as possible. We were faced with the question of what to do. We decided that the least bad course of action, and it wasn't the greatest, but the least bad course of action, was to recognize Bosnian independence, along with that of Croatia and Slovenia. So, we joined with our European allies on the April 6, 1992, I think it was, in recognizing independence of all three states. We recognized all three at that time; the Europeans recognized the independence of Bosnia and Herzegovina. They had already, in January, recognized the independence of Croatia and Slovenia. Of course, the fighting intensified.

*Q: Excuse me, Tom, but when we were recognizing Croatia, was it implicit in what we*

*were thinking and all, that the Serb changes and boundaries eventually would go back to where they were?*

NILES: We recognized Croatia with the boundaries that it had in former Yugoslavia. What we assumed regarding the ultimate boundaries between Croatia and Serbia, I can't really say. We didn't assume. It was just too unclear at that time what was going to happen, but as far as we were concerned, the boundaries were the boundaries, and whether they were the right boundaries or not, they were the only ones we could recognize. We weren't going to redraw the internal boundaries. We regarded those as fixed and we recognized them. That applied to all of the republics. Macedonia, for example, is in the same category as Serbia, Montenegro, Bosnia, Croatia and Slovenia. In any case, the fighting intensified during April. We began to get really horrific reports of ethnic cleansing. As a matter of fact, Karadzic, who was nothing if not frank and outspoken, first used the term "ethnic cleansing," to describe what they were doing. It was sometime in April. This was in reference to the towns in Eastern Bosnia, along the Drina River, from Zvornik all the way south, down through Visegrad, and Foca. These towns, prior to March 1992, had been largely Muslim. All the Muslims were driven out. They took refuge in the countryside or took off for Sarajevo. Then, all across northern Bosnia, you had atrocious things going on with the Yugoslav Army, to a degree, but more often Bosnian Serb groups detached from the Army, and irregulars from Serbia led by criminals such as Ratzonovic/Arkon and his "Tigers" terrorizing the non-Serbian population, driving them out and killing people. Ultimately, prison camps were established in places like Omarska, near Prijedor, in northern Bosnia. We had reports on all this but we had nobody there to verify them. Nobody from the embassy could get down there. We didn't have anyone in Sarajevo at that time. The reports that we got were from refugees. They were, of course, garbled and not totally clear, but what was clear was that terrible things were going on. We worked in NATO and at the UN with our allies, with the Russians and the Chinese. Around June 1, 1992, the UN Security Council condemned Serbia for its actions in Bosnia and adopted comprehensive economic sanctions on Serbia/Montenegro. If you consider the sentimental support of Russia for the Serbs, obtaining Russian support for the resolution was quite a triumph. On June 2, 1992, we went with Secretary Baker to a meeting in Lisbon, which was the second of three meetings during 1992 on aid to the former Soviet Union. The Chapter VII economic sanctions on Serbia, some of which are still on today, were a very blunt weapon and they did not work very quickly, but they did, ultimately, have quite an impact on the Serbian economy. I think they contributed to the readiness of Milosevic to cut the deal he cut at Dayton and basically to give up the largest part of what the Serbs had seized in Bosnia, as well as many of the other areas that were so important to the Serbs, including the Krajina and Slavonia (except the Easternmost tip, which was returned to Croatia later). This left Serbia bankrupt and full of refugees, humiliated and still under sanctions. It was an extraordinary failure by any stretch of the imagination, yet this man remains President of Serbia.

*Q: Along with Saddam Hussein.*

NILES: Well, Milosevic is very much like Saddam Hussein in this respect. He respects

only one thing, and that is a guy with a big fist. If you don't have a big fist, you don't need to deal with Milosevic, and are prepared to use it, you have a chance with him. In any case, we were under pressure from the Congress, from then Governor Clinton, throughout the summer of 1992, to "do something" about Bosnia. It was a terrible situation. Reports came out about death camps in Bosnia. Richard Boucher, who was standing in for Margaret Tutwiler at a State Department noon press briefing at the beginning of July 1992 was asked about a report in the *Long Island Newsday* about "death camps" in Bosnia. Boucher was asked whether he could confirm these reports, and he somewhat injudiciously said, "Yes, we can confirm those reports." The natural reaction was, "The Serbs are running death camps out there, and you aren't doing anything." Coincidentally, I had to testify the next day before the Europe and Middle East Subcommittee of the House International Affairs Committee, with Chairman Hamilton and others. I was asked about Boucher's confirmation that there were death camps in Northern Bosnia, and whether this was right. I said, "No, as a matter of fact, I can't confirm that. We have press reports to that effect, that there are prison camps and terrible atrocities are being committed, but we have no independent confirmation yet on whether that is true or not." I didn't have it, maybe others did. In any case, I said, "To use the term 'death camp' strikes me as being maybe a little bit inaccurate, because for me, a death camp is Auschwitz, or someplace like that, run by the Nazis, where people are being systematically exterminated." In real life, even though thousands of people, perhaps hundreds of thousands of people died in Bosnia, to say that the Serbs are running death camps, might be a little bit of a stretch. They really wanted not so much to kill all the Bosnian Muslims but to drive them out. Of course, if in the process of driving them out, lots of people died, they would shed no tears. But to say that the Serbs were running "death camps" in Bosnia, I felt then, and I feel now, was an exaggeration. Believe me, I don't have any sympathy at all for the Serbs, in terms of what they did in Bosnia or elsewhere in the former Yugoslavia. At the session with the House International Affairs Committee, Tom Lantos of California accused me of complicity in war crimes, which I thought was a nice touch. There was a lot of pressure on the Bush administration to "do something." Basically, when people talked about "doing something," they meant using military force, in some way, to stop the terrible atrocities that were going on in Bosnia. On the U.S. side, there was no support at all in the Administration, at a senior level, for doing that. There was very strong opposition to military action from the Pentagon, both from Secretary Cheney and from General Powell and all the Chiefs. All the other people who worked with Secretary Cheney in the Defense Department were of the same mind.

*Q: There is pressure coming, but were there voices in Congress saying to just use military force?*

NILES: They were not quite that explicit. But, President, then-Governor Clinton, by July, was attacking the administration on the grounds that we weren't doing enough in Bosnia, and that he would do more. He was not specific, but he said he would do more. The Democrats, in the Congress, at that time the majority party in the House and Senate, were really hard on us. I remember once, Steve Hadley, Lieutenant General Shalikashvili and I, testified before the Senate Arms Services Committee. I remember Senator Kennedy was outraged at something I said about the situation in Bosnia. "Why don't you guys do

more,” he asked? We had imposed economic sanctions on Serbia under Chapter VII, and we were putting massive political pressure on the Serbs, but Mladic and Karadzic were riding high in Bosnia at that time. They probably had 75 to 80% of the territory in one way or another. There wasn’t a lot we could do. Our European Allies were not anymore inclined than we were, at that time, to use military force.

*Q: When somebody like Senator Kennedy would come at you, a natural retort would seem to be, “Senator, do you say we should put military forces in,” or was it that you just didn’t say that?*

NILES: We said something like, “We are not prepared to do that. Are you recommending that?” He waffled, as I recall and said something like “Well, no, I don’t recommend that, but you have to do more.” Basically, it wasn’t specifically that we had to intervene militarily in the former Yugoslavia. Now, by that time, there was a U.N. force deployed in Croatia, UNPROFOR, to police the truce between Serbia and Croatia. In a momentous decision, elements of “UNPROFOR” in the summer of 1992 were sent into Bosnia. This was a lightly-armed peacekeeping force. In Croatia, there was a peace to keep, but in Bosnia, there was not. Thus, we created in this way the truly impossible mess for the United Nations. It had a lightly armed force without the capability or the mandate to protect itself in a war zone, which was what it was. “UNPROFOR’s” rules of engagement were unless somebody comes up and pulls a gun on you and starts to shoot, you can’t shoot back. The U.N. was unable to do anything. There were these unfortunate troops there, from France, the United Kingdom, the Netherlands, Spain and several other countries. The Dutch were in Srebrenica, with disastrous results in May 1995. There were also Russians and Ukrainians, who spent all their time selling equipment and arms to the Serbs and engaging in the black market activity. It was an impossible situation. Tragically, the British and the French, in particular, took substantial casualties. I think the French probably lost maybe as many as 25 or 30 people in Bosnia. They were mainly killed by the Serbs. They couldn’t defend themselves.

*Q: What was your attitude, both personally, and around you, at this time? We are talking, April, June, toward the U.N. action down there. Was the Secretary General Perez de Cuellar still?*

NILES: No, it was Boutros Boutros-Ghali.

*Q: I mean Boutros Boutros Ghali, and, what was the role of the Russians in this?*

NILES: There really were no serious proposals advanced, except perhaps by some of the Islamic countries, Turkey and others, Saudi Arabia, maybe. The Saudis were upset about what was happening in Bosnia to the Muslim and by the evident effort by the Serbs to eradicate all traces of Muslim culture in Bosnia. This included destroying all the mosques. But, nobody was seriously proposing to become involved in a combat role. The mistake with UNPROFOR was that we sent a peacekeeping force there to keep a peace that didn’t exist. You can’t keep peace if there isn’t one. Nobody was going to make peace in Bosnia, not the Serbs, not the Bosnians, not the Croatians. Everybody was

dissatisfied, in one way or another, with the situation. They were all fighting to get more. Most dissatisfied of all, of course, were the Muslims, who were hemmed into a very small area around Sarajevo, which was being bombarded daily by the Serbs. They were also fighting, in 1994 in particular, in the Herzegovina area, where they had a bloody conflict with the Croats. This ultimately resulted in the destruction of the town of Mostar, which was, as you recall, one of the most beautiful towns, parts of it at least, in former Yugoslavia.

*Q: Absolutely.*

NILES: It was largely obliterated in the fighting between the Croats and the Muslims. The Croats blew up the bridge. But, I have to stress that nobody really seriously proposed military intervention in order to stop the fighting.

*Q: Were you thinking though, in terms, of saying, "Look, this thing is so bloody unfair. Let's allow the Muslims to get military equipment?"*

NILES: Well, that came later. There is absolutely no question in retrospect that the arms embargo that was imposed on all of the Yugoslav republics in November 1991, was a mistake. We should not have done that, because what it meant was that the Serbs, who did not need any arms, were given a big advantage. They had all the arms that had been accumulated over the years by Tito, and subsequent leaders of Yugoslavia, while everybody else was left hanging out to dry. It was a big blunder, but at the time it seemed a logical move.

*Q: Was Senator Dole involved this early on, in April 1992?*

NILES: I don't recall Senator Dole being involved. Again, you have to remember, we had a Republican Administration that had voted in November 1991 in favor of the arms embargo. So, we didn't hear from Senator Dole. At that time, the idea of arming the Bosnians didn't really come into play. Now, there was an incident in May 1992 that was very interesting, particularly in light of future developments. Ralph Johnson and I were in the office one Saturday morning, laboring on Yugoslavia as you can imagine. I received a call from Ron Neitzke, who was, at that time, our Chargé d'Affaires in Zagreb. We had established the Embassy but an Ambassador had not yet been selected. Rom, who had been Consul General in Zagreb, stayed on as Charge. That day, Neitzke had an inquiry from the Croatian authorities, who told him that there was an Iranian Airlines 747 "full of arms and mujaheddin" destined for Bosnia at Zagreb Airport. The Croats asked what they should do. We checked around, including with Deputy Secretary Eagleburger, and I got back to Ron with instructions to tell the Croats to put the arms and the mujaheddin back in the plane and send the plane back to Tehran. We did not want arms coming into Yugoslavia. Ultimately, that is what happened. It took the better part of the day, and into the night in Zagreb to get this done. We were in the office until mid-afternoon on Saturday. By that time, it was 9:00 PM in Zagreb. The plane, presumably loaded up with the arms, although the Croats may have ripped off most of it, but certainly with the mujaheddin took off and went back toward Tehran. That was the first indication that we

had that the Iranians were beginning to try to get arms to the Bosnians, and we stopped it. Was that the right thing to do? I don't know. Subsequently, we turned a blind eye to this arms flow, as you know, during the Clinton administration, when the same thing was going on. The Croatians asked us the same questions. It is one of those issues that is almost in the "too hard file." You did not want the Iranians involved in Bosnia, but at the same time, we did not have an alternative such as our train and equip program yet for the Bosnians. Of course, our case came up in 1992. I think the case in the Clinton administration came up in 1993. The train and equip program didn't get underway until 1994. In any event, that is the way we did it. Whether we were right or wrong, history will tell. As far as I know, I may be wrong on this, the Iranians did not attempt further supply flights into Croatia, during my watch through April 1993. If they did, the Croatians didn't tell us about it and didn't call us. So, this totally unacceptable situation prevailed through the summer. We continued to work with our Allies to find ways to put pressure on Serbia to cease and desist. Milosevic was devious and deceptive. Ralph Johnson was in Belgrade in April or May 1992 and joined Warren Zimmerman for a long, inconclusive meeting with Milosevic. In June 1992, Warren was recalled.

Ralph Johnson was an important player in Yugoslav developments and you should interview him. In April 1992, Ralph went out in Belgrade and Sarajevo, and negotiated with then-Defense Minister Kadijevic the departure of the Yugoslav Army, the Serbian Army, from the Marshall Tito barracks in Sarajevo.

*Q: Were they just sitting there?*

NILES: They were sitting there, and were surrounded by a lightly armed force of Bosnians. There were women in the group, demonstrating against the Serbian troops. Kadijevic was insistent that they be allowed to march out with their flags and all their weaponry. In the end, there was kind of a compromise. They were able to take most of their stuff, but not all of it. They left some, which they destroyed before they left, or tried to destroy in the barracks, and they left. Ralph was responsible for negotiating their departure. Ralph also had a several meetings in Belgrade, in April and May with Milosevic as part of our effort to get the message to Milosevic that his behavior in Bosnia was unacceptable and there were going to be serious consequences for him. Basically, Milosevic denied everything, as he always does. He would say that Karadzic was responsible and that he had never met Karadzic. He also denied knowing Mladic and Arkan. He was a total liar in every respect. Ralph spent one six-hour session with Milosevic during which Milosevic put him through the torture of not letting him get up to leave to go to the bathroom for six hours, drinking and eating. Of course, Milosevic didn't go to the bathroom, either. But, that was one of Milosevic's specific negotiating tactics. We had not yet imposed the economic sanctions, but even after we did that, we had no effective way to deliver a message to Milosevic, which can only be delivered, as we recently discovered in the case of Kosova, by an evident willingness to use military force in a big way. We should have said, "Stop the fighting in Bosnia by (fill in the date) or we are going to B-52s over Belgrade to deliver a heavy message." We were not prepared to do that, nor was anybody else prepared to do that. This was despite the fact that terrible atrocities were being committed in Bosnia.

*Q: From an observer's point of view, from reading the papers, it seemed that maybe this was true in other wars, but even more in this war, you might say the "shock troops" of getting information were a very aggressive, western press corps.*

NILES: Absolutely.

*Q: This was in a very dangerous time, but they were all over the place.*

NILES: The guy who wrote the book, *Blood and Vengeance*, was there. The guy, Joe, I can't think of his last name, wrote some excellent articles for *Newsday*, including the revelations about the Omarska prison camp. Also, the international relief people were good sources of information.

*Q: So, we had, in a way, an unofficial net that was supplying this information, which was, relative accurate. It was pretty horrible.*

NILES: The *Newsday* article, and this is a very personal aspect of it, was not totally accurate in using the term "death camp" to describe Omarska. But, people were dying, starving to death. It was terrible. We didn't have much in the way of diplomatic access to Bosnia. For, one, it was a very dangerous place to go. The Sarajevo Airport was frequently closed. This was the only way to get in, but as we discovered, tragically, in the case of Bob Frazier, Joe Kruzal, and Colonel Pace in August 1995, getting from the Sarajevo Airport to the city was neither safe nor easy. But at the early stages of the fighting, we had no way to verify the reports we received on what was happening on the ground. Overhead photography really didn't do it. But, the journalists and the NGO representatives were everywhere.

*Q: Regarding the journalists and the NGOs, you are sitting back, having to make judgments. Were you and your colleagues, CIA, and all, taking these things, absorbing what was coming in, trying to figure out whether this made sense. Were you feeling that what was going out to the public was a pretty accurate picture?*

NILES: Yes. Ultimately, we agreed with general tenor of most of the press accounts, although there were extreme accounts that got it wrong. But basically, the journalists got it right. They reported accurately what was an extraordinary process of atrocities in Bosnia, particularly by the Serbs, but also by the Croats, and to a degree, by the Bosnians. The Bosnians were so disorganized and pathetic in their resistance that at the early stages of the War they were not really capable of committing atrocities even if they wanted to. They didn't have the wherewithal to commit atrocities, although I am sure it occurred to them. I am also sure that subsequently they have repaid people when they had a chance, but in the beginning the Bosnians had no arms. They had no Army. They had nothing. It is quite extraordinary that in the space of about three years, they were able to put anything together at all. This applies to the Croats, too.

*Q: Was the mood something like, "When this all shakes out, there is going to be a greater*

*Croatia, a greater Serbia, and no Bosnia?”*

NILES: That is a good question, Stu. We knew from intelligent sources that Tadjman and Milosevic, throughout this period, were negotiating a partition of Bosnia. Croatia and Serbia were in a real struggle. Croatia was occupied up to about 30% by Serbian forces. The Serbs had fired FROG missiles onto Zagreb. It had been a really serious fight. Yet, throughout this, Tadjman and Milosevic were negotiating, secretly, about the partition of Bosnia. We knew that. Their plans were to basically carve it up, a la Polish partition. I don't know who was playing the role of Frederick the Great, and who was Maria Teresa, and who the Czar, there wasn't a third participant, but it was a Polish partition all over again. It was being done in secret by these two guys, who are totally unscrupulous and very similar. Our effort then and the Clinton administration continued this, was to try to preserve, in some way, a multinational Bosnian state. People told us we were crazy. I'm sure some people think today that we are crazy to insist that there is still a Bosnia. It is an entity of three specific and separate groups. That is all we recognize. Interestingly enough, I think there is a greater likelihood that that will, in some way, be the final outcome today than there was say two-three years ago, and certainly in 1992.

*Q: As an old Yugoslav hand, when this started to happen, I said that this was going to be a bigger Croatia, and a bigger Serbia, and there isn't going to be a Bosnia. What is this Bosnia thing? But now, I've been involved in two elections there, and I think, there very well may be a Bosnia.*

NILES: It is not out of the question. It is not to say that this is because we were geniuses or brilliant, or anything like that. We probably could be accused of mismanaging the whole thing, as we were. In any event, in the summer of 1992, the lines were pretty clearly drawn in Bosnia between the Serbs and everybody else. The lines between the Croatians and the Muslims were not. That struggle really began at the end of 1993 and lasted through most of 1994. A U.N. force, UNPROFOR was there, being pummeled by the Serbs and incapable of doing anything. There were Chapter VII economic sanctions against Serbia. There were pressures on us to do something without being very clear what that something was and a total resistance within the Administration to any consideration of using military force in Bosnia.

*Q: Was it on your watch that the junior officers, the desk officers...*

NILES: I am getting to that. George Kinney was the first one. It was on my watch. The others were a little bit later. At the top of the State Department, Secretary Baker left to go to the White House around July 15, 1992, and Deputy Secretary Eagleburger became Acting Secretary. After the election, he was sworn in as Secretary. Secretary Baker, obviously, had no interest in getting us involved militarily in Yugoslavia and Bosnia, nor did Secretary Eagleburger, nor did we, really. We just felt that we really ought to discuss the options, which we never did.

*Q: What I gather from news accounts at the time, that this particular force of Serbs seemed to be a bunch of bullies, more than many other military forces.*

NILES: Subsequently, we discovered that the Croatian and Bosnian Serbs were not a serious military force, but whenever we talked informally with colleagues from the Pentagon about military involvement in Yugoslavia, they would raise World War II and the legend that Tito's Partisans had held off 21 German divisions during the war. I always pointed out that the German forces in Bosnia never amounted to 21 divisions, and the forces stationed in Yugoslavia were never front line divisions. The front line divisions were out being chewed up on the Eastern Front, and then in Normandy. The Germans did not use front line divisions in Bosnia. They had, basically, cadre units down there, staffed by people such as Kurt Waldheim. No army that was serious would have used Kurt Waldheim as an officer in a responsible position. They also used Volksdeutsche units made up of Germans from the Vojvodina and Slavonia, that went around with the Ustashi terrorizing and burning villages. Every time they showed up, they created more partisans, because they were so vicious. Then, there were a few SS units also made up of Volksdeutsche, who created havoc and mayhem throughout Bosnia. Basically, that is what we were looking at here. We were not looking at anything really serious during the war. Of course, Tito, up in the mountains, was able to move around pretty well. The Germans had the cities while Tito basically controlled the mountains. But, there were a couple occasions, as Tito, himself admitted, when he was almost destroyed, even by that German force. There were some near escapes, down in the Neretva Valley on a couple of occasions. The lessons of World War II were not that any external military force sent into Bosnia was going to be destroyed by the locals. At least as far as I am concerned, that was not the lesson. But, that was the conclusion reached by the Pentagon, at least for the purposes of arguing why it was pointless for us to think about any kind of military involvement.

Now, the other point, and I heard General Powell make this point when the issue came up at an NSC meeting with the President, the only time I heard Bosnia discussed at that level. General Powell's point, when asked about military force in Bosnia, was that the United States could intervene, but before doing so had to know what we are going in for, against whom were we going in, and how we going to get out. There was some discussion of using air power against the Serbs, in part under the influence of the visuals from the Persian Gulf War, showing missiles going into the doors of buildings, and cruise missiles going down the streets of Baghdad and turning left at the second stop light. General Powell's point was, "You can punish from the air, but you create realities on the ground." I heard him say that, and he was right. We needed to reverse the Serbian victories in Bosnia, and to establish a new balance in Bosnia which would give us some hope for a peace settlement. In order for the Bosnians to feel reasonably satisfied with what they got out of it, the Serbs would be called to order, and basically knocked around quite a bit. To do that required ground forces. In 1992-94, the only ground forces available were U.S. There weren't any other ground forces. By 1995, there were other ground forces. There was a Croatian Army, and a Bosnian Army, which could put a heavy hit on the Serbs, and did. It created the realities on the ground so that when we went in with our bombing campaign in September-October 1995, the Serbs got the message pretty quickly. They were being beaten on the ground by the Croatians and by the Bosnians. They were being pummeled from the air by the NATO forces. They cried

uncle.

*Q: During this time, spring, summer, early fall of 1992, you are describing a situation where there is no real military force, but we have the U.N. with very peculiar rules, constraints. It was a recipe for real disaster there. What was our feeling? Was it that of, maybe if we could get the U.N. to do a little more, or beef up these forces a little more...?*

NILES: It was clear, during my time in EUR that the U.N. was not going to be able to cut it in Bosnia. One of the problems was the senior UN representative, Mr. Akashi. He was an idiot, a total incompetent.

*Q: Where was he coming from? Was he just incompetent?*

NILES: No, he was an idiot. There just is no other way about it. The guy was a fool. He didn't know what he was doing. The other Japanese UN official involved in Bosnia was the High Commissioner for Refugees, Mrs. Ogata. Had she been the personal representative of the UN Secretary General, the situation might have been different. She was outstanding. It is not a question of the Japanese being incapable, it was just that we had an incompetent Japanese who was the first personal representative of the Secretary General in Bosnia. He had apparently done fairly well in Cambodia. I do not understand how.

*Q: I've heard that.*

NILES: He did colossally badly in Bosnia. He didn't know what he was up to.

*Q: What about Boutros Ghali? From your point of view, was this part of the disillusionment with Boutros Ghali?*

NILES: Part of it. You asked about George Kenney and junior officers who became disaffected with our policy, or lack thereof. Let me talk about that. There was an ongoing conference on the former Yugoslavia, co-sponsored by the EU and the UN, which began in September 1991 in The Hague. It was in The Hague because the Dutch were the EU Presidency. The EU and the UN were unlikely partners and strange bedfellows. What they had in common was that neither one of them had a clue about what to do in Bosnia. By the summer of 1992, the EU Presidency was in the hands of the British. So, the next Conference that I attended was in London, around August 8-10, 1992 at the Queen Elizabeth Conference Center. It was chaired, hypothetically, by Prime Minister John Major and SYG Boutros Ghali. John Major opened the conference and Boutros Ghali was there. John Major then left and Douglas Hurd, the British Foreign Secretary, took over on the EU side, but Boutros Ghali stayed on. We were represented by Acting Secretary Eagleburger. It was a fascinating conference. All the Yugoslav leaders were there: Izetbegovic, Gligorov, Milosevic, Tudjman, Kuchan and Bulatovic. The whole rogue's gallery, all of those responsible for the disaster plus the few good guys from Yugoslavia were there as were all of the foreign ministers of the CSCE countries. It was a huge gaggle of foreign ministers. Boutros Ghali was in the chair. Nothing came of the

Conference, but one of the reasons nothing came of it was because Boutros Ghali was determined, I think, that nothing should come of it. He didn't want to lose control of the situation in former Yugoslavia, whatever that meant. But, he didn't want to do anything at the same time. He was kind of a dog in the manger. "Don't do anything, but don't let anybody else do anything." In Boutros Ghali's defense, I have to say, there wasn't anybody standing in the wings, ready to do something." I had never met Boutros Ghali before this session. He is a most extraordinary person.

At this meeting, Hans Van den Broek, at that time, was still Foreign Minister of the Netherlands. At this meeting, Van den Broek made a proposal. I cannot remember what it was, but it was a fairly controversial proposal. I would have to go back and look at my notes. In any case, after he made this proposal, Boutros Ghali said to him, "Well, that proposal will never gain consensus. I would like you to withdraw it." Hans Van den Broek said, "Well, what are you talking about? I am making this proposal on behalf of the government of the Netherlands. If other governments don't like it, they should say so." Boutros Ghali said, "No, no. Do you want to help the Chairman reach a consensus at this meeting or not? Do you want to promote a good outcome of this conference, an agreement at the conference, or not?" Hans Van den Broek said, "I want to have a productive meeting here. I want to solve the problem if we can." Boutros Ghali said, "Well, your proposal is no good, withdraw it." This was the kind of meeting it was. This was the kind of Chairman Boutros Ghali was at this session in London. As you can imagine, nothing useful became of it.

But, going back to before we left Washington for London, we met in the Department at 8:00 AM. But, we discovered before we went to Andrews that George Kenney, who had been the junior Yugoslav desk officer, had, in a sense, defected, and had been talking to Dan Oberdorfer from *The Washington Post*, giving him all the dump on what was going on and what was going wrong, in terms of U.S. policy on Yugoslavia, Bosnia in particular. Now, you have to keep in mind here that George Kenney joined the Bureau in January or February of 1992. He had never been in Yugoslavia. He had never worked in Yugoslavia. I had succeeded in getting an additional position for EEY to work on Yugoslav issues at the request of the Director, Mike Habib. The position was given to us in December 1991. As you know, in the traditional State Department personnel process, if you try to fill a job in December, there are not a lot of candidates available. All the assignments are made in the summer. There were two people, at grade, who came up. I remember Mike came up and told me that we had not had a very good response for this new job as a junior Yugoslav desk officer. There were two applicants, George Kenney, who had just been evacuated from Kinshasa, and one other guy. George Kinney didn't have a job and we looked at him and the other guy, neither of whom had any area experience. Neither was very impressive, Kenney was available immediately so we took him. That was the only reason we took him. Kenney, knowing nothing about Yugoslavia, was, of course, appalled at what was happening in Bosnia. We were all appalled at what was going on, but at least some of us had served there or worked on Yugoslavia, and had a little bit of background. When we got these reports about the atrocities in Bosnia, we didn't say, "Oh well, that is the way it is in Bosnia." But, we did have some frame of reference in which we could put these things. George Kenney had nothing. He had never

been there. In fact, he never went to Yugoslavia until after he had left the State Department. Although, he did not have the decency to say that the Bush administration was right in not getting involved militarily, subsequently he had some kind of an epiphany and concluded that we should not get involved militarily in Bosnia. But, anyway, in the summer of 1992, he was sure that we had to go for full bore military involvement in Bosnia and that the Bush administration was on the side of the criminals, and so forth. We went off to London with this in the backs of our mind. We had a defection in the ranks. Larry Eagleburger was determined to downplay this development, and we did. We were very gentle with George Kenney. We talked about him in terms which he probably didn't deserve, describing him as a very competent officer, and so forth. He had done nothing in the Bureau that suggested to me that he had any competence at all, but I cannot say that he was incompetent. I had no contact with him at all. The only contact I ever had with George Kenney was because he did the daily press guidance, which was important. He would come around to the Front Office and get Ralph Johnson's final clearance on the press guidance. If Ralph was away, I performed that task.

One time, the Yugoslav desk officer was unable to attend a meeting I had with the Archbishop of Baltimore. He was a wonderful guy. I believe his name was McKarrick. He went out to Bosnia, and came back with horrific tales of what was going on. I met with the Archbishop, who was accompanied by some other religious leaders, Protestants, Jews, Catholics, Orthodox, etc. But, the Archbishop was the leader. George Kenney came to the meeting because the senior Yugoslav desk officer, a very capable lady, was unavailable. During the meeting, I noticed that George Kenney wasn't taking any notes. At the end of the meeting, after the Archbishop left, I said, "Weren't you supposed to take notes?" He said, "Well, is that why I was there?" I said, "Why do you think you were invited up here, to meet the Archbishop, to get his blessing? Did you expect me to take the notes?" Anyway, Eagleburger was determined to treat Kenney as though he was a reasonable guy, and not to make a big fuss out of it. So, we tried to downplay it, and I think we were, more or less, able to do so. Now, other younger officers in EEY, the Eastern European desk, working on Yugoslavia defected as well the next year, in disgust with the Clinton Administration. They had hoped that the Clinton administration would have a different approach, but, of course, it did not. Once those guys discovered that the Clinton policy was essentially Bush II, they jumped ship, too. I can understand it. You have a choice of either going along with the policy or as these young officers did, resigning and criticizing it from the outside. I did not think that the policy was fundamentally wrong, although there were points, notably in the fall of 1991, when I thought that well-targeted air strikes could have made a difference. Overall, I could not say that we were achieving what we wanted, but for me, the idea of a major United States military intervention in Bosnia, which would have had to involve ground troops, just didn't make sense in 1991 and 1992. I accepted that.

*Q: Did you find that reports on CNN, which was the news channel, dictated your day, almost, on Yugoslavia?*

NILES: We were driven, to a degree, by the news of the latest disasters and atrocities. Of

course, the political campaign, as I suggested, heated up in the summer of 1992, with Governor Clinton making unfortunate domestic political use of this crisis against President Bush. He did the same thing with Haiti. Those were two foreign policy issues in the campaign, as I recall, that Clinton used to attack Bush. Basically, once he got into power, and took a look at Yugoslavia and Haiti, he recognized that we did not have a lot of good options in either case.

*Q: What about Macedonia, at this point?*

NILES: Well, it was also interesting. Gligorov was, of course, a remarkable survivor, and among the Yugoslavs, he was a friend of ours. He was somebody whom Larry Eagleburger knew particularly well. I remember Gligorov from when we were in Belgrade. He was Vice President of Federal Economic Council. He has been around for a long time. He recently lost an eye in a terrorist attack, but he is still running the place down there. Gligorov and Izetbegovic came forward with a proposal, which we supported, essentially to establish a Yugoslav confederation. It wouldn't work unless Croatia and Slovenia went along because their confederation idea required the participation of Croatia and Slovenia as a balance against Serbia. They weren't going to join a Yugoslav Confederation, or a Yugoslav anything, if it were just the two of them and Serbia and Montenegro. They had to have Croatia and Slovenia in for balance. When the Croatians and the Slovenians opted for independence, Gligorov became largely irrelevant. His pitch to us at every one of these meetings, in London, in Geneva, and in Stockholm in December 1992 was for recognition. Of course, there was the Greek problem. Gligorov made a good case that the Greeks were overreacting and so forth and so on. But, the fact of the matter is that Gligorov made some serious tactical mistakes. In July 1992, after the EU summit meeting of June, when they agreed not to recognize Macedonia in deference to the Greeks, Gligorov, in an "in your face," gesture, decided to put the "star of Vergina" on the Macedonian flag. He took that emblem, which had been the emblem of Alexander the Great, and put it on his flag. That was like waving a red flag to the Greek bull, essentially was saying that Alexander the Great was ours. At least, that is the way the Greeks interpreted it. Gligorov told us that it was just a symbol and it did not have any political significance. Well, in point in fact, it was a calculated move by Gligorov, and not a terribly smart one. He was thumbing his nose at the Greeks. At the end of the day, in September 1995, when we cut the interim deal between Greece and Macedonia, the key concession he made was to take the "star of Vergina" off his flag. That is what made it possible. The name issue could not be resolved, but everything else could be resolved. Gligorov is a survivor. His pitch, when we met him in London (this was the first time I had seen him since 1965 in Belgrade) was, "I am down here, hanging out. The Greeks and the Serbs are going to try to eat my lunch. Help me." Ultimately, not in 1992, but in 1993 we were able to get U.N. forces, consisting of a U.S. battalion and mixed battalion from three Nordic countries deployed in Macedonia along the Serbian-Macedonian frontier. That has been, I am absolutely convinced, one of the smartest moves we made. I think those guys even went in during the Bush administration, but I would have to check the dates on that. That tiny force, 800 people in all, was a symbol of the readiness of the United States to protect Macedonia, and the Serbs respected it. It was a little bit like the Berlin brigade, 2,500 or 3,000 guys in Berlin, surrounded by six Soviet

tank armies, but it was a trip wire. When Milosevic thought about playing games in Macedonia, he had to realize that he was only going to get there by tangling with a battalion from the United States. He didn't want to do that. He was smart enough not to do that. I think that little force has been responsible for maintaining the integrity, and, I don't want to say tranquility, because it isn't exactly a tranquil place, but the integrity and peace of Macedonia. It was a very wise move on our part.

The other major thing we did before the end of the Bush administration was in December 1992. We received intelligence reports that the Serbs were planning what amounted to ethnic cleansing in Kosovo. I think those reports were probably wrong, but you never know. In any case, we received these reports which were judged to be credible. On December 16, 1992, the Bush administration issued a warning to Milosevic that any intensification of the already unacceptable degree of oppression of the Kosovars would draw a very strong and decisive U.S. response. We didn't specify what that was, but it was obviously a military response. Now, that was a threat that was reiterated by the Clinton administration early in 1993. They reminded Milosevic that the United States adhered to the statement of the Bush Administration. Had it not been for the fact that the Kosovo Liberation Front began to stir things up in 1997 and 1998, I don't believe the Yugoslav Army would have done what it did. I'm talking about the extraordinary destructive run that it made through Kosovo during much of this past summer. I just do not see any other reason why Milosevic decided at this moment, given his weakness and everything else, to go into Kosovo and use the Serbian army for a massive ethnic cleansing operation. In this sense, the Kosovo Liberation Front achieved its objectives, but at quite a cost.

*Q: What about Montenegro? Were we looking at this, at sometime, of dealing with it separately, or not, or did we feel that it was a tool...?*

NILES: At that time, Momir Bulatovic was the President of Montenegro, and he was hopeless. He was a client of Milosevic's. Bulatovic is now, I think, the Prime Minister of Yugoslavia. He was beaten as President of Montenegro in the last election by former Prime Minister Djuranovic. In any case, at that time, Montenegro was in the hands of Milosevic, through Bulatovic, who did whatever Milosevic wanted. The odd ball element, if you want to talk about odd things going on in Serbia, was the role of Milan Panic, an American citizen of Yugoslav descent, CEO of a pharmaceutical company, who out of nowhere became President of Yugoslavia. He was a strange guy in a strange period.

*Q: You might explain who he was.*

NILES: Milan Panic was a Yugoslav immigrant who came to the United States in the 1950s, and formed a company which ultimately became ICN Pharmaceuticals, a company that has had a lot of difficulties, but has made a lot of money. They are constantly in scrapes with the FDA, or some other regulatory agency. But Panic has made millions and millions of dollars. How many, I don't know, but he is a wealthy guy. He just settled a sexual harassment case, I noticed in the paper today, out at ICN

Pharmaceuticals. By 1991, ICN had big investments in Yugoslavia. They owned the Galenika Pharmaceutical Company in the Belgrade area, and they also had an interest in the Pliva Pharmaceutical Company in Zagreb. Panic went back to Yugoslavia in 1991, and largely through a combination of his money and the help of Dobrica Cosic, who at that time was still a fairly prominent figure, politically and culturally, managed to be elected President of Yugoslavia. He was one of many oddball characters who appeared on the scene at that time, looking for ways to stop the fighting in Bosnia and to solve the problems in former Yugoslavia. Another odd ball who showed up was Prince Alexander of Yugoslavia, the Karageorgevic pretender, who lived in London. He came out of the woodwork and came to see us in Washington a couple times. He told us how he was going to solve the problems of Yugoslavia, and reestablish the Karageorgevic dynasty. We wished him well, and he went on his way. A sad case was the last Ambassador in Washington of Yugoslavia. He was a Bosnian Muslim from Foca named Muzeinovic, who worked diligently to find some way to save his country. He was a good guy. He died of cancer in early 1993 after receiving some very unorthodox cancer treatment from a Yugoslav-American doctor in South Carolina. I met with him quite a bit as Assistant Secretary, and talked about what we could do to try to stop the fighting. He was really a sad figure. Milan Panic flamed out after about a year and went back to California. He was like a comet, flashing across the heavens with a lot of panache and moving out quickly.

We did have one extraordinary meeting between Secretary Baker and Panic in Helsinki, at the time of the CSCE summit in July 1991. Panic, of course, wanted to see President Bush. I told Secretary Baker, who agreed, that we should never let Panic in with the President. God knows what he would have done, but I told Secretary Baker that I thought he should see Panic, which he did. The Secretary started off the meeting with Panic by saying, "The behavior of Serbia and Montenegro in Bosnia is totally unacceptable and we must end the fighting in Bosnia." Panic was sitting about 10 feet away from Baker, with a low table in between. At this moment, Panic leapt out of his chair, jumped over the table, grabbed a startled Secretary Baker by the shoulders and said, "I agree with you." I thought he was going to attack the Secretary. Secretary Baker was a pretty cool guy, but even he was taken aback. It was fortunate that there were no DS agents in the room as they probably would have shot Panic.

*Q: DS agents being Department of State bodyguards?*

NILES: Yes. If they had been in the room, they probably would have shot him. I thought, "What is this guy doing?" Here, he was grabbing Baker to agree with him. I have to say that Panic' instincts were right. He wanted to stop the fighting, establish peace, and sell pharmaceuticals. Basically, that was his angle. He had no influence over Milosevic. Milosevic thought Panic was a dope.

*Q: He was sort of a tool, wasn't he?*

NILES: Well, he was. Milosevic obviously thought that if he let Panic become President of Yugoslavia, Panic would somehow get the sanctions removed. Panic did agitate constantly to have the sanctions removed, but nobody paid any attention to him. We told

him that Serbia could have the sanctions removed when they withdrew their forces from the 75% of Bosnia they were occupying and stopped ethnic cleansing and bombarding Sarajevo. Anyway, Panic was entertaining. He was always worth a chuckle, even in a tragic situation like Yugoslavia. But, then he left the scene and went back to making pharmaceuticals, and money.

*Q: What about the role of the Russians?*

NILES: Yes, Russians. The Soviet Union disappeared in December 1991.

*Q: Okay, so what about the role of the Russians and the Greeks in these orthodox waters?*

NILES: Well, they were involved. The Russians were not quite as big a pain in the neck in 1992, when I was in EUR, as they became subsequently when we actually decided to use military force to implement the Dayton Agreement. We weren't really putting any proposals forward that the Russians could thwart. They went along with Chapter VII sanctions on Serbia in June 1992. I was a little surprised that they did. That was an era of good feelings between Russia and the United States. The Russian Ambassador to the UN abstained on the sanctions resolutions, but they didn't veto it. Yeltsin visited Washington that same month, and clearly the Russians did not want to have a big dispute with us over Yugoslavia at that time. Russia has from the very beginning of the crisis claimed to have more influence in Serbia than it did. I don't think the Serbs paid any attention to the Russians. The Russians would say, "Please behave reasonably." The Serbs replied, "Oh, we are already, don't worry." The Russians said, "Oh, good." The Russian/Serbian dialogue was not very deep, but they constantly told us that this was an area of traditional Russian interest.

*Q: When the Soviet Army came through part of Yugoslavia, it left such ill will that...*

NILES: They went through the Banat and the Vojvodina, primarily, on their way to Budapest un Marshal Tolbukhin. They burned, raped and pillaged as if it were enemy territory. I didn't think that there was much to the Russian role in Yugoslavia, and I don't think there is today. They can be difficult in that they can veto UNSC resolutions. You have to play along with them because of the Security Council's structure; they can still cause trouble there. Otherwise, I just don't think there is much significance in the Russian role. The Greeks, on the other hand, made several serious efforts to use their Orthodox ties with Milosevic to promote a negotiated solution. Nothing ever came of it. But Greek governments from 1992 on, irrespective of party, felt that they had a role to play in talking with the Serbs and keeping the lines open, and they did.

*Q: So, from your perspective, they were a moderate positive force?*

NILES: Well, they didn't do anything. What could they do? They were basically a nuisance, more than anything else, because they claimed to be able to do things that they couldn't do. In the NATO discussions, they were always trying to moderate hostility

toward Serbia. Their feeling was that the “Serbs were not all that bad, and the others are equally bad.” It was true that everybody, particularly the Croatian government had no particular virtue, but they were not as bad, at least in my view, and everybody else’s view, as responsible, as culpable as was the government of Serbia and Milosevic, personally.

*Q: Did you notice a change...?*

NILES: The person who I think did work in a more responsible way, on the Greek side, than anyone else was former Prime Minister (1989-93) Constantine Mitsotakis, who went to Belgrade several time while he was Prime Minister. Then, after he left office, he was always trying to persuade Milosevic to cease and desist in Bosnia, because Mitsotakis was under no illusions about Serbian behavior. Some of the others had too rosy a view, but I don’t think Mitsotakis had a rosy view. He knew that Milosevic was a criminal.

*Q: The election of November 1992 prepared the way for the Clinton administration. Let’s continue in Yugoslavia, and then, we will go back. Did you brief the Clinton administration? Can you talk a little about the transition and getting them ready?*

NILES: We briefed the transition team. The new NSC officer responsible for Europe, Jenone Walker, came around and talked to me. Strobe Talbott also spent some time in the Bureau, although Talbot didn’t talk about Bosnia, he talked about the former Soviet Union. And finally, I had one session with Sandy Burger, whom I had known when he was in S/P during the Carter Administration and worked with when he was at Hogan and Hartson up to January 20, 1993. Then, of course, Secretary Christopher and his team came on board. Steve Oxman was designated as my successor, but he was not confirmed until April 1, 1993, so I remained on duty until then. There was a new team upstairs, and the principal contact for me was Peter Tarnoff, whom I knew well from his time as a Foreign Service Office. We spent a lot of time with Peter on Bosnia, and there were several long sessions with Secretary Christopher himself. Deputy Secretary Warton was no involved at all. Madeleine Albright, who had already been confirmed as Permanent Representative to the UN, participated in these discussions and had lots of ideas, mainly bad ones.

I had known Secretary Christopher fairly well when he was Deputy Secretary, and then when I was Ambassador to the European Community, then senior managing partner of O’Melveny & Myers, Warren Christopher, came through Brussels on O’Melveny & Myers business. They had a Brussels office. I had him and his local representatives to dinner with people from the European Commission. But when the new team came in, everybody else who had worked on Yugoslavia was gone. Eagleburger, Arnie Kanter, Frank Wisner (who had moved to OSD), and all the others were gone, and I was the only person left. So I was the person who had to bring the bad news on Yugoslavia to Secretary Christopher, who immediately saw that it was a mess and hated the issue. He once referred to Yugoslavia, or Bosnia, as “the issue from hell.” He hated it. Every time you came into the office to talk with him about it, you could see from his body language that he felt as though he were getting a root canal or two. I don’t think it helped my

standing with the Secretary that I was the messenger on Bosnia. We told him, we explained to him what we had done, what we hadn't done. We explained the Kosovo warning. I briefed him on the military attitudes. Somewhere in my papers, I have a memo that I sent to him in January or February. I tried to explain to him the attitudes of the military toward the Yugoslav crisis. It was a page and a half memo. I told him that he would find that the JCS position would not change with the change in Administrations. OSD could change, but the uniformed services' position would be the same. I noted that he would face the same cast of characters: General Powell, Admiral Jeremiah, General McCaffrey, General McPeak, General Ryan and others. I told him that when they think about Bosnia, the first thing they think about is Vietnam and that he had to be ready for that. I pointed out that the military saw Bosnia as having very important parallels with Southeast Asia, where we go might bomb Bosnia, or have troops in Bosnia, but the real enemy is Serbia. They are across the border, playing the North Vietnamese role in a sanctuary. I told him that the military would insist that if we go in, we go in massively, or not at all. Christopher subsequently, in a meeting I attended with him, referred those points, without saying where the information came from. He used pieces of my memo to discuss the issues of US military involvement in Bosnia. So, he obviously read it. I was at one remarkable meeting between Secretary Christopher and General McCaffrey, who replaced Ed Leland. Secretary Christopher asked General McCaffrey, after he had presented a briefing on the military situation, what force would be required in order to "bring peace and order to Bosnia" General McCaffrey was silent for a moment and then replied "Well, Mr. Secretary, in my military judgment, I think that would require a field Army." Secretary Christopher said to General McCaffrey, "Well, what is a field Army, General?" General McCaffrey said, "Well, it is about 400,000 troops." You could see the color totally drain out of the Secretary's face, when told, basically, that we were going to involve ourselves in Bosnia, militarily, the Pentagon would argue for sending 400,000 troops. That was equivalent to saying we were not going to do it. This, of course, was the Pentagon position. That was General Powell's position, "You can punish from the air, but you establish realities on the ground. If you are going to go in, go in on the ground and do it right, but go in big time, with 400,000." Christopher, obviously, wasn't going to recommend that to the President, and certainly, Clinton would do it in any case. Another session which was interesting was on a Saturday afternoon at the end of February. I remember it very clearly, because what ensued. We went up to Christopher's office about 3:00. We had been working all day on a paper on Bosnian options. With the Secretary, we discussed these options, none of which were promising. That was the reality of it. The participants in this meeting were Madeleine Albright, Steve Oxman, who was my designated successor but not yet confirmed, Ralph Johnson, Lionel Johnson and one or two others from Christopher's staff, and I. We kicked all around these hopeless options. Secretary Christopher was polite, as always, but dissatisfied. At one point, Madeleine Albright said, "Well, Chris, one of the things we have to do is to get moving on the issue of war criminals. The problem is the State Department just isn't doing anything on war criminals." I took that, maybe incorrectly, to be a direct attack on me. In fact, we were the only ones who were compiling all this information on war crimes, from our sources in Bosnia by then, because we had a diplomatic office in Sarajevo, and elsewhere in Yugoslavia. Another source was from refugees. We were shipping all this stuff via IO to the UN. I said, "Madeleine, that is just not true. We are the only ones doing anything on

war crimes, we and the Dutch.” That was true. The only other country that was involved, at that time, in getting information on Bosnian war crimes was the Netherlands. I cannot remember why except the Dutch are always very concerned about these things, and want to do good around the world, and are concerned about war crimes. So, they were sending up information, too. But, literally, we were the only two, as far as I am aware. Madeleine Albright didn’t take that very well. Perhaps, it was not a very judicious way to put things to the future Secretary of State, but it was late in the day on Saturday, and I was in this hopelessly bad meeting, and then to be told, incorrectly, that we were not doing anything on war crimes, was too much. Anyway, Secretary Christopher, as I said, hated the issue and tried to the end of his time in the Department to avoid it. Nobody liked the issue.

When I left, on April 1, 1993, Steve Oxman took over. Ralph Johnson also left, and Oxman’s team was left with Bosnia. They came up with a nutty proposal which they called “Lift and Strike,” which meant lift the arms embargo on Bosnia, or at least, ignore it, and send arms to the Bosnians and if the Serbs used that opportunity, or took that as a provocation and intensified their attacks on the Bosnians, we would strike the Serbs from the air. So, “Lift and Strike,” lift the arms embargo on Bosnia and strike if the Serbs react. Of course, everybody figured if the Serbs saw us arming the Bosnians, they would have this window of opportunity when they could destroy this Bosnian Army. Before it became a powerful force, they were likely to attack, and then we would have to strike. This was developed in April after I left. Secretary Christopher made a trip to Europe in early May 1993 to brief the Allies on our plan. The Allies looked at this and decided that it was crazy. They told us that if the United States adopted this policy, we should give them a little notice so that they could withdraw their troops which were there with UNPROFOR. This involved the British, French, Spanish, and Dutch, all of whom had troops in Bosnia. The Administration, confronted with this universal raspberry from the Europeans, dropped “Lift and Strike,” and basically came back to where we had been all along, doing nothing. By the summer of 1993, the Clinton Administration was pretty well set on doing nothing. They were agonizing over Bosnia, but not doing anything about it. This was when two members of the EBY staff defected in disgust. They felt the Clinton Administration was no better than we had been. In a sense, they were right, but the truth was that the Clinton Administration was worse because they had talked such a good game.

*Q: During this time, when this whole Yugoslav thing started, the Europeans had been saying that it was a European problem, and they felt that they could handle it.*

NILES: This is what Van den Broek said to Secretary Baker in July of 1991.

*Q: Did you see anything developing, during this time, in the way of trying to put together something, a policy or a force or anything?*

NILES: You mean a European force?

*Q: A European force.*

NILES: Of course not.

*Q: Well, I'm asking the question...*

NILES: Well, it is a serious question. It is not a joke, because the Europeans did say that they would handle it. The Europeans were involved. Give them their due. They made sacrifices. They put their forces in there.

*Q: They were taking casualties.*

NILES: They were taking fairly heavy hits. They were losing people, on an almost daily basis. By the time it was all done, UNPROFOR probably cost the British, French, Spanish, and Dutch maybe 200 lives. It wasn't that they didn't make a sacrifice. But beyond participating in this hopeless U.N. force, they had no mechanism or capability to mount a military operation in Bosnia. At the end of the day, the only way it could be done was through the command, control, communications, intelligence and transportation capabilities of NATO, which meant the United States. In terms of getting people in there, the only way you could get people quickly into Bosnia, if you did it overland, was to move them from Germany, as we did, in January 1996. The First Armored Division came down and went across the Sava River and said, "Hey, the first team is on the ground." People said, "Uh oh, these guys are serious. They have 425 M1A2 tanks and they are going to kick our asses if we mess with them." The reality was, unless you had the United States Army, on the ground, ready to clean clocks if people got out of line, and the United States Air Force patrolling the air, and maybe a carrier task force in the Adriatic, there wasn't any force that could come in. Added all together, the Europeans had sufficient military forces, but they did not have the mechanisms to organize and deploy a force. They had no military structure, no way of doing it. They still don't. There is a hypothetical possibility under this new arrangement in NATO that the Europeans could organize a Combined Joint Task Force with NATO support, but without the United States troops. It hasn't been tried yet, and it certainly won't be tried in a situation as serious as what prevailed in Bosnia in 1995. But again, if we are realistic and serious about what happened in Bosnia and how we got to Dayton, the truth is that the way we got to Dayton was through the Croatian Army.

*Q: Well, were we doing anything...*

NILES: We helped them.

*Q: I was going to say, let's talk about the Croatian Army.*

NILES: The Croatian Army was built up from the fall of 1991 through the spring of 1995. I don't think we know the whole story and how they got their weapons and training has not been revealed. But, they got a lot of weapons. They got weapons from Belarus and Ukraine, not from Russia. They got weapons from Poland and from Czech Republic. They got a hodgepodge of weapons. They got weapons, ex-Soviet weapons, ex-GDR weapons, from the Federal Republic of Germany. The Germans gave the Croatians large

quantities of ex-Soviet tanks and helicopters, and so forth, that the Germans got from the GDR at the time of German unification. We did more than turn a blind eye to all that was going on, although we did that, too. I suspect that we organized the shipments and the funding, from the CIA and other sources such as the Saudis and the Gulf Emirates who wanted to help the Bosnian Muslims. Some of this was public. We had a public stated policy, from 1994 on, to arm the Bosnians. We weren't the only ones. The Turks helped, the Saudis and Kuwaitis gave money, other Arab countries sent equipment. The Iranians sent equipment, too, and we looked the other way.

*Q: This gets on ticklish grounds, so you can figure out how you want to answer it, but at this time, having gone through the Iran contra affair and the Bush administration, it had to be rather sensitive about illegal arms and helping.*

NILES: Frankly, Stu, as far as CIA involvement in the arming of Croatia, from 1991 through 1995, I can't say on the basis of personal knowledge, that it happened, but I think it did. But the fact is that everybody was out there arming the Croatians. They got plenty of arms from a variety of sources, a lot of it ex-Soviet, was not just from former Soviet Union, or countries of the former Soviet Union, but also from some of the Eastern Europeans, and as I said, from the Federal Republic of Germany. I would not be at all surprised if German money, in one way or another, was responsible for some of the arms purchases that the Croatians made in Poland and the Czech Republic.

*Q: You keep saying, "I would not be at all surprised..." You were Assistant Secretary of European...*

NILES: No, this was after I left.

*Q: Oh, okay.*

NILES: I beg your pardon. In 1992, the process of arming Croatia really hadn't gotten rolling. This is something that got going in 1993 and 1994, after I was gone. But, again, there were some arms going into Croatia, but not very much, during our time. We did stop one effort by the Iranians to send arms to the Bosnians. Another thing to keep in mind is that all of the arms that went to the Bosnians, through Croatia, whether through Split or Zagreb, the Croatians took a tax in the form of arms. I don't know whether it was a quarter, a third, or a tenth, or what, but they took their part. By May of 1995, the Croatian Army was a fighting force of considerable proportion. They ran through the Serbs in Western Slavonia like a knife through hot butter. They drove them out, took that place in a day and a half, or something like that, kicked the Serbs who lived in Western Slavonia, across the Sava River into Bosnia. They sent a very clear message that there was a new sheriff in town, and his name was Tudjman. He was going to take some names and clean things up. Then, in August, they struck again with Operation Storm, first in the Krajina region and then in Eastern Slavonia. They rolled the Krajina Serbs out of there, blew up Knin, and captured the air base in the northern part of the Krajina region. I can't think of the name of it. They captured all the airplanes, and headed out across Bosnia. They joined up with the Bosnian Army in northern Bosnia. They were on their way to

Banja Luka. Now, it is interesting, if the cease fire hadn't been called there, whether the combined Croatian/Bosnian force in northern Bosnia, would have been able to roll all the way across northern Bosnia and take Banja Luka. That would have created an even worse refugee problem. As it was, you had 250,000- 300,000 Serbian refugees headed east, into Serbia. That Croatian offensive, aided and abetted, ultimately, by our air bombardment of the Bosnian Serbs, was what led us to Dayton. As I said before, General Powell was right when he said that we were not going to reverse the situation in Bosnia without ground troops. In 1992, 1993, 1994, you talk ground troops, you talk American troops. They are the only ones who could have done it. But, by 1995, you had a new force. It was called the Croatian Army, with help from the Bosnian Army.

*Q: Tom, I think this is probably a good place to stop now. We, more or less, talked about Yugoslavia and all the permutations, up to the time you left in April 1993. So, the next time, we will pick up, and take the minor matter of the fall of the Soviet Union, unification of Germany, and all that.*

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*Today is the 12<sup>th</sup> of November 1998. Tom, let's start with when you took over the European Bureau, and moving aside from Yugoslavia, let's look at Europe. You came in when?*

NILES: Really, the September 1, 1991, but I was not confirmed and able to operate outside the building, or travel, or work with the Congress, until, I think, October 3, 1991. That date sticks in my mind. The confirmation hearing was a piece of cake. Only Senator Pell showed up. Arnie Kanter, Ed Djerejian, and I were up, and had our hearing that day with Senator Pell. It was very congenial. He asked some very reasonable questions, and I tried to answer them. The previous team, Ray Seitz and his colleagues, had all scattered, with the exception of Curt Kamman, who is now our Ambassador to Colombia. Curt was on his way to Chile, his first Ambassadorial appointment. He had been serving as Deputy Assistant Secretary, responsible for Eastern Europe and the Soviet Union. His last function in that job was to visit the Baltic States. That was, of course, related to the impending collapse of the Soviet Union, not that we saw it coming. As you recall, you had the unsuccessful coup d'état against Gorbachev on August 21, 1991. I was in Brussels still at that time. Ambassador Strauss had just arrived. It was a truly, extraordinary two or three days, with Boris Yeltsin emerging as the hero of the hour, and Gorbachev finally returning to Moscow, but obviously seriously weakened. The Baltic States had been in a state of ferment for at least a year. There had been significant violence in Vilnius, as I recall, centering on the television station.

*Q: Yes, the Special...*

NILES: The Special Forces. No, they weren't called that. They had another name. They were the Ministry of Interior Special Troops. I can't think of their name right now. They had an abbreviation. These were some of the same types of units that had been active in Georgia and Armenia, during the violence and disorders there in 1989-1991. In any case,

it was clear, even before the unsuccessful coup against Gorbachev, that the Baltic States were on the way out. It was also clear that significant changes were afoot in the Ukraine. President Bush visited Moscow and Kiev in July 1991. He cautioned the Ukrainians, I think wisely, to adjust their relationship with the Soviet Union judiciously and carefully. We didn't have, at that time, the experience of Yugoslavia. That was yet to come, but it was a good warning, for which the President was unfairly criticized by people back here, including Bill Saphire, who referred to President Bush's Kiev speech as "the chicken Kiev speech." But, in any event, it was clear that the Baltics were on the way out of the Soviet Union. Of course, from our point of view, that was a perfectly reasonable development, because we never recognized their forcible incorporation into the Soviet Union in 1939.

*Q: Were we alone in that?*

NILES: No, but I couldn't tell you today who else was with us. I think the British never recognized it. Each Western country had a slightly different position on the Baltic situation. I think we were certainly the most outspoken and demonstrative in our non-recognition policy. We maintained the Baltic Embassies here and we held their assets. We also refused to do anything that would suggest that we recognized the Soviet seizure. Our Ambassadors in Moscow, for example, never visited. I don't think DCMs in Moscow ever visited the Baltic States. Peons such as I went out there. I had several good trips to Tallinn, Vilnius, and Riga. By the standards of the Soviet Union, they were wonderful places. The Soviet aristocrats loved those areas. They vacations there, and it was a way that they could feel a little bit out of the stultifying atmosphere of Moscow. They vacationed on the Baltic coast. There are some nice resorts up there. In any case, we needed to remain faithful to our policy of non-recognition. In fact, we wanted to promote the independence of the Baltic States, but at the same time, we didn't want to cause greater unrest or instability in the Soviet Union. We didn't want to seem to be trying further to undermine Gorbachev. Curt Kamman was delegated by Secretary Baker to visit the Baltic states in September. The purpose of this visit was to reestablishing, not so much diplomatic relations because we never broke diplomatic relations with them, but our ties in the various capital cities and begin the process of setting up our embassies there.

*Q: Had they actually broken away?*

NILES: They had not yet, but they did in September, when all of them declared that they were independent and out of the Soviet Union. I couldn't remember the exact dates, but by the time Curt Kamman visited, which I would say, was around September 15, 1991, the Baltic States had declared their independence. Curt, while out there, informed the governments that we were going to reestablish our embassies. He also gave them messages from President Bush and Secretary Baker, which underlined the necessity to work out consensually their relationships with the Soviet Union, and to deal gently with the non-Baltic populations, recognizing that they had some problems here. The Balts had lots of grievances, and the Russians were the occupiers.

*Q: There was a very heavy Russian population.*

NILES: Well, it varied from country to country. From about 30% in Lithuania, I think it was as high as 38% in Estonia. There was a Russian majority in some of the northeast border regions around Narva, next to Leningrad oblast'. Latvia was in the middle, geographically and in terms of Russian population. They also had large Soviet military forces. Riga, of course, was the center of the Baltic Military District. There was a nuclear submarine propulsion construction plant and training center in Estonia on the coast. I think this is where they fabricated the fuel cores, built the reactors, and tested them. It was sort of their version, in a way, of New London. It was their training center, too, for naval nuclear engineers.

*Q: New London being our submarines training center?*

NILES: New London, Connecticut. It is also the site of one of the two building yards, the General Dynamics yard. At one point it was called the Electric Boat Company. The principal Soviet nuclear submarine building yard was at Severodvinsk, near Arkhangelsk. The nuclear propulsion center in Estonia turned out to be terribly polluted due to poor handling of radioactive materials by the Soviets, which was characteristic of the USSR. It wasn't the only place. There were other important military objects in those countries. For example, one of the Soviet Union's large phased-array radars was near Liepaja, Latvia for their ballistic missile early warning system. It is no longer operational. They also had one in Ukraine. One of the requirements of the SALT I treaty was that large phased-array radars had to be built on the periphery of the country facing out. The reason for that was that if you built one in the center of the country, facing up, or not facing out, it could be used for ABM battle management. That was the whole problem with the Krasnoyarsk large phased-array radar, which seemed to be oriented toward the south, toward the Indian Ocean, to pick up Trident submarine missiles coming up from the Indian Ocean. It seemed to be related to ABM battle management. That is why we raised such a fuss about it. Ultimately, the Soviet Union agreed that we were right all along and that they shouldn't have built it there. They agreed it was a mistake, and dismantled the thing, or at least, deactivated it. Of course, I'm sure it has fallen into dust by now. I don't think it was ever turned on. In any case, once the Soviet Union broke up, Russia found that a lot of its phased-array ballistic missile early warning radars outside Russia, in the Ukraine or in Latvia. The Latvians didn't want the Russians around, and ultimately the radar was shut down. I think the one in Ukraine is still active.

In any case, in the ensuing period, with a lot of difficulty and a lot of pain, each one of the Baltic States has, more or less, worked out an agreement with Russia on the status of the Russian population and the departure of the Russian Army from those countries. But it was difficult and painful. For the United States, we tried to walk a middle path. We sided with the Balts in the sense of saying that they had a right to assert their independence, but we stressed that they had an interest in a good relationship with Russia and that they had to respect the human rights of the non-Baltic (largely Russian) populations. So far, it has worked out fairly well. If you think how near those countries are to sensitive areas in Russia, and the fact that in the Russian mind, whereas East

Germany, Poland, and Czechoslovakia were important to the Russian interests, the Baltic States were in a different category. They had been taken by Peter the Great from Sweden in 1710, and were part of Russia or the Soviet Union except for the period from 1919-39. For the Russians, the Baltic States were “ours” (nashe). The Soviets never referred to East Germany as “Nasha,” or “ours.” East Germany was a satellite state, and a very important piece of real estate that symbolized their victory over Hitler, but the Baltic States were “ours,” in the view of the Russians. This is why I believe we have to be very careful on NATO membership for the Baltic States. In any case, in September 1991, we established our Embassies and selected our Ambassadors very quickly. Bob Frazier went to Estonia, Ints Silins went to Latvia, and Darryl Johnson went to Vilnius. They were confirmed very early in 1992 and went out to their Posts. Gorbachev, after a lot of grumbling, particularly grumbling from the then Soviet, future Russian Generals, acquiesced. What could he do? Boris Yeltsin was pretty stalwart on these issues. From time to time, he would speak up when it seemed that one of the Baltic States was abusing Russian nationals there, but he was generally good on the issue. On the one hand, you can fully understand why the Baltic States were inclined to treat the Russians in the midst poorly. They wanted the Russians to go home. I could very well appreciate that, from the Baltic point of view, but at the same time, a lot of these people didn’t have any place to go. Some of them had been there for centuries, more of them came in the early part of this century, but most of them came in after 1944 to colonize. So, like colonists everywhere, they weren’t very popular with the newly independent countries, much like the British in India or the Tories in the United States after 1782. Some of those latter went to Canada and formed Canada, at least upper Canada. In any case, the independence of the Baltic States was the first issue during my time in dealing with the former Soviet Union.

*Q: In just trying to catch attitudes, this, of course, has been a goal of American policy for a long time, but here this was happening. Was it more one of almost damage control or was it glee?*

NILES: It certainly wasn’t glee, I can tell you. To a degree, damage control is not a bad way to describe it. We wanted these countries to be independent, to be able to become independent countries. But, we wanted to have it happen in a way which was not destabilizing either in terms of the region or the overall situation in the former Soviet Union. I think we achieved our first objective, that is to say, stability in the Baltic Sea region. In this respect, I think we have to give a big vote of thanks and appreciation to the Swedes, Finns, Danes and others in the Baltic region. They counseled these countries, held their hands, supported them economically a lot more than we have, although we have given them substantial aid, and talked to the Russians, or the Soviets and the Russians. They told both sides not to do anything crazy, that the Baltic States were on their way out of the Soviet Union, and that is the way the world is, you have to live with it. The Nordic countries played a very positive role, perhaps not as well recognized in this country as it should be. Norway should also be mentioned. They had a very positive role in this whole process. In terms of the Soviet Union, the departure of the Baltic States was not what brought down the Soviet Union, obviously. The departure of the Baltic States was just another sign that things were coming seriously unstuck. It certainly reminded us

in September 1991 that we better get ready for some pretty significant developments in the former Soviet Union.

*Q: Sticking to the Baltic states, I would have thought that you would have had problems with some of ethnically identified members of Congress, particularly from the Northeast and with immigrant communities of people wanting to go back. All of a sudden, they were able to do things and getting way ahead of what you would feel would be the game. Was this a problem?*

NILES: It really wasn't. Congress understood what we were trying to do. We were pursuing a consistent policy that seven or eight Presidents had followed, since 1939, non-recognition of the forcible incorporation of the Baltic States into the USSR. We were supporting the Baltics States, but most members of Congress, and it didn't make any difference whether they were Republican or Democrat, understood that these countries would not benefit from a hostile, confrontational relationship with the former Soviet Union. That wasn't in their interest. In any event, we had relatively few problems that I can recall at this time on the domestic front. People didn't seem to think that we were being insufficiently supportive of the Baltic States. I think people understood what we were trying to do.

*Q: Before we move to the action that happened, that you were getting ready to talk about, what was the reading you were getting when you came on board, on Gorbachev and then Yeltsin?*

NILES: The reading from embassy Moscow, from the DCM Jim Collins, who is now back there as Ambassador, and from Ambassador Strauss, was that Gorbachev had been very seriously injured politically by the coup attempt. Even before August 21, 1991, his position had been uncertain because of the economic and other problems of the Soviet Union. The coup attempt, even though Gorbachev surmounted it, was very damaging to his position. It raised real questions regarding his political life expectancy. Yeltsin, on the other hand, had been a problematic figure for the United States. This was in part because he was seen correctly as a threat to Gorbachev with whom we had developed a very good and productive relationship in areas such as arms control and the Middle East peace process. Gorbachev went to Madrid with President Bush in November 1991 as one of the Co-Chairmen of the meeting. All around the world, the Persian Gulf War, German unification, you name it, we had a very good and cooperative relationship with Gorbachev. Obviously, there were aspects of the former Soviet Union, even under Gorbachev's later reign, from 1989 onward, with which we took strong exception, but overall it was a good relationship. Neither President Bush nor Secretary Baker saw any particular interest from our part in undermining Gorbachev. Yeltsin was an unpredictable kind of guy, and his subsequent behavior has demonstrated that people were well justified in wondering about what he was going to be like, if he were to achieve significant authority, beyond being President of Russia, which was his position from 1990 onwards. The full story on Yeltsin has yet to be written. Obviously, he has some strong qualities and some equally large negative qualities, including his personal behavior.

*Q: I have the feeling, because it was played up in the Washington papers and all, that a little earlier on, the White House, the people who leak to the press type staffers or whoever it is, seemed to be trying to undercut Yeltsin. They seemed to be trying to keep him away from any place, because we were so focused on Gorbachev, that, at least there were attempts to keep Yeltsin away.*

NILES: I think that is true, if you look back to 1990 when Yeltsin reemerged, politically. This was a guy who had fallen very low. He was thrown out as Moscow Party Secretary in 1987, dismissed from all of his party duties, and went through some very strange personal travails, including one in which he emerged from the Moscow River one night, disheveled, wet, probably terribly drunk. He told a strange tale how he had been kidnaped and thrown in the river. Who knows what happened to him? At that time, in 1990, when Yeltsin visited Washington, and was given a pretty cool reception, nobody at that time could foresee what lay ahead. I wasn't here at that time, but it is clear that President Bush, Secretary Baker and others, recognized that while Yeltsin was a force with which we had to reckon, but our clear preference was to deal with Mikhail Gorbachev, as I said, for all the good reasons. He was a guy who had demonstrated that we could work with him, in the U.N., in the Middle East, you name it, arms control, etc. By the time I took over on September 1, 1991, after the coup, it was clear that the balance was shifting against Gorbachev. Whatever we might want, whatever we might prefer, Gorbachev and the Soviet Union were in very serious trouble, and Yeltsin was on the ascendancy. So, we had to deal with it. We dealt with it, in the case of the Baltic States, I think, pretty creatively and successfully. I think we played a very positive role in easing the way of the Baltic States out of the grasp of the Soviet Union, but at the same time, preserving a reasonably stable environment in the Baltic region, and building frameworks for future cooperation, difficult though it was, between the Soviet Union, Russia and the independent Baltic States. This included the decommissioning of all these big military installations, two of which I mentioned. There were many more there. This also included the gradual withdrawal of all of the non-Baltic troops in those areas. If Gorbachev had wanted to, in September 1991, he could have said, "Like hell," to Baltic independence, and probably, at the cost of a lot of lives and a lot of destruction, could have held his own out there. The Balts didn't have any military forces of their own at all. If there were any Baltic senior military officers, they were serving in Kazakhstan or in Vladivostok. They certainly weren't serving in Tallinn, Riga, or and Vilnius. The Red Army, as weak as it was, had significant positions in the Baltic states. They had the Baltic Military District headquarters in Riga, and KGB troops here and there. But, Gorbachev, to his credit, saw the handwriting on the wall, and did not use force. I don't think he even seriously considered using force in September 1991. They had used force in December 1990, at the time of the in Vilnius around the TV tower. But they did not do it again. Things went remarkably well. It was clear to us, by that time, Ambassador Strauss and Collins, and everybody out there, and people in Washington that major changes were coming. In Washington, Condelesa Rice had left the NSC staff and had been replaced by Ed Hewitt. Nick Burns was his deputy. They fully shared that assessment.

*Q: Were we making efforts to assure, particularly, the Soviet military that we weren't about to try to fill in the gap, vacuum?*

NILES: Absolutely.

*Q: This must have been a very critical time.*

NILES: It was a terribly critical time, among other things because you had an enormous strategic nuclear force scattered out all over the country. There considerable anxiety about the safety of those systems. We used the ties that had developed, for example, between Chairman Powell and former Chief of the Soviet General Staff, Marshall Akrimayoff, who ultimately committed suicide. He had visited over here and swapped visits back and forth with Chairman Powell. We used these connections to send messages that the United States was not seeking to take advantage of this situation to acquire some kind of unilateral advantage or unilateral position vis-a-vis the Soviet Union. We also were very circumspect in dealing with the growing forces for independence of parts of the Soviet Union, but we came at the beginning of December to a point where we really could no longer stand pat. That was when the situation arose regarding the Ukraine. The Ukrainians had a referendum with a fairly strong majority for independence, and they were moving strongly in that direction. Party Secretary Kravchuk was about to become a "democrat." What to do about Ukraine around December 1, 1991, was issue number one. They were about to declare independence. We, of course, had a significant Ukrainian-American community in the United States and they were supportive of Ukrainian independence, as you can imagine. Secretary Baker asked me to go out to Kiev, around December 1, 1991 to meet with the representatives of the Ukrainian government and try to formulate a policy. So, I went there with Larry Napper, who, at that time, was the Director of Soviet Union Affairs, now Ambassador in Estonia, I believe and Bob Eihorn, who was working with Dennis Ross in S/P, and is now a Deputy Assistant Secretary in PM. Surprisingly, nobody from the NSC staff went along. In any event, we flew to Frankfurt, and then took Lufthansa into Kiev. We linked up with our Consul General, John Gunderson, and his people. Larry, Bob and I spent three days in Kiev at the beginning of December 1991. We talked to everybody. We spent a lot with Kravchuk and all of his deputies, with Foreign Minister Zlenko, with members of various political parties. Other parties were already appearing. We spent time with representatives of the church because the Ukrainian Catholic Church was beginning to emerge from a terrible experience it endured as an underground persecuted organization in Communist Ukraine. Our mission from Baker was not totally defined. I talked with the Secretary, both before and after I went out there. Basically, it was to assess the strength of the independence movement and get a sense of the leaders. Baker, as far as I can tell, had decided that we would have to recognize Ukrainian independence but he needed my visit to demonstrate that before taking this step we carefully reviewed the situation. Although the President met Kravchuk when he was in Kiev in August, nobody really knew him and the other leaders. The questions I was asked to consider were whether these were serious people with whom we can deal? What are they going to do after independence? Are they committed to democracy and free market economics? We came out after our three days there, and sent a message back from Frankfurt, which was the first place we could reach where we had secure communications, telling the Secretary that Ukrainian independence was going to happen. We didn't see any sign that they were going to hold back. They

were determined to do it, and do it as soon as possible. They talked a good line on democracy and free market economics, but we knew it was going to be a long, slow process. They said all the right things, and they undertook with me that if we recognized their independence, they would work with us to establish a regime with which there would be full respect for human rights. They said they would move toward privatization and the establishment of the beginnings of what might become a free market economy. I told the Secretary that we could be cautious, and hold back, not say anything, but on the other hand, this process of Ukrainian independence seemed to have a tremendous head of steam behind it. It didn't seem to be meeting any particular obstacles, not from Gorbachev, who was sinking fast in Moscow, and certainly not from Yeltsin, who was promoting it. Ukrainian independence promoted Yeltsin vis-a-vis Gorbachev.

*Q: The more peripheral things that peel off, the stronger he was in Russia.*

NILES: It made the Soviet Union irrelevant. Yeltsin could and did point out that Gorbachev was still Secretary General of the Central Committee of the CPSU and President of the Soviet Union, but what did that matter? He could and did say: I am President of Russia, get out of the Kremlin. And Gorbachev left. In any case, my recommendation to the Secretary was that there was no point in our standing in the way.

*Q: What was your estimate of Kravchuk?*

NILES: My estimate of Kravchuk was that he in terms of his commitment to democratic principles and a free-market economy. He didn't know the first thing about either. But he knew what we wanted to hear, and he spouted all the right words. He was a clever Communist apparatchik. If you look around, in every single case but one, we had to deal with leaders as the successor to Soviet power in one of the former Union republics who were the Secretaries-General of the local Communist Party. The exception was Russia, where we were dealing with a leader who had fallen out of the Party leadership four years before but prior to that had been one of the rising stars of the Party. What are you going to do? This was the only organized political force in the country. There weren't any other political forces. They had been destroyed over a period of about 75 years by the Bolsheviks. You either dealt with these people or you consigned yourself to irrelevancy. So, we dealt with Kravchuk, we dealt with Nazarbayev, Karimov, all these people, all claimed to be dedicated to respect democratic principles. But none of them had any experience in what democracy entailed.

*Q: Did you have any feeling that the way the system had worked was that the most internationally people trained, professionally, were Russians out of Moscow? I mean, did you feel that there was a good professional crew able to take over in the Ukraine?*

NILES: Absolutely not. The Russians had deliberately manipulated the political process in the Ukraine. The Ukrainians were not hewers of wood and bearers of water, but they lived in a quasi-colonial situation in which the Russians maintained central control over the key levers of power. The Ukraine and Belarus, after all, were members of the United Nations. Every Soviet republic that had an international border, which most of them did,

had a foreign ministry. There were very few Soviet republics that didn't have an international border with somebody, and they had a foreign ministry. When we traveled, we visited the local foreign ministries. Belarus and Ukraine were recognized by President Roosevelt at Yalta as deserving special consideration because they had suffered so much at the hands of the Germans. Well, they had. Hitler obliterated Minsk and almost destroyed Kiev. They were members of the UN, but they had no personnel in their Foreign Ministries. They just had a few people. Today, they are in a much better position, but certainly after independence, in 1992-1993, when I was dealing with them, they were in very poor shape. In order to run their systems, they had to rely on former Soviet bureaucrats of one kind or another, whose loyalty to Ukraine or Belarus or Kazakstan, or whatever it was, was to be demonstrated. It wasn't necessarily phony, but who knew. Anatoliy Zlenko was the Foreign Minister of Ukraine. He was somebody whom we dealt with a lot, and he ultimately came to North America as Ukrainian Ambassador to the United Nations. He may still be there, for all I know. He was a fairly smooth Soviet apparatchik, who made the transition to independent Ukraine rather smoothly. He was a clever guy. He saw what was happening. He realized that it was an uncertain prospect to be Foreign Minister of the Ukraine, but the alternative, nothing, was worse. So, he went with it. In any event, they had declared independence and we recognized their independence. I would say that that was sometime around December 15, 1991. We first informed Gorbachev what we were going to do, and got quite a bleep back from Gorbachev on that.

*Q: When you were with this small crew, when you went back, were you saying, "My God, we are going to help bail them out?"*

NILES: We did not appreciate at the time, the depth of the future economic problems the successors of the USSR were going to face, but we knew it would not be easy. We recognized that independence was going to resolve a significant economic dislocations. As you tried to unscramble the omelet of the Soviet Union, it was evident there were going to be lots of problems. But, we didn't begin to appreciate how serious it was going to be and that you were going to see, over the next three or four years, a decline in gross domestic product, which probably amounted to 50% or so. Of course, that overstates the case to some degree, because a great deal of the economic activity that took place before the end of the Soviet Union was uneconomical. Stopping it was economically positive. The Soviet economy was performing so poorly by the end of the Soviet system in 1991, that a great deal of what was considered by some to be economic activity was economically ridiculous. They had the unique capability in the Soviet Union of achieving value subtracted, rather than value added. So, yes, we realized that the economic situation was going to be bad, it was already bad, and the Soviet economy was in a state of substantial decline before December 25, 1991, but we did not anticipate the degree to which it was going to deteriorate. We really didn't have the statistical information or the on-site analytical capability to determine how bad things were before the collapse of the Soviet Union. We should have realized that it was worse than we thought it was, or worse than it appeared to be, on the basis of our experiences in Poland, Czechoslovakia, Hungary, and elsewhere from 1989 onward. Those economies went into a tailspin the moment you tried to apply sensible economic remedies to their previously centrally

planned systems. Poland, the Czech Republic, and Hungary bottomed out by 1993 or 1994. Of course, even now they are still going through a difficult process of economic restructuring, something that it will evidently take quite a bit longer, for Russia, Ukraine, Belarus and the other successor states to emerge from the Soviet disaster.

*Q: What about our allies? Earlier, we talked about Yugoslavia and the Germans jumping the gun. Were we consulting? Were they waiting to see what we were going to do, or were they, you might say, get a little ahead of the game? How did this work out?*

NILES: We consulted closely with them. Secretary Baker was in close contact with Genscher, Douglas Hurd, Roland Dumas, and several others, particularly Hans Van den Broek, who at that time was the Dutch Foreign Minister and also head of the European Council on Foreign Ministers, because it was a Dutch presidency up to December 31, 1991. The Europeans, basically, were waiting for us to set the course, as they frequently are. But, of course, they wanted to be consulted, which they always do. They wanted to have a voice, but they didn't want to take the lead. It was difficult dealing with the Europeans. The United States is either too far ahead of the curve, or insufficiently active. We are never right, with the Europeans. So, the other thing I would say about the Europeans, is they were totally preoccupied at that time with the movement toward the Maastricht summit, which took place on December 16-17, 1991. This was where they agreed on economic and monetary union, including the establishment of the European Central Bank (ECB). There were some tough issues on the table, right up until the time of the summit, particularly involving the nature of the political union. How tightly would this political union be cast? This pitted Kohl on one side, urging significant steps toward political union on the grounds that you needed that to legitimize the move to economic and monetary union, and Mitterrand and John Major, who had replaced Mrs. Thatcher in November 1991, on the other. They were very much inward looking at that moment.

*Q: The unification of Germany, I suppose, was...*

NILES: Well, the unification of Germany had happened, and Helmut Kohl was the colossus, striding across the map of Europe. German unification occurred formally on the October 2, 1990. Here, I think, Mikhail Gorbachev deserves a very big vote of thanks from the world. Germany not only reunified, but reunified within NATO. There were certain restrictions, to be sure, in terms of NATO deployments into the former GDR, but they were no terrible significant in real life. The Germans, of course, were paying a lot of money - 15 billion DM, or about \$9 billion at the rate of exchange in 1990 - to the Soviets, theoretically to build apartments for the troops from what was the Group of Soviet Forces in Germany (GSFG). Heaven only knows what finally happened to that money, or the apartments that were built. The program was riddled with corruption from top to bottom. Essentially, it was an indemnity. They didn't call it that, but it was an indemnity to the Soviet Union. Historically, that is a very interesting program. After the Napoleonic wars, the Russians occupied part of France, including Paris. They stayed there for three years and left behind things such as the word "bistro." "Bystro" means "fast" in Russian, and the story is that the Russian occupation forces always wanted their food quickly, and kept yelling "bystro, bystro" to encourage the Parisian restaurateurs of

the day to comply. In 1818, the then-French government of the restored Bourbon King Louis XVIII, paid the Russians 300 million gold Swiss francs to go home. It would be very interesting to see if there was some correlation in the purchasing power between those two ransoms that Western Europeans had to pay, the French in 1818, and the Germans in 1990, to the Russians/Soviet Union in order to get them back to where they belonged. In any event, the Russians left. By the time I came back to European Affairs, Germany was reunified. That was part of the price the Germans had to pay for reunification - actually the smallest part, since their official aid to the former GDR during the first ten years of unification will be around 1 trillion marks and the job of making up for 45 years of building the “first workers and peasants state on German soil” will not be finished - but Helmut Kohl was prepared to pay it.

Back to the subject of coordination of Western policy toward Russian and the other successors to the Soviet Union, Bob Zoellick was the moving force on the economic side. He realized very early on that we were not going to be able to persuade OMB and the rest of the Bush Administration that the United States should come up with a major aid program for those countries. So, he developed a plan to bring others – the EU, Canada, Japan, other OECD countries, the Middle East oil producers, Korea and the International Financial Institutions – into the effort in a coordinate way. In December 1991, as it became clear that the Soviet Union was on its last legs, Secretary Baker launched a proposal for a coordinated effort, to be developed at three ministerial-level conferences, the first in Washington in January 1992, the second in Lisbon in June 1992 (Lisbon because the Portuguese were in the EU Presidency) and the third in Tokyo in October 1992. This was an example of United States leadership and the ingenuity of Secretary Baker and Bob Zoellick in coming up with ways to achieve our objectives within the limits of our possibilities.

*Q: As they move into this period, could you talk a little about Secretary Baker and the group around him? I have no personal experience in this, but I have always been told that Secretary Baker, more than most secretaries, had a small group around him. I think of Dennis Ross, Margaret Tutwiler and a few others, who handled things more, and there was less of a connect with the other parts of the department. I have heard this in other cases, I don't know about this one. How did you find it? Could you talk about the personalities, and the focus on European, but particularly, Soviet affairs?*

NILES: By the time I arrived on the scene in September 1991, that version of the Baker State Department was no longer accurate. I wasn't there at the beginning, so I do not know from personal experience how it was in January 1989. It may have been right, at the beginning, when Secretary Baker came from Treasury and brought his senior team, except for Larry Eagleburger, with him. He brought Margaret Tutwiler, Bob Zoellick, Bob Kimmitt and Dennis Ross. Say what you will about them, this was an extremely talent group. Actually, I am not sure that Dennis Ross had been at Treasury. He may have been at the NSC at the end of the Reagan Administration. Now there is a most extraordinary person, an enormously talented guy. If anyone deserves a Nobel Peace Prize for work on the Middle East Peace Process, it is Dennis Ross. At the beginning, I know that the people in the European Bureau with whom I talked felt a bit of out of

things and not involved too much with this group of people around the Secretary. You did have Larry Eagleburger as Deputy Secretary who, in a sense, was Secretary Baker's initial link with the building. Larry Eagleburger had in 1985 and went off to make money with Kissinger Associates. He was replaced as Under Secretary for Political Affairs by Mike Armacost. Initially, when Secretary Baker didn't have quite the feel for the building that he ultimately developed, and same was true of the people in his immediate entourage, I think Larry was an important link between the Secretary's office and the rest of the building. When the Secretary came on board, he made the comment that he would not be the State Department's representative in the White House but rather the President's man in the State Department. I think that remark did not go down too well in the Department as it implied a certain suspicion of the Building and its people. But that passed after six months or so. Sandy Vershbow was quoted – I believe in Time – to the effect that no one on the 7<sup>th</sup> Floor listened to him. An injudicious comment, and he was trundled off to NATO as DCM in the summer of 1989. That did not ultimately hurt his career.

By the time I got there, again, this was in 1991, Secretary Baker had been there for two and one-half years, and the team was largely intact with one important exception. Bob Kimmitt had gone to Bonn in the summer of 1991 to replace General Vernon Walters as Ambassador. Ambassador Walters retired, yet again, from government service, after an extraordinarily distinguished service. Arnie Kanter came from the National Security Council staff to replace Bob Kimmitt. I don't know what Kanter's relationship with Baker was, you would have to ask him, but it was never, I don't believe, as close as that between Bob Kimmitt and Secretary Baker. I was told that the Secretary picked Kanter because he had been impressed with the way in which Kanter had managed the inter-agency work on what became the START II Agreement. If that is true, it underlines how capacity in one function does not necessarily mean capacity in another. As Under Secretary for Political Affairs, Kanter was one of the ways in which the Assistant Secretary for European Affairs related to the seventh floor. He was formerly my supervisor. He wrote my EER. But, at the same time, I had a very close relationship with Larry Eagleburger, which went back a lot longer than I had ever known Arnie Kanter. I developed a very close relationship with Bob Zoellick, who was a terrific person to work with and for. I had a good working relationship with Secretary Baker. Secretary Baker is a complicated guy. I think he was a superb Secretary of State. He is one of the greatest negotiators I have ever seen, and I found him a fair and honorable person for whom to work. I enjoyed working with him. I also enjoyed working with the other people up there. They could be difficult from time to time. Margaret Tutwiler was sometimes criticized, but I ultimately came to see Margaret as a good colleague, and a fair and responsible person, who had a good sense of what was required in the way of media relations. She did her job very well. Caron Jackson is somebody who most people never heard of. She was a wonderful lady who was Secretary Baker's secretary, one of the principal ones. Caron Jackson is one of those people who, to my way of thinking, made the Department of State work a lot better than it would have worked ordinarily. She was somebody who, despite the tensions that frequently boiled up around her, was always pleasant and composed. It was pleasure to deal with her. Another key person on that team was Karen Grooms. She was the manager, whose very considerable talents were largely focused on the

Secretary's foreign travel. The Baker team was a strong and effective one, as good, if not better, than any seventh floor team I worked with during my years in the Foreign Service. It was infinitely better than the team that replaced it in January 1993. There is just no comparison.

*Q: You are talking about the Clinton team?*

NILES: Yes. And the ensuing bunch, to this day. It became worse as time passed during the Clinton Presidency. In any event, by the time I got came to EUR, Secretary Baker and his team were totally at ease in working with the building. Whatever tension and bad feelings may have characterized the beginning of Secretary Baker's time in the State Department, as far as I could tell was a thing in the past. He was respected, not necessarily loved, or maybe even not liked by everybody, but he was highly respected by the building. I think he came to feel that he had a good group of people working for him. They weren't perfect, and from time to time, they required a little bit of a reminder of who was in charge, and he could certainly deliver that. He delivered it to me every now and then, just a few words, and a look. He was a very effective manager. I have a lot of admiration for the man. Now, as to others on the team. As I said, Dennis Ross is a remarkable person.

*Q: What is his background?*

NILES: Good question. Dennis didn't talk much about himself, at least to me. He came from an academic background. I think he was from Los Angeles. He worked in the Reagan administration on the NSC staff, I think. I never had anything to do with him then, and met him for the first time when I came back in 1991. Dennis had two issues in which he was interested. Formally, he was Director of the Policy Planning Staff (S/P), but he was totally uninvolved in overall policy planning and totally involved in making and implementing the policy in the two areas in which he was interested, namely the Middle East and the Soviet Union, or the former Soviet Union after December 1991. Dennis Ross probably won't get the credit he deserves when he finally leaves Washington for the things he has done. Particularly in this Administration, but also in the previous one, the Secretaries and the Presidents took most of the credit for whatever progress was made on the Middle East Peace Process, but Dennis Ross, and people around him like Aaron Miller, was actually the person responsible. As far as I can tell, in the Clinton Administration this has been his exclusive area of activity. He has not been involved, as far as I can tell, in anything else. I am personally convinced, although I was not involved, that we would have made no headway at all in the Middle East had it not been for Dennis Ross. If they give out another Nobel Peace Prize for whatever happens in the Middle East, it really should go to Dennis Ross first, but it won't. He is a person with a tremendous breadth of view and vision, a conceptual thinker. He is easy to work with, in most cases, and is an all-around good guy, in my experience.

*Q: We are talking now about our policy toward the crumbling Soviet Union. Were you, as his team, pointed toward anything?*

NILES: First, I should confess that when the Secretary of State wanted information and advice on Soviet Union and Russia, he turned first to Dennis Ross, and not to me. He knew Dennis better than he knew me, and maybe Dennis was better than I, in terms of his advice. It was not that Dennis and I disagreed. My only problem with Dennis was that he sometimes, probably inadvertently, did let me know what was going on. I didn't disagree with Dennis Ross. We worked well together. You come into a situation like that where you are given a job - remember that I did not seek the job - you accept it as it is. Part of the job was that Dennis Ross was the key guy on major policy issues involving the Soviet Union. If I had been unable to accept that, I should not have stayed on as Assistant Secretary. I didn't fight it. My effort was to try to work closely with Dennis. I saw what the situation was, that Dennis Ross was basically the guy, and I accepted that. If Dennis was dead set to do something, I saluted and moved on. If you had gone to the Secretary of State and said, "Dennis thinks X but I think Y," the Secretary would have figuratively thrown me out of his office. Fortunately, as far as I can recall, I never had any real disagreements with Dennis. Dennis didn't always tell me what he was up to, which could be a problem, but by and large I was able to keep abreast of developments.

*Q: How could he be up to something, from his position?*

NILES: There were occasions when the Secretary asked Dennis to taken on some assignment involving Russia or one of the other NIS, but generally it was not Dennis' style to ignore me and my staff in EUR/SOV. But even if it had been, he would have had trouble carrying that out on a consistent basis because he needed us. Given the volume of work and the fact that he was involved in other things, he didn't have the resources, over a long period of time, to put together the papers and all that. So, he worked closely with me and my people. Larry Napper, now Ambassador in Estonia, and John Tefft, who is now the DCM in Moscow, and others in EUR/SOV were a terrific staff. We supported Dennis on Soviet/Russian issues. But Dennis was the man. Fortunately, as I said, we didn't have major points of disagreement with him.

Now, on the economic side, another member of the Baker team, Bob Zoellick, was the key man. Dick McCormick was appointed Under Secretary for Economic Affairs in January 1989, and but he left in the fall of 1991 and Zoellick, while remaining Counselor of the Department, became Under Secretary for Economic Affairs. Zoellick is an extraordinary guy and a wonderful person to work for and with. He is now President of CSIS. After January 10, 1993, he went first to Fannie Mae as Executive Vice President and General Counsel.

*Q: CSIS is what ?*

NILES: The Center for Strategic and International Studies. I can see Bob Zoellick as a future Secretary of State, Secretary of the Treasury, or Special Trade Representative. He is a very talented guy. Bob's responsibilities were world wide in the economic area, and included areas beyond economics, too. I'll give you an example how this thing worked. I think it was one of the idiosyncrasies of the Baker system. In a way, it was a flexible system. People did what they could best do, and it tended to work out pretty well. In

September 1991, it was clear that things were going downhill fast for Gorbachev. As we have already discussed, we couldn't foresee exactly what was going to happen over the next three months, but it was clear that we needed a new approach to dealing with the former satellite countries of the Soviet Union, not individually but institutionally on a regional basis. Bob Zoellick, in September, called me and Mike Lexson, who at that time was Director of EUR/RPM, up to his office. Looking toward the NATO ministerial meeting in December 1991, Zoellick asked us to come up with some ideas of what the United States, might put forward as a new approach by NATO to the opportunities and problems, first and foremost in the security area, but also in the economic realm, resulting from the collapse of the Warsaw Pact and the end of the so-called COMECON or CEMA economic structure that linked the Soviet Union with its former Eastern European Allies. Mike Lexson and I came up with a proposal for what we called The North Atlantic Cooperation Council (NACC). Zoellick liked it. In October, we put this proposal out for our allies to consider. We were uncertain about how the Allies would react, and we feared a negative French position, particularly to the name we proposed – the North Atlantic Cooperation Council. In the event, however, we got good support with very minor changes, and the paper that Mike Lexson and I had drafted, and Bob Zoellick had improved, and approved, became the NATO position.

The NACC came into existence at an extraordinary meeting of the NATO council. I say extraordinary in that it was unusual and unlike any NATO Ministerial over the previous 42 years and remarkably productive. It was an event that none of us who had worked on these issues for many years had ever anticipated, or could really believe, as we watched it unfold. I'll talk about that in just a minute. It was in December 1991, around the 18<sup>th</sup> or 20<sup>th</sup>. In any case, the NACC became the new framework that we used to coordinate relations, particularly in the security area, between NATO and the countries of the former Warsaw Pact. It has, to a degree, been superseded by the Partnership for Peace, which was proposed by President Clinton in January of 1994 and, of course, now, three of those countries, Czech Republic, Hungary, and Poland, are about to become members of NATO. In any case, it was a transitional arrangement, clearly seen so at the time, but an important one, which gave these countries a feeling of belonging to something in the security area without incurring security obligations for the United States. That was a major advantage. But that episode is an example of how the Baker State Department worked and the role that Bob Zoellick played. Looking at the organization chart, you might not think that he would be the one to take on the task of building a new structure relating NATO with Eastern Europe and the former Soviet Union, but he was the one who did it. He came up with the idea, and we worked it would for him. That was characteristic of the way in which the Baker State Department operated. On the one hand, Secretary Baker was always in control of what was going on. On the other hand, the people whom he trusted on the seventh floor, like Dennis Ross and Bob Zoellick, and possibly Bob Kimmitt, although I wasn't there when he was Under Secretary, and Larry Eagleburger, had the authority to do things on their own, within the general framework of what the Secretary had approved, and was known to support. It was a good operation and a good system.

Secretary Baker had a meeting every morning at 8:40 with all the Assistant Secretaries

and the key people from the seventh floor. These were very useful, because it enabled us to get an insight into what was on the Secretary's mind, and tell him in a few words what we were up to and what our key issues were for that day. It was also a way for him to assert his leadership and to take policy decisions when questions were raised, very quickly. One of the things that I really appreciated about Secretary Baker was that when you needed a decision, you got one. He was a decisive guy, and by and large, his decisions were on the mark.

Another thing that Bob Zoellick did in the winter 1991/spring 1992 was to develop the process for U.S. assistance to Russia, and the other successors to the Soviet Union, working in an interagency context by then, because there was obviously a big interest on the part of the White House, Treasury, and NSC, among others, in the issue. Zoellick was really the leading figure in all this. He and I talked with some of the key Congressional staffers in the fall of 1991 and January of 1992, and he and Secretary Baker talked with members about what the United States should do to deal with this truly historic opportunity we had been handed. The word that came back from the Hill was, "Not much." Would we be able, the question was posed, to undertake something, we didn't actually use the word, but something like the Marshall Plan for the former Soviet Union? The answer came back, "No, not on your life." There was no support for that approach, even though there were enormous political, military and security advantages, not to speak of economic advantages, to the United States. What was going on out there was pretty evident. When we asked members "Who then is going to do it," the answer generally was "Western Europe." When I was Ambassador to the European Union, we had a meeting in London in January 1990 between members of the House of Representatives and the European Parliament. I may have already talked about this. The magnitude of the changes in Eastern Europe was clear, and some of the European Parliament people meeting said, "Well, now is the time for a second Marshall Plan." The members of the U.S. House of Representatives delegation said, "Yes, and you will pay for it." I can remember Ben Gilman, the ranking Republican member of the House International Affairs Committee, saying, on behalf of the group, "The United States paid for the first phase of the reconstruction of Europe, and you, Western Europeans, will pay for the second stage." In other words, "We'll hold your coat while you fight the bear." In any event, that was also the attitude as far as the former Soviet Union was concerned. So, Bob Zoellick, with others, came up with the answer to the question, "How do we help," with the answer, we will use the IFIs, the IMF, the IBRD and the newly-formed EBRD. The IMF and the IBRD were very leery of taking on the former Soviet Union. They really did not want any part of it. But the United States would not let them off the hook. It was basically due to the insistence of the United States, the largest single stockholder of the IFIs that those institutions became deeply involved in Russian and some of the other countries that emerged from the Soviet Union. And that involvement had a "tar baby" quality to it in that once you they became involved, they found it very difficult to disengage. They are still involved, big time, and not enjoying it very much. It probably was a mistake to get them in there not because their advice was necessarily bad, although some of the IMF advice may have been somewhat misguided, but because the Russian situation simply was not ready for it. But perhaps we had no choice. That is the way it worked out.

*Q: Again, as you were gathering forces to look at what was going to happen to the Soviet Union, was Zoellick at least getting ready to move over to the Under Secretary for Economic Affairs?*

NILES: He really was Under Secretary for Economic Affairs. He did not yet have the title, that's all.

*Q: I would think that at the upper echelons of the State Department, there would begin to be a major unhappiness about our knowledge and reporting on the economic situation in the Soviet Union, not just the State Department reporting, but the CIA and all this.*

NILES: Well, I don't recall while I was there that people felt the reporting and analysis were inadequate or off-the-mark. Obviously, it could always be better. I think the full magnitude of the disaster that was the Soviet economy, became clear only gradually as we moved along in 1992. I guess it has become clearer with every year. I think people understood that our resources and our ability to gain information on the former Soviet Union had been limited. At first, we had only one other post in the country – in Leningrad – and finally in 1991 we opened our second post in Kiev. So, in addition to the Embassy in Moscow, we had one, finally, two other posts in this enormous country, three-fourths or more of which was effectively closed to us, with a system of information that was designed to conceal, not inform. Our information base was inadequate, no question, but that was not something that we could do anything about immediately at the time.

*Q: Also, the Soviet base was inadequate for their own people.*

NILES: Absolutely. They didn't know what was going on, either. If you had asked Gorbachev for economic data, if he had any sense, he would have used CIA data. They may have been off a bit, but certainly the stuff that he got from the Central Statistical Administration wasn't worthy of being considered economic data. It was propaganda material. The stated motto of the Central Statistical Administration (TsSU) of the Soviet Union was "Statistics in the Service of Building Socialism." If that was the priority, well for sure, you got some weird information and wildly inaccurate data.

*Q: You were mentioning, Tom, that by December the enormity of what you are up against, inevitability of things, you were starting to say, as I interrupted you, that we better start thinking about what is going to happen.*

NILES: Yes. We were thinking about it. In the Office of Soviet Union Affairs, Larry Napper and his people were working on papers, with Dennis Ross' office, to try to come up with a plan for dealing with contingencies in the Soviet Union. Again, the situation was developing so quickly, so unpredictably, that, frankly, it was difficult to plan. I'm trying to think what the exact time sequence here was. I got back from the Ukraine around the December 4, 1991 with Napper. Around December 10, 1991, if I have it right, we took off for Moscow with Secretary Baker, for what was one of the most extraordinary trips I have ever taken in my life, although all my trips with Baker to the

former Soviet Union were extraordinary. On this one, we arrived in Moscow around 5:00 PM. Instead of going to our hotel, we went directly to a meeting with the then-Foreign Minister of Russia, Kozarev. Even driving to the meeting was remarkable. We went down Gorky Street, coming in from Sheremetyevo Airport, through the Manege Square, and around the Moscow Hotel, past the Bolshoi and the Metropole Hotel, in a big motorcade, of course. The city looked much like it had looked in 1976, although it was a little bit brighter. We went up the hill to Dzerzhinskiy Square, with the Lyublyanka Building, the KGB Headquarters on the left. All very familiar, but, of course, one of the things we noticed was that Dzerzhinskiy was no longer in the Square. His statue had been pulled down and hauled out, which was a positive thing. We turned to the right. Now, for people who had not been to Moscow in the old days, this might not seem too significant, but it used to be that the area to the right, after a block or so, was totally closed off. It was called Staraya Ploshchad', or "Old Square." It was where the Communist Party Central Committee headquarters was located, in a neo-classical building, about six floors high. I remember it was painted a light green color, a very attractive building. But, previously you had not only not been allowed to go to the building; you weren't even allowed to walk on the Square. But here we came in Baker's motorcade onto the Old Square, and Baker's car stopped in front of what used to be the building of the Communist Party Central Committee Secretariat. We hopped out and went into a meeting with Kozarev. What had happened was that after the coup, Yeltsin had thrown them the Communist Party out of this building. They were all gone, the Communist bureaucrats, members of the Central Committee Secretariat. These were famous names like Velentin Falin, and so forth. God knows where they were by then. We were shown Falin's office. He was a famous figure for us. He had been Ambassador to Germany during the quadri-apartheid negotiations. He was somebody we knew pretty well, and cordially hated, who had become Secretary of the Communist Party Central Committee for Relations with Non-Ruling Parties. That was a job that Boris Ponomarev, one of the real veterans of the international Communist movement, had for many years. Falin was a hard guy. Very smart, very tough. He was particularly tough on German issues. He knew German and Germany very well. In any event, he was gone. After the meeting, Kozarev took us and showed us Falin's office, which somebody had appropriated.

In any case, we went in and had a meeting with Kozarev in this big conference room on the 1<sup>st</sup> floor in what had been until very recently the Communist headquarters in Moscow. The symbolism was unbelievable. Here we were, Baker sitting across from Kozarev, with Bob Strauss, Bob Zoellick, Dennis Ross, General Shalikashvili, Ed Hewitt from the NSC, Margaret Tutwiler, and I across from Kozarev and his team. The message from Kozarev was clear: the Soviet Union is history. Having been told that, we asked him questions – most of which he did not even try to answer – about what the new dispensation would be. I remember that I asked him how they planned to manage the Soviet Union's oil business, reckoning that the removal of 2.2 million barrels of oil a day from world markets would not be a good thing for the U.S. economy. Of course, it was just temporary that they were there, and the next Baker-Kozarev meeting in Moscow took place in the Foreign Ministry's so-called "osobnyak," or "separate building," near our Embassy. I do not recall that Baker ever met with Kozarev in the Foreign Ministry building on Smolenskaya-Sennaya Square.

*Q: Just to put it straight, the Soviet Union was still in existence?*

NILES: Yes, the Soviet Union was still formally in existence and we were formally there at the invitation of Gorbachev. But our first meeting was with the Russian Foreign Minister in what had been the USSR Communist Party's central office. This was two blocks from Red Square, on the side away from the Kremlin, the side where you had the GUM, the "State Universal Store." In any case, it was a remarkable meeting. We talked about the future of the Soviet Union, which Kozarev said was a matter of time. He didn't predict exactly what was going to happen. Some of us asked him some questions, which in retrospect, I guess, were off the point somewhat. As I said, I asked him, "Well, how are you going to support yourself? What is going to happen to the oil revenues of the former Soviet Union?" Some of this oil was produced Russia, some elsewhere. It was all exported by the Soviet trading company. Kozarev said, "I don't know. We will work it somehow." Obviously, it was not a terribly relevant question for me to ask. But, other member of our group also had questions that Kozarev, by and large, was not able to answer. He didn't know what was going on, either. The only thing he knew was that he was doing things that he never conceived he would be doing, such as receiving the American Secretary of State in the conference room of the Communist Party of the Soviet Union, which had been thrown out of its building. In that remarkable discussion with Kozarev, we determined that when we talked about substance, we agreed on many things. One of the key issues we discussed was Russia's relationship with NATO. Kozarev found the North Atlantic Cooperation Council to be a good idea. It was a very amiable meeting. Kozarev has been much criticized by hardliners in Moscow as being too easy on the West and too friendly toward the United States. And it is true that our relationship with Kozarev was quite good. He was a reasonable person who was looking for ways to build a new relationship between his country and the United States. By the way, as far as I can recall, during that visit to Moscow the Secretary did not have a meeting with Aleksandr Bessmertnykh, who was still the Soviet Foreign Minister at that time.

*Q: I would have thought there would have been a problem. This was sort of like the Foreign Minister of England arriving in Kansas, and talking to the Governor's Foreign Affairs people.*

NILES: Of course, there was a problem. We were dealing with an entity there, the Soviet Union, which was in the process of coming apart at the seams. We didn't know exactly how that was going to happen, or when it was going to happen. We wanted it to happen peacefully. We were terribly concerned about aspects such as the future of the Soviet nuclear force, and what was going to happen on that. We asked Kozarev about that. He said, "Well, we will safeguard that. Don't worry." His attitude was "25,000 nuclear warheads, don't worry about it." It was that sort of thing. It was a surreal situation. Nobody knew who was in control. But first evening was nothing compared with the next day. The next day was even more unbelievable.

The first thing that happened was a meeting with Yeltsin in the Kremlin. Yeltsin was in fine fiddle. He was as good as I ever saw him. He was full of himself, and full of the

moment. He was very optimistic about moving ahead, and getting rid of the Soviet system. He wanted to be trusted and wanted it known that he was someone we could trust. The meeting took place in the St. Catherine's Hall as I recall, which is one of the extraordinary meeting rooms in the Kremlin, which is the only place I know, aside from the Vatican, which has meeting rooms like that. We were in the so-called "Granavitaya Palata." It was unbelievable. Anyway, we had a very positive meeting with Yeltsin, although he, too, was a bit short on details about what lay ahead. Then, we came back in the afternoon, for a meeting with Gorbachev, in the same room. There were six of us with Secretary Baker: Ambassador Strauss, Dennis Ross, Bob Zoellick, General Shalikashvili and I. Gorbachev, before the meeting with Secretary Baker, said to Secretary Baker, "I would like to have a smaller session with you." He had his interpreter, the bald guy, whose name I don't remember. I think he still works with Gorbachev in some capacity. Baker said, "Fine." Again, this was characteristic of the way things were. Instead of taking me, he took Dennis Ross, and of course, Ambassador Strauss. The three of them met with Gorbachev and Gorbachev's interpreter. I guess Secretary Baker had our interpreter too. As I recall, Gorbachev was alone aside from his interpreter. The rest of us stayed out for most of the meeting, but we were ushered in after it was largely over to speak with Gorbachev. Gorbachev was in a very somber mood. The reason he wanted to talk with Baker in a small group was to get some sense of whether he could somehow count on any support from us against Yeltsin, who was gradually crowding Gorbachev off the stage and asserting his authority in every way he could. Part of that was throwing the Communists out of their headquarters. I wasn't present for that part of the discussion, but what Secretary Baker said to Gorbachev was, essentially, "Look, we appreciate your role. We will work closely with you. You have done some wonderful things, but the United States is not going to be in a position to participate in internal developments in the Soviet Union." I don't think Gorbachev was surprised to hear that. I do not know what we could have done anyway. It just wasn't going to happen. So, that was a bittersweet moment, in personal terms, because, overall, Gorbachev had played a very positive role since he became General Secretary of the CPSU in March 1985, but none of us could mourn the demise of the USSR. Secretary Baker, of course, has seen Gorbachev, subsequently, I'm sure, on many occasions. But, this was the last time he saw him in his position as President of the Soviet Union and General Secretary of the Communist Party.

*Q: Was there something pending that was going to happen?*

NILES: Well, we didn't know at the time. We knew about Ukrainian independence. Our attitude on Ukrainian independence was something that bothered Gorbachev. I'm sure he talked with Secretary Baker about that. Secretary Baker, again, talked about historical inevitability and the fact that the United States was, in a way, going with the flow. In any case, the meetings that day, taken together, were most remarkable with a truly surreal quality to them, taking place, as they did, in the Kremlin, in the same room, first with Yeltsin and then with Gorbachev. That was the end of our stay in Moscow. We left that same night, with Ambassador Strauss on the plane by then, to fly to Alma Ata, or Almaty, as they now call it, in Kazakhstan. The flight from Moscow to Almaty is about six hours as I recall. We spent less than a day there, primarily in meetings with President Nazarbayev, and others from his leadership. Then, as now, Nazarbayev ran a man show

there. The important development during that visit was that we learned there that Nazarbayev was planning a meeting two days later in Minsk with Yeltsin, Kravchuk and the President of Belarus, Sushkevich, during which they would essentially say that Soviet Union was over and done with and that they were going to set up something called The Commonwealth of Independent States. Secretary Baker and Ambassador Strauss met privately with Nazarbayev, and then we had a larger meeting. He told us that the Soviet Union was going to break up but that the Commonwealth of Independent States would coordinate their relations and ensure that they would continue to work closely together. He pointed out that Kazakhstan needed to have good relations with Russia, if for no other reason than because of its 14 million people, seven million or so were Russian, living in northern Kazakhstan. We talked about energy cooperation, a subject that came up in a major way during Nazarbayev's visit to Washington in June 1992, when he signed the Tenghiz Agreement with Chevron CEO Ken Durr. Secretary Baker essentially told Nazarbayev that if this was the way things were going, we looked forward to working with them and establishing close diplomatic relations. He and Ambassador Strauss, after our long meeting and dinner, went off for a sauna with Nazarbayev. The rest of us went back to our hotel. The next day, we flew to Minsk, arriving there around 2:00PM. We met there with President Sushkevich and the other leaders of Belarus. Sushkevich, who was a nuclear physicist and struck us as a very decent person, did not survive long in an independent Belarus. He confirmed that the Soviet Union was coming apart but that its component parts were going to maintain relations within the Commonwealth of Independent States framework. He tried to reassure us, as had Nazarbayev, that it would all be fine. "Don't worry," was his message. Secretary Baker told them all that they had to work this out, but that the United States wanted this to happen in a way that promoted democracy and economic reform, harmony, and stability. He also stressed our concern about the security of the Soviet Union's stockpile of nuclear weapons and other weapons of mass destruction, signaling in this way a major United States initiative that would get underway shortly after January 1, 1992 and formally conclude with the signing in Lisbon in June 1992 of an agreement to centralize all the nuclear weapons in Russia.

The answer from Nazarbayev, Sushkevich and Kravchuk, when we met him in Kiev the next day, was essentially, "Don't worry. We are all sensible people. We are devoted to democracy and human rights and a free market economy." None of us took the latter points seriously. Nobody was fooling anybody that these ex-Communists were suddenly devoted democrats. We went from the meetings with Sushkevich and his colleagues in Minsk to Kiev, where I had been two weeks before. There we met with Kravchuk, Zlenko and the other Ukrainian leaders. This is when they said they were declaring their independence. Secretary Baker said that we recognized reality and wanted to have close and trusting relations with an independent Ukraine. Again, Secretary Baker emphasized our commitment to support them to the extent they moved in the direction of democracy and free markets. He urged cooperation within the Commonwealth of Independent States to promote stability and minimize economic dislocations, and he again stressed the need to deal carefully with the Soviet nuclear arsenal. Although they didn't have the slightest idea of what they were going to do, everybody said, "Yes, we are going to do all that and more."

From there, we went to Brussels for the meeting of the NATO Foreign Ministers. This was an extraordinary session because the foreign ministers of the Soviet Union and all of the countries of Eastern Europe had been invited to meet with the NATO Ministers. In the case of the Soviet Union, Aleksandr Bessmertnykh, who had replaced Shevardnadze, had been invited.

*Q: Shevardnadze had resigned...*

NILES: Yes. In the fall of 1990.

*Q: He was making some statements about where things were going.*

NILES: Yes, he was very concerned about what was going on in the Soviet Union, with good reason. He denounced his opponents and left. It was a very emotional time. I think that was something like November or December of 1990. He was replaced by one of his deputies, Aleksandr Bessmertnykh, who was somebody we had known well from his days of working on U.S. affairs in the Soviet Foreign Ministry. He was a perfectly good guy, among Soviet diplomats. Indeed, he was one of the best. But, for whatever reason, he did not come to Brussels and the Soviet Union was represented by their Ambassador to Belgium, Ofanasiyevskiy.

The first day we had our regular NATO ministerial meeting and agreed on the formation of the North Atlantic Cooperation Council (NACC). As I said, I was surprised that the French went along with it. I told Bob Zoellick that in my experience, the French don't like initiatives such as the NACC which had the effect of building up NATO. But Mitterrand and Dumas went along with this idea, probably because they saw it as a contribution to stability in a very uncertain environment. We then had a meeting with our new partners in the North Atlantic Cooperation Council, the Eastern Europeans and the Soviet Union, in one of the bigger conference rooms of NATO headquarters. There were various speeches including one by NATO Secretary General Manfred Woerner, a very fine man who tragically died in 1994 of stomach cancer. The NATO Foreign Ministers, who had participated in these remarkable events, also made brief statements about the historic significance of the meeting and the NACC. One thing I should point out is that Secretary Baker was a masterful manager of Alliance relations. He was so much better at this delicate task than those who followed in (not including Secretary Eagleburger, who was also quite adept at it). He treated them with respect, but at the same time let them know exactly what it was we expected everybody to do. He was the captain of the team, which is one of the roles the Secretary of State of the United States has to play. But the reality is that you can only maintain your position as captain of the team if you are out there with your troops, stroking them and showing respect, concern and consideration for them. If you are going to be the captain and simultaneously the playing manager of the NATO team, you have to relate to these people and show sympathy and understanding for them, but also make clear who is in charge. Every now and then you have to tell them what the score is and who plays what position. When Secretary Baker walked into a meeting of NATO Foreign Ministers, whether it was at NATO headquarters or wherever it was, you could feel the atmosphere in the room change perceptively. And he

understood this. He knew when to come into the room, and he timed his entrances accordingly. He never came in early and milled around waiting for people to show up. He waited for them to be in there, milling around, talking among themselves, and then he came in. When he came in, no matter how many people were in the room, or who was there, or what was going on, unless it was a summit meeting with the President, things changed. Whereas everybody had been walking around, jabbering, talking to Secretary General Woerner, or talking to General Galvin, or whoever it was, when Secretary Baker came in, everybody wanted to talk to him and get a sense of what was on his agenda. On his part, he went around and talked with each of them, and showed that he was concerned about them and stroked them. He had an excellent rapport with his NATO counterparts. When he spoke in the NATO Council, people really listened.

In any event, on that day, which I think was December 18, 1991, after Secretary Baker and several others spoke, the Ambassador of the Soviet Union asked for the floor. He then announced to this collection of NATO Foreign Ministers and the Foreign Ministers of all the former countries of the Warsaw Pact, that his country, the Soviet Union, no longer existed. The reaction was one of incredulity, if not shock. Everybody said, "What, what is going on here?" But when the dust settled, we all knew that we were witnessing a historic change. As I said, this was around the 18<sup>th</sup> of December, 1991. The Soviet Union officially went out of business on Christmas Day, the 25<sup>th</sup> of December, was when the red flag was lowered over the Kremlin.

During the Soviet Ambassador's speech, Secretary Baker turned around and looked at me, he looked at Zoellick, he looked at Ross. His facial expression said it all: "What is going on here." But, of course, we had received a pretty clear message during our visit to the Soviet Union that this was what was going to happen. Ambassador Ofanasiyevskiy's dramatic announcement was just a little bit premature. It was a remarkable event. It was equaled in my experience only by one other event at a similar meeting, in this case a meeting of CSCE Foreign Ministers in December 1992 in Stockholm. Kozarev, by that time Foreign Minister of an independent Russia, announced to the astonishment of everyone that the Soviet Union was being reestablished. That was his way of shocking people into being more responsive to the needs of Russia. We can talk about that later. The December 1991 NATO Ministerial was essentially the end of one phase of our efforts to deal with the end of the Cold War and the collapse of the Soviet Union. The basic aim was to ensure that the transition from the Soviet Union to some new form of political organization went peacefully and that control over the nuclear capability of the Soviet Union remained in the hands of the Soviet military. We were very concerned that control over nuclear warheads and the delivery systems, particularly from the very large stockpiles of tactical weapons, would fall into the hands of local groups or of terrorists. For instance, at one point in 1992 we spent a lot of time and effort chasing down reports, that ultimately proved false, that General Dudayev, who later led the Chechen revolt against the Russians, had acquired two nuclear warheads from the Soviet stockpiles at the airbase near Nal'chik in the Caucasus. (He was a General in the Soviet Air Force, by the way.) Another strand of our policy was to prepare the way for good bilateral relations between the United States and the successor states of the Soviet Union, if, as seemed likely, the USSR splintered into its component parts. We also were seeking to prepare

those new entities, through the NACC, to work in a multilateral security context with NATO. That is where we were at the end of 1991. We had established the NACC, and, of course, NATO itself was changed in an important way by the disappearance of the Soviet Union and the emergence of the independent states. I think, given the extent of the changes we were called upon to incorporate in our policies, we did pretty well, for a start. The fact of the matter is that events were moving so fast that it was difficult to keep abreast of them.

*Q: A couple questions. I still find it extraordinary that the French somehow didn't jump ahead and do something at this time.*

NILES: Well, I don't know what the French may have been doing behind the scenes, but I do not recall any particular cases in which they caused problems. That in itself was remarkable. The French did try end runs, or different approaches, on German unification, and got badly burned. Mitterrand met with GDR Erich Honecker just before the fall of the GDR, for example. But in this case, to the best of my recollection, the French, by and large, were on the reservation, which is not to say that they weren't playing their own games. I'm sure they were.

*Q: The question I want to ask, in fact, I know the answer. But, as the Soviet Union was breaking apart, did you turn to the Policy Planning staff and say, "All right, what is your plan, if the Soviet Union falls apart? Could you show us your plan?"*

NILES: Of course not. We didn't ask and they didn't have it. None of us had it. You could argue that we should have anticipated this as early as the fall of 1989 when the Communist governments in the other Warsaw Pact countries all fell apart, but we felt at that time, and into the summer of 1991, that the Soviet Union was different. With the exception of Yugoslavia, which had always been different, the Communist systems in Eastern Europe had fallen, as we had always said they would. But we assumed that the Soviet Union was in a different category and it would not happen that way in the Soviet Union. We were wrong on that. Not only didn't the system survive, the Soviet Union itself didn't survive. We were overly impressed with the strength and the solidity of the Soviet system. The coup attempt of August 21, 1991 against Gorbachev was a wake-up call for us.

*Q: The Soviets had managed to maintain themselves under very difficult circumstances. They had the will and the toughness at the top.*

NILES: That was our assumption. I don't know whether we were influenced by the fact that the Soviet Union had survived Adolf Hitler, and was largely responsible for destroying it. The Soviet Union was "the other super power," mind you. I hated that terminology - "the two super powers" - because it tended to put us and the Soviet Union on the same level. But it was a fact that the USSR was a major power, and for us, the idea that this major power would just simply sink from sight was hard to encompass.

*Q: Well, why don't we stop here? I just want to make a note. We really have talked about*

*December 1991. You have been to the NATO meeting. The Soviet Union is in the process of going down. We have already talked about Yugoslavia, a separate thing, so we will talk about what happens with the Soviet Union, after December 1991. Then, we'll talk about the rest of Europe, including European Union, Maestricht, and all that.*

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*Today is the 4<sup>th</sup> of December 1998. Tom, should we talk about the Soviet Union first?*

NILES: Yes, let's finish that up through the end of my time as Assistant Secretary.

*Q: Your time ended when?*

NILES: April 1993. We are at December 1991. We made this extraordinary trip, which I described, through the then-Soviet Union, visiting Moscow, Almaty, Minsk, and Kiev before going to Brussels for the NATO Ministerial, where Secretary Baker led the allies in the establishment of what was called the NACC, the North Atlantic Cooperation Council, which included the Soviet Union and the other former Warsaw Pact countries. It was clear, when we were there, that something extraordinary was going to happen, even when we were in Moscow, between Yeltsin and Gorbachev. While we were still on this trip, Nazarbayev told Secretary Baker and the rest of us when we were in Almaty, that they were going to set up a new mechanism, and he was working with Yeltsin, Kravchuk, and Sushkevich to do that. They met in Minsk on December 18, 1991 to declare the end of the Soviet Union and the establishment of the Commonwealth of Independent States, (CIS), a process that lead, on December 25, 1991, to the formal end of the Soviet Union, and the hauling down of the red flag and the raising of the Russian flag over the Kremlin. These were amazing events.

*Q: Of course, I want to say that the European Bureau pulled out its plan, which had been sitting there for years, about when this happened, and how we would deal with it.*

NILES: In fact, as I said before, although we had all speculated about what we called the end of the "Soviet colonial empire," none of us had contemplated this. I don't really know why. That is a very good question. Why, when the Communist regimes in Eastern Europe all fell, one after another, why didn't we conclude that the Soviet Union was next? That process began with the GDR in October 1989 and concluded in December with the murder of Ceausescu and his awful wife, the overthrow of the Ceausescu regime, if not Communism, in Romania. We never assumed, though, that the Soviet Union would be next, because we thought the Soviet Union was different. As I said, it was "the other super power," as painful as that terminology was for us. We weren't ready for what happened. We were surprised by events, as was everybody else. It was a little bit like German unification in 1990. Helmut Kohl said in September 1989 that he didn't expect German unification in his lifetime, and in fact it happened a year later. Things were moving in ways that nobody understood. In any case, Secretary Baker moved into action quicker with the end of the Soviet Union.

Anticipating that the “newly independent states” (NIS) would face serious economic problems, he hosted a conference in Washington in mid-January 1992 to coordinate economic assistance to the NIS. That was the first of three conferences. One in Washington, hosted by the United States, one in Lisbon in June, hosted by the European Union (it was in Lisbon because the Portuguese were in the chair of the European Union at that time) and one in Japan, in October. Those three conferences were designed to put together support from the OETD countries, plus the Persian Gulf oil producers, who had major resources, and the Republic of Korea, which at that time was not yet a member of OECD, and, very importantly, the International Financial Institutions including the EBRD, which was just getting underway in London under the ill-starred leadership of Jacques Attali, President Mitterrand’s close associate. This effort was designed to support the development of democracy and economic reform in Russia and the other newly independent states. At the first conference in Washington, we established a cooperative framework within which we consulted with the Japanese, the European Union, and the Arab oil producers about how best to assist the successors to the Soviet Union for the remainder of the year. Although I’m not sure this produced any additional resources we did, at least, have useful discussions on coordination of our programs. And of course, whenever the Foreign Ministers met, a lot of other discussions went on concerning issues having nothing to do with the former Soviet Union. Incidentally, I should say that Secretary Baker and Bob Zoellick had checked with the Congress to see whether there would be support on the Hill for a major U.S. aid program for the successors to the Soviet Union. We found that support for such a program was limited, to say the least. It was at that point that Bob Zoellick, in particular, decided that the only way in which we were going to be able to provide the resources that were needed to jump start economic reform and build a basis for democracy in Russia was through the international financial institutions, the IMF and the IBRD. With the benefit of hindsight, some might criticize that decision, arguing that the IFIs didn’t have an appropriate role there and a lot of money was wasted. That may or may not be true, but I can tell you that as far as the United States was concerned, the alternative was doing nothing because no major bilateral aid program was going to come out of the U.S. Congress.

*Q: Why was there this attitude? I mean, here was this, you might say, splendid opportunity.*

NILES: I think the attitude was, “We gave at the office.” In the United States, there is a strong feeling in the Congress and among many people that over the years, since 1945, we have been giving, giving, giving. There are some terrible misconceptions in our country about how much our foreign assistance programs amount to as a percentage of GDP or of the federal budget. The numbers are vastly exaggerated. Polls reveal that many people in our country believe that somewhere in the neighborhood of 20% of the federal budget goes to foreign aid. It is nothing even close to that. Out of the total \$1.6 trillion budget, what goes to direct aid programs may be \$17 billion, or 1%. It is minuscule. It is lost in the rounding off.

*Q: What there is tends to be concentrated really for domestic, but political purposes.*

NILES: Well, of course. It serves various interests, some of which are important. Of course, the Camp David-based programs for Israel and Egypt take up 30% of the program. In any case, there was no support for a major assistance program for the CIS. The feeling on the Hill was, it's great that the Soviet Union is a thing of the past, it will pay us a piece dividend, but somebody else ought to pay for it. One thing members were prepared to pay for, grudgingly at times, but they have stepped up to the plate on that has been the Nunn-Lugar program to support the dismantling and safe storage of the nuclear weapons of the former Soviet Union. President Bush and Secretary Baker were strong supporters of that program when it got started in 1992. It was designed to deal with the nuclear weapons and the talents and capabilities to build them in the countries of the former Soviet Union. At the same time this program was going on, we developed a related program, spearheaded also by Secretary Baker, to concentrate all of the nuclear weapons of the former Soviet Union in Russia, to get all of the strategic and tactical nuclear weapons and warheads out of Ukraine, Belarus, Kazakhstan and elsewhere, and get them back to some reasonably secure place in Russia. That place is in the southern Urals, where a lot of the development and fabrication of the weapons took place initially, where you had the "nuclear polygon," as the Soviets called it. We have built for them, using Nunn-Lugar money, a very modern large warehouse to the nuclear materials. I think this is in a place called Yurazan, in the southern Urals. The idea of this program was part of a visit Secretary Baker and the rest of us made to the former-Soviet nuclear weapons laboratory at Chelyabinsk-70 in February 1992.

The next Baker trip to Moscow was at the end of January. That was a very specifically focused trip as a follow-up to the November 1991 meeting in Madrid on the Middle East peace process. The original meeting was co-chaired by the Soviet Union and the United States. So, we went out for a second meeting in Moscow. I didn't have any direct involvement in the Middle East, and I tagged along just because we were going to Russia. We did have a meeting there with Kozarev. The Soviet Foreign Ministry had been taken over by the Russian Government and the meeting took place in the so-called "Osobnyak" or the Foreign Ministry on Alexei Tolstoy Street. While the others were concentrating on the Middle East, I met with Yeltsin foreign policy advisor, whose name escapes me, in a huge Kremlin office he said had been once occupied by Molotov, and with Georgei Mamedov, an Azerbaijani who was one of Kozarev's deputies. The principal focus of the Secretary's meeting with Kozarev, aside from the Middle East, was Yugoslavia, which was clearly headed in the wrong direction, although we had achieved a cease fire between Croatia and Serbia in January 1992. Bosnia was teetering. The Russians were generally trying to be supportive of Milosevic and the Serbs. They were not terribly helpful.

*Q: I guess we have talked quite a bit about Yugoslavia. Just one question, that I'm not sure I asked before. What was the reason for this Serbian-Russian connection? I know historically, but with things changing rapidly, it seems like an anachronism.*

NILES: It was and is an anachronism. Here you had a quasi-democratic government in Russia very supportive of the last Communist dictatorship in Europe and of Slobodan Milosevic, personally. I think part of it was genuine feeling of historical ties with the Serbs, on the part of the Russians, and a sense that Serbia was being attacked by the same

forces that had been traditional enemies of Russia: the Vatican, the Germans, the Turks, and so forth. There was a sense of common enemies. I believe that support for Serbia was a bone that Yeltsin and Kozarev could throw to the Russian nationalists, who constantly accused the government of kowtowing to the west. Kozarev, in particular, was constantly being attacked as being too soft on the Americans, and giving in on this, that and the other thing. So, support for Serbia could partly answer that criticism.

*Q: We kind of did that during the Eisenhower period, and later with Red China. Perhaps we were tougher on Red China, so we could get move ahead with the Soviet Union?*

NILES: Cuba may have played that role during the 1970s, and 1980s, and continues to play it today, incomprehensibly. The idea that a poor, weak country poses a threat to the United States is truly incredible. In any case, the visit at the end of January was to Moscow, and on the way back we stopped at a CSCE Ministerial meeting in Prague. We left Moscow early in the morning, arrived in Prague at 10:00AM, stayed there for about six hours, and took off for Washington. It was not a memorable meeting. Again, the focus was on Yugoslavia and on the OSCE activities there which, at that time, were not anywhere near as extensive as they subsequently became.

The next major event involving the former Soviet Union was a trip we took in February 1992 with Secretary Baker. It was clear that the countries of the former Soviet Union, then as now, had some significant humanitarian problems. Secretary Baker came up with the idea of a major humanitarian relief effort by the United States and other countries. In fact, it was one of the action items that emerged from the Conference he hosted in January 1992 that I mentioned. The U.S. share of that was called "Provide Hope," and it was kicked off on February 10, 1992, by a C-141, loaded with medical supplies, that went from Frankfurt to Azerbaijan. That program was run by Richard Armitage, who did a splendid job, but it was difficult to keep up with him. Secretary Baker was there for the departure at Rhein-Main Airport. We had a ceremony, and the plane took off. Then, we hopped on the Secretary's plane, and flew to Chisinau, Moldova. That began a really extraordinary trip with Secretary Baker, during which we visited Moldova, Armenia, Azerbaijan, Turkmenistan, Tajikistan, Kyrgyzstan, Uzbekistan and Russia. We did not go to Almaty, because we had already been there.

The Secretary went to all of the newly independent countries to meet with the leaders, some of whom he knew, but most of whom he had never met, and to establish diplomatic relations with the new countries. It was a quick, but very interesting exposure for us to the new leaders, all of whom were former Communist party First Secretaries in those former Soviet republics, now independent countries, and they had been converted overnight into "democratic" presidents. It was an uneven process, to say the least. Secretary Baker's objective was to impress upon them the basic principles that United States would follow in deciding what kind of a relationship we were going to have with each of those countries, which would reflect what they were prepared to do. Were they prepared to move in the direction of democracy and free market economics, and cooperate with us in dealing with the consequences of the break up of the Soviet Union, particularly as it related to weapons of mass destruction, and generally to conduct

peaceful, constructive, foreign policies? To the extent we got good answers from them, we recognized them as independent countries and established diplomatic relations. Of course, they all told us what they knew we wanted to hear, and we established an embassy in each one of those countries. I might say that in early January 1992, when we were talking about establishing all these new embassies, I told Secretary Baker that the European Bureau budget as it was could not handle the task. We simply didn't have the funds. We were barely able to support the establishment we had and we simply didn't have the funds to establish and staff 12 new embassies. I suggested we go with regional embassies, at least at the beginning. For about a day or so, I think, the Secretary was persuaded by my argument, on budgetary grounds. I agreed that, politically, we ought to be everywhere, and that ultimately we would be, but at the beginning I urged that we try regional embassies. I didn't tell him where the regional embassies would be located, because I could not yet make those judgements. Where would we have a regional embassy for the Caucasus? Well, probably in Georgia, but certainly not in Armenia or Azerbaijan. The two were going to war with each other. Where in Central Asia would we locate a regional embassy? Well, we would probably be in Tashkent, Uzbekistan, which had been the center of the region during the Soviet period. Would the Kyrgyz, Turkmen and Tajiks like that? Well, no, but they probably could live with it for a while. In any case, the Secretary agreed with me, or seemed to agree with me, that this would be the way to go, particularly since he agreed that there was a problem with resources. But Margaret Tutwiler opposed my proposal and, I have to say, she was right on this. She had a better sense of the Public Affairs aspect of our decision. Margaret's position was that we had to be everywhere from the beginning. She didn't deny that it would be difficult and relatively expensive, she felt that we should be present in each of the countries, and she was right. In some cases, it was relatively easier, and in some cases, it was very hard. For example, the people we sent out to Yerevan, Armenia really suffered, along with everybody else. It didn't matter how much money you had, there was no natural gas, no electricity, and no water. It was a disaster area. It is not all that much better today, although I guess it is a little better. Dushanbe, Tajikistan was not only tough to live in but was very dangerous because you had a major civil war going on by the fall of 1992, which is still underway. Shortly after the Secretary's visit, we sent people there to set up the embassies, and we had Chargé d'Affaires very quickly on the ground. We were the first foreign group there, except of course for the Russians, in every case. I cannot recall one place where we showed up and were told that another Western foreign Minister had preceded Secretary Baker. In one of the countries, Nick Salgo, a Washington real estate man who had been Ambassador to Hungary during the Reagan Administration and was appointed Ambassador to Sweden in September 1992, showed up before Secretary Baker to look for real estate. This was probably due to a scheduling error, but the Secretary was not pleased since this obviously tended to suggest that his examination of the bona fides of the local government, prior to the decision to establish relations and open an embassy, was a charade.

But there is no question that we were the pioneers. I think to this day we are probably the only country that has maintained embassies in all of the successor states of the former Soviet Union. It has been expensive. It was a major logistical effort. I was very lucky as Assistant Secretary to have Doug Laingen as my Executive Director. He did a superb job.

He managed to persuade the central system to come up with the resources, because we couldn't do it simply by redeploying from within the European Bureau. During 1992, we did move about 75 positions from Western Europe and Canada to the countries of the former Soviet Union. We closed some consulates and generally cut back on operations at some of the larger embassies. So, we did move substantial resources, in terms of money and people, FTE as you call it, from Western Europe to the former Soviet Union. We couldn't take resources out of Eastern Europe because our requirements there were increasing.

*Q: There is something I was wondering. This is from the outside, and also having seen, probably one of our most comfortable embassies, which is the one in Bishkek, but it is basically a two bedroom house. It is crowded and not the greatest place to live. I would have thought this would have been something that would have gone to Congress, and said, "Hey, look, we want to open this up. It is very important."*

NILES: Congress told us to find the money internally. They said, "We agree, but cut back somewhere else. You have big posts in other places." In fact we did have some resources that we could shift, without doing great damage to the national interest, and we did that. But there were limits to what we could do, and we did ultimately receive resources from the central system. Of course, we are talking, in personnel terms, about relatively modest posts. Deputy Secretary Eagleburger decreed at one point in the early part of 1992 that the staffs of the posts we were establishing in the former Soviet Union could not be larger than five full-time employees. There could be no DCM, just an Ambassador and one other officer, one secretary, one consular officer and one administrative officer. We weren't going to have any other agencies there because the other agencies would put greater demands on us and the administrative support staff requirements would increase. That rule lasted to the end of the Bush Administration, but as soon as Secretary Eagleburger left on January 20, 1993, the other agencies (CIA, DOD, FBI, DEA, Commerce, USDA etc) were all over us with requests to station their people in one or more of the new embassies, and the posts began to grow. Those posts have grown considerably, and now you have all the other agencies that you would expect to find out there. They are there in large numbers, and the State Department is expected to provide the administrative support.

*Q: When you are doing these trips, what was the European Bureau doing? There was an awful lot of work, trying to find out who...*

NILES: You are asking how we got a line on what was going on in some of these places, where we had previously not been represented, and had very limited sources of information. Various means were used, and the Secretary's visit was one of the means that we used to find out whom we were going to be dealing with there, at least at the outset. In connection with the Secretary's visit, we sent advance teams out. Those advance teams briefed the Secretary when we arrived in Chisinau, Yerevan, Baku, and places like that. Those teams in some cases served as the nucleus of what was to be the United States embassy in those countries. But in some cases, we were moving into very unstable political environments. For example, Azerbaijan, Armenia, and Georgia went

through fairly violent and unstable political developments in 1992. For instance, when we went to Baku in February 1992, Mr. Mutalibov, who was the former First Secretary of Communist Party, was the President. He was overthrown shortly thereafter by Mr. Elchibey, who was in turn overthrown, much to everyone's surprise, by Gaydar Aliyev, who had been a senior member of the Soviet Politburo during the Brezhnev period. He is the leader, as we speak today. But, in other cases, in Uzbekistan, Kyrgyzstan, Turkmenistan and Kazakhstan, the number one guy at the time of independence - Karimov, Akayev, Niyazov and Nazarbayev - is still there. Those people managed to hold on, and we got to know them pretty well over the years. Secretary Baker knew President Akayev of Kyrgyzstan, I can't remember exactly how, but he had a high regard for this gentleman, who is still the President in Bishkek, Kyrgyzstan.

*Q: He is a scientist, by background.*

NILES: Is he? I'm not sure.

*Q: I mean, he seemed to be making all the right choices.*

NILES: Well, he was regarded as being the sort of prototype democrat in Central Asia, but, to a degree, I think he has departed from that path. His credentials are a bit tarnished today. But, among the leaders out there, he is probably the most honest and capable, but that is not necessarily saying a lot for him. But, anyway, this trip was truly an extraordinary experience. We met successively with all of the leaders. We met with Niyazov in Turkmenistan. We sat in a tent with him, and Secretary Baker, President Niyazov and I had an enormous meal of various Turkmen delicacies. Then, we had to go eat another large meal with the whole delegation. He gave the Secretary and me long yellow leather coats, lined with fleece. But it turned out that the leather in mine was improperly cured and it rotted.

We had our very interesting meeting in Tashkent with Karimov, who still is the President of Uzbekistan. The meeting lasted for about four hours. It was essentially a monologue, with Karimov explaining to Secretary Baker the history of Uzbekistan, going back to Tamerlane and various other great figures from that part of the world. Every now and then, Secretary Baker would ask him a question, and talk a little bit about democracy and economic reform, and Karimov would say, "Yes, yes, I'm a democrat." The Secretary made our points free markets and free democratic political systems. Karimov and the others said all the right things, and then went off and behaved as one might expect of ex-Communists bureaucrats, in most cases, although we were able to remind of their undertakings to the Secretary. I think that put a little bit of pressure on people like Karimov and Niyazov to deal with the internal opposition in a fairly sophisticated and less "Soviet" manner. While in Tashkent, we also met with representatives of two opposition groups: Erk and Birlek. I don't know what either name means in the Uzbek language. For reasons that were not entirely clear, they didn't agree with each other. Each thought the other was secretly collaborating with the regime. The Secretary emphasized, by meeting publicly with these people, that we supported political pluralism. Our embassies in that region have continued to make that point, which is not a popular one

with the local powers that be. Karimov also arranged for us to visit Samarkhand and Bokaro while we were in Uzbekistan. I had been to both during my tours in Moscow, but for the members of our party who had not seen those cities, it was a great experience.

The high point of that trip for me, and I think for Secretary Baker as well, came when we flew from Tashkent to Sverdlovsk in the Urals. At that time, the city was in the process of being renamed Ekaterinburg, its original name. It was renamed for Yakov Sverdlovsk, one of the original Bolsheviks at the time of the Revolution who died in 1920. Sverdlovsk had been a closed city during all my time in the former Soviet Union, and I think throughout the post-WWII period. (I am told that the USSR did not have travel controls prior to 1941. The story is that they instituted them after they realized that the German military attaches in Moscow during the 1930s had traveled all over the European parts of the country, essentially planning what became Operation “Barbarosa.”) In the Soviet period, Sverdlovsk had become the major rail hub in the Urals and a center of the defense industry. Its largest factory – Uralmashzavod – was a legend in the USSR for its size (it had over 150,000 workers) and the wide variety of its products. It was later revealed – to no one’s surprise – that the plant had been unprofitable throughout its existence. Sverdlovsk was also a center of the clandestine Soviet BW program and had been the site of a major anthrax outbreak in 1979 when there was an explosion at the BW facility. The Soviets, including Boris Yeltsin, who was the party First Secretary at the time it happened, claimed that the anthrax came from people eating infected meat. Many more people died of anthrax than the Soviets admitted. I think they said maybe 90 people died, but it was probably close to 10,000. Sverdlovsk was the center, along with Chelyabinsk, of part of the Soviet Union’s nuclear weapons program.

We stayed at a very nice villa outside the city. The people there were very nervous about our visit. The Soviet Union was gone for only two months, and the travel restrictions were still in effect. They had been waived in our case for the Secretary of State of the United States, but the local people were very uneasy. So, when it came time to visit Sverdlovsk, we all wanted to go in and see the city. We wanted to visit the Ipatiyev house, where the Czar and his family were executed. But the local official decreed that only the Secretary and one other person could visit the city, so the Secretary and Margaret Tutwiler went in with our security people. While on their tour of the Ipatiyev house, the Secretary offered to arrange DNA testing in the United States of the bones believed to be those of Tsar Nikolai II and his family. Margaret Tutwiler turned this one over to me, and from then on until the end of the Bush Administration every time she saw me her first word was “Bones?” I did all I could to make the arrangements with a U.S. Army pathology lab, but in the end the bones were sent to the UK for analysis because the familial relationship with the British royal family made the DNA comparison easier. I believe that in the end the DNA tests confirmed that the bones were those of the Imperial family.

In any event, the Secretary and Margaret toured Sverdlovsk and the rest of us went cross-country skiing, as I remember. It was nice, but we didn’t see what we wanted. Mr. Rossel, the regional Governor at the time, who was originally an ally but is now an enemy of Yeltsin, came over to see us at the place where we were staying. It turned out that he was building

an enormous dacha not too far from there. We walked around it. It was an enormous place on a lovely lake.

The key thing we did when we visited Sverdlovsk was to visit Chelyabinsk-70, which was one of the Soviet Union's two principal nuclear weapons development and fabrication centers. The other was Arzamas-16 near Gorkiy, which is now once again called Nizhni-Novgorod. Those centers were essentially like our Los Alamos, Lawrence Livermore and Sandia National Laboratories. The Soviet Union had several others, including Tomsk-7 and Mayak (which was near Chelyabinsk), which were plutonium laboratories. One interesting thing about those places is that they had no name, they just had a number for postal delivery purposes. They really were secret. Now, they aren't. Of course, we knew where they were from overhead photography for one thing.

*Q: They weren't even on maps?*

NILES: They weren't even on maps. Formally, they didn't exist. I don't know what Arzamas means. It must be some local name in the Gorkiy region. Chelyabinsk-70 was simply a postal zone. It is all it was. It was in the region of Chelyabinsk, a major closed industrial center in the Urals, just as Tomsk-7 was in the region of Tomsk in west-central Siberia. Our trip to Chelyabinsk 70 was truly extraordinary. The Secretary was in a car, and the rest of us were in a bus. We went through a fence, we drove for another 20 miles, and went through another fence, another 20 miles, and we drove through a third fence. It was a huge area. There was nothing out there. The fields were snow-covered. It was a beautiful clear, cold day, typical of the Siberian winter. The temperature was about minus 20C. It was around February 20, 1992. As we drove along, there were lots of roads, crisscrossing the huge reserved area. At the crossroads, there would be cars that had been stopped by the militiamen. The police were holding the cars and preventing them from entering or crossing the main road. And the people were standing around in the cold, outside their cars. As we drove by and neared the center of Chelyabinsk-70, the crowds at the crossroads were larger and larger. At some point, we realized that they were greeting us and applauding us. We couldn't figure out what was happening. We were wondering if they knew who we were. Somehow, the word had spread that James A. Baker, III, Secretary of State of the United States, was coming to Chelyabinsk-70. So, when we got to the area of the central nuclear laboratories, there were thousands of people there, hanging out of windows, standing out in the cold, cheering. We still couldn't figure out what was happening. Here we were, the bad guys, as far as those people had been concerned, yet they were just overjoyed to see us. Well, we went inside and there was a large crowd of people greeting the Secretary. It consisted of Minister Mikhailov, who was the Minister of the Atomic Energy Ministry. He recently retired. He was a dreadful person, in every conceivable respect. He was accompanied by all of the leading scientists from Chelyabinsk-70 and the other nearby nuclear laboratories, one of which was called Chelyabinsk-65. Basically, the pitch those guys had for Secretary Baker was, "We are excellent designers and fabricators of nuclear weapons. We are in a down period here, in terms of demand and resources. We have a few cash flow problems." They had already heard about Nunn-Lugar, and they said, "We would like you to use this Nunn-Lugar money to keep our nuclear weapons design process going here." The Secretary said, "No,

you don't understand. That is not what I am here for. I am here to talk about conversion, to use your talents for better purposes, not building nuclear weapons, but maybe getting rid of nuclear weapons, or doing other things. We are trying to do the same thing at Sandia, Los Alamos, and Lawrence Livermore. We would like you to work with our national laboratories and see what we can do. We want to make sure that none of this nuclear equipment, nuclear material, nuclear expertise, goes to people who might misuse it. We want to bring all the nuclear capability of the former Soviet Union into Russia, so that it is safeguarded." Well, at that time, they just couldn't encompass this message entirely. They understood, I am sure. They were super intelligent guys. They heard what the Secretary of State said, but their pitch, more than anything else was, "Hey, you know, we are experts at this. Let's keep working. That is what we do best. We design nuclear warheads, and we do it well."

The conversation was very interesting. There was a man there named Ustinov. He was a very attractive man, in his mid-fifties. He was called to the front of the room by Minister Mikhailov, where he greeted the Secretary of State, and said, "I am Engineer Ustinov, and I am the Director of the Central Urals Fast Breeder Reactor, called "Mayak", (which means 'search light' or 'beacon' in Russian.) My Center is about 80% finished. It is fantastic. It will do extraordinary things." He explained what it would do and what it would produce. He mentioned plutonium as one of its products. He went on to say, "I have run into some funding problems here. I would like to propose that you, the United States Secretary of State, that your government join with me in finishing this. I would like to invite you to come visit my place." The Secretary, very politely, said, "We are on a pretty tight schedule. Where is your Center?" He said, "Well, it is at Kyshtym. That is very near, and we will get you down there." From the back of the room, I started saying, "No, no," because Kyshtym was the place where, in 1957, one of the great nuclear accidents of all times took place. Zores Medvedev, the dissident Soviet scientist, reported on it, finally, in the mid-1980s. Our intelligence people must have known about it, but I had never heard of it before. Apparently, this was the Chelyabinsk-65 nuclear laboratory, also named "Mayak," which produced the plutonium for the first Soviet atomic bomb, which was detonated in 1949. They stored the high-level nuclear waste in drums in a lake. Something happened to the level of water in the lake. There was too much plutonium waste in the lake, and too little water. As the temperatures, some kind of spontaneous nuclear chain reaction started there, which was not a nuclear explosion, per se, but emitted an enormous amount of radioactivity, which effectively poisoned thousands of square miles of this area around this place called Kyshtym So, I didn't want the Secretary of State going to Kyshtym. I didn't want to go there. Well, it turned out we didn't have time.

After the meeting, we toured the laboratory. My reaction was that if that was the best there was in the Soviet Union, and it may well have been given the importance of the nuclear weapons programs, I wondered what our people from Los Alamos and Sandia would think. It was a relatively primitive place, in terms of the laboratory equipment, the computer equipment, and so forth.

*Q: Was there any concern about leaving there, glowing?*

NILES: Well, there was a little bit. We wore special clothes in some of the places we visited. We had meters on that would warn us that if there were some unexpected release of radioactivity. We were only there for a total of about six to eight hours, but it was a most remarkable trip, and it was something I will never forget, both in terms of what I saw and the message these people gave us. They wanted to continue in the nuclear weapons business, which was what they did best, but now in cooperation with the United States.

*Q: I'm sure they would have found colleagues in Livermore and other places.*

NILES: That's true. But I believe that by then our guys had accepted the fact that nuclear weapons design was not the key to the future, and they were looking to ways in which the vast capabilities they had could be used on other things, including getting rid of nuclear weapons, which is a big ticket item. I think we have come a long way since then. This was the first contact, after all. As far as I know, no Americans had ever been in that place before our visit. This was the beginning of contacts with the Soviet nuclear weapons establishment. During the remainder of the Bush administration, we pushed harder on the nuclear safety and dismantlement issues, and the Clinton Administration, to its credit, picked up on these programs with enthusiasm. We have come a long way since February 1992.

*Q: But before that, on this trip, and the ones previously, whereas we preached democracy, and all that, and free markets, at the same time, were we looking closely at the feasibility of this former Soviet empire, really being viable, economically? There was the break up and the farming out. You go into Bishkek, and there is a huge helicopter factory, which isn't working. Could this whole thing be put together, because it was essentially economics that brought the Soviet Union down? I am exaggerating, but it was part of the equation.*

NILES: I think at the beginning we may not have had a totally clear understanding of the magnitude of the problem and the obstacles ahead. Prior to December 1991, we knew the transition of the Soviet Union to something approaching democracy and a market economy would be extraordinarily difficult and would take a very long time. After the collapse of the Soviet Union, it was clear that the process would be even more difficult because of the enormous economic dislocation that occurred. But a great deal of the industrial production of the former USSR was essentially useless. Either it was of such low quality that no one would buy it or it was designed for the use of a military force that was no longer needed. But in our effort to analyze this situation, we had no gauge, no experience, and no track record. The transformation in Eastern Europe was in its very early stages, particularly in Poland and Hungary, and that was turning out to be more difficult than we had expected. So we were aware that this was not going to be easy.

As I said, we also were very well aware of the dislocation that could result from a break up of the economic links between the various parts of the former Soviet Union. At the beginning, we hoped that Yeltsin and the others would come up with something

approaching a Customs Union, some mechanism that would permit continued economic cooperation. By and large, that did not happen. So, the dislocations resulting from the break up cooperative links between enterprises in different republics resulted in terrible dislocations.

Now, another thing that we did not fully appreciate was the share of military production in the Soviet GDP. We always used to talk about the Soviet Union devoting 10-12% of its GDP to the military. If in our economy at the height of the Cold War the military's share was about 6%, we assumed that in the Soviet Union it was probably 12, maybe 15% at the very outside. Our calculation was that the Soviet economy was roughly half the size of ours but produced, essentially, the same quantity of military equipment. Actually, it was much more. Part of the precipitous decline in economic activity in the former Soviet Union was a result of the decline, and in some cases the collapse of military production, for which there simply is no need and no funding. For instance, the world's largest tank plant was at Nizhni Tagil in the northern Urals, north of Sverdlovsk. It could produce 1,500 tanks a year, as I recall. For purposes of comparison, the General Dynamics plant near Warren, Michigan can produce 350 M1A2 tanks per year. What were you going to do with that facility. It was the world's largest tank plant, but they had another one at Kharkov, in the eastern Ukraine, which was almost as large. After the breakup of the USSR, the Ukrainians continued to produce tanks at Kharkov, but they had to sell them somewhere, and the markets were countries such as Iran, Iraq, Burma, and so forth, which led to big problems with us.

But if you looked at these operations from the point of view of economic efficiency, there was often no justification for their existence. They had absolutely no economic utility. Indeed, when economic criteria began to be applied to a lot of what went on in the former Soviet Union, even leaving aside the dislocations that were caused by the collapse of the Soviet Union, it became clear that there was no justification for it. But when the new Russian government decided that they were not going to produce any more tanks, for instance, that had a big ripple effect throughout the economy. For instance, a lot of steel production was no longer required. This was a major part of the economic decline, which in gross numbers saw the GDP of the area formerly included in the USSR fall by about 50%. At the beginning of 1992, we had some hopes, which turned out ultimately to be futile, that Yeltsin and company would work out some kind of an arrangement which would enable economically useful activities, inherited from the former Soviet Union, to continue under conditions of independence for all of the units. But, in general that did not happen.

As a result, if you take the Russian economy as it is today, compared with what the Russian economy was on the December 25, 1991, it had probably shrunk by somewhere in the neighborhood of 50 to 55%. So, it is truly an extraordinary development. But you have to keep in mind that a great deal of that activity that took place before was really non-economic. It was economic activity in that involved the use of resources, but it was also totally non-economic, either in the sense that it was all for the military or it was so inefficient and unproductive that it was a total waste of resources. The Soviet Union really had achieved, through the incompetence of the system, what I would call, "value

subtracted.” In other words, a finished product, a television set, a washing machine, or an automobile it was worth less than the value of the inputs such as the steel, the aluminum, the rubber, the electronic components, the labor and the capital. It was worth less because nobody wanted it. Nobody would buy it. Once there was a competitive, or even a slightly competitive retail sector in the Soviet Union, where you could import items from the outside, people said, “Why should I spend money for this exploding television set when I could buy one from Phillips?”

You have to have enormous sympathy for the Russian people, who have gone through a truly horrific experience during this century. It is hard to think of anyone, short of the Jews in the Holocaust, who suffered more than the Russians have from 1905 revolution onward, and things were not great before that. It has been one catastrophe after another, and it continues to this day. Our efforts to devise an assistance program for Russia and the other new states, I have to say, were not terribly successful. To begin with, funds were limited. Moreover, a large part of the resources we provided, bilaterally, went for largely unproductive consultants and advice for the Russians. I don't know that any of that really turned out to be very productive.

*Q: There were complaints later, that we had all these consultants from Harvard and other places, going there, and running around, giving gratuitous advice.*

NILES: Well, of course, Primakov today talks about kids from the IMF coming out and giving him advice. They certainly needed advice, there is no question. In many cases, they did not know to do, and they still don't. But, were the advisors the right ones? Was the advice the right advice? Were they in a position to take the advice? It is hard to say. All of our efforts to help Russia, as well as those from the IMF, the IBRD, the European Union, and the Japanese took place against the backdrop of a total lack of a regulatory system. There was no tax system, and there was mounting crime and lawlessness. The Russians called it “Mafia,” which is a misuse of the term “Mafia,” which in our concept means organized crime outside the government structure. But in Russia much of the criminal activity was tied in with the government, particularly the former KGB, which in its own way was a criminal organization during the time of the USSR. So even if our advice had been consistently outstanding and our advisors right on the money in every case, I have a feeling that the results would have been very much the same because there was no framework within which to realize these objectives. Moreover, the Russians changed course on specific issues every two or three months. You had major American companies - I was working with some of them as Assistant Secretary - trying to invest in Russia. We're talking about companies like Exxon, Arco, Texaco, Mobil, Amoco and so forth, particularly the oil companies but not only they, that were interested in investing in the former Soviet Union. They would make a deal and suddenly they would find, a month or two later, that everything had changed, and they were out of luck. You can only expect these companies to go through that process once or twice. A lot of the investment which might otherwise have gone to Russia, and would have been productive and helpful to the process of reform, was scared off because of the inability of the Russians to decide on a policy and stick with it for more than two months. Important issues such as the terms and conditions for foreign investments, or access to the former Soviet pipeline system for

companies producing oil were constantly changing. “Little” things like that make a big difference if you are talking about investments of hundreds of millions of dollars. Our economic policy toward the former Soviet Union can hardly be considered to have succeeded, but whether any policy could have “succeeded,” however you want to define “success,” given what was going on out there, particularly the inability of the Russians to put together any kind of a coherent policy, I don’t know.

*Q: Did you find that, the Europeans, western Europe, were making the same efforts, and were they coming up with anything?*

NILES: Pretty much. Their experience has been very similar to ours. I don’t think anybody investing for the long time has made any money out there. There are some short-term speculators who have made money, but none of the true capital investments have really paid off. For example, the Swedes and the Fins tried to get into the pulp and paper industry in the northwestern part of the country. It has tremendous resources, but some of the big Swedish and Finnish paper companies lost a lot of money out there. They may still be trying, but my impression is that, for the moment, their view is that this is just too hard and that dealing with the Russians is impossible. The Norwegians, Finns, and Swedes are trying to deal with humanitarian disasters in the Kola Peninsula, where most everything has stopped working and you have a great deal of nuclear waste. You have probably a couple million people near starvation.

*Q: That was a big Naval area, stuck up really where nobody should be, anyway.*

NILES: That is true. There was a lot of unrealistic development in the Kola Peninsula. There is a nuclear power station, and of course, the nuclear submarine problem is up there. You have the remains of more than 70 nuclear submarines near Severodvinsk, and more on the Pacific coast near Vladivostok and Petrapavlovsk-na-Kamchatky sitting there corroding. The Norwegians are looking at this, from across the North Cape, scared to death. I don’t blame them. They are all engaged in what I would call “disaster relief,” disaster relief in the sense that the humanitarian aid was needed to keep people alive in the Kola Peninsula, but also disaster relief in dealing with some of these potential environmental catastrophes, particularly the nuclear catastrophe that is looming as a result of the derelict nuclear reactors from the old nuclear submarines. But this is not development. This is like putting a tourniquet on a patient who has a serious wound. It is not going to cure it, but it may stop the bleeding.

*Q: One of the great weaknesses of the Soviet Union was in agriculture. Was this something we were looking at, trying to do something, or not? This has been our great strength.*

NILES: The IBRD, the EBRD, the European Union and the United States all embarked on various programs designed to encourage privatization of agriculture. We approached this from the assumption, which I think is right, that there was no salvation for the collective system of agriculture, the collective (*kolkhozy*) and state (*sovkhozy*) farms. These farms were generally so inefficient that there was just no hope for them. What we

needed to do was to go back before 1930, before Stalin collectivized agriculture and killed the “kulaks,” the independent farmers. One of the requirements for that to work was a law, to be passed by the Russian Duma, that would permit private ownership of agriculture land, and basically encourage the orderly break up of the state and collective farms. That legislation has still not been passed. As a result, all of the efforts that have been undertaken by individual Russians, with support sometimes from the outside, to reestablish productive private agriculture in Russia have come to naught. I am not saying that every single one of them has failed, but the overwhelming majority of them have. This year, sadly, they had a terrible agricultural year weather wise. They had a serious drought, and then floods and heavy rain during harvest time. The harvest in Russia is the lowest since 1945, when the country was still devastated by the war. Harvest disasters, because of weather are one thing, but the organizational disaster that is under way in Russian agriculture is enormous. Land is going out of utilization. Livestock herds are being killed. Equipment is deteriorating. All these terrible things are happening in this enormous agricultural area that could, under the right conditions, be very productive. Keep in mind that prior to 1914, Russia, for all its economic weaknesses, was the largest grain exporter in the world, and Odessa was the largest port for grain exports. Again, the issue is too complicated to try to explain why this happened. Part of it goes back to the fact that there is no legal framework within which private agriculture could be developed. Thus far, the Communists in the Duma have thwarted efforts to pass a law on private ownership of land. This is, I have to say, a sensitive issue for some non-Communists as well. There has always been a sense among some in Russia that the land should be owned collectively.

*Q: Is this because of the influence of the collective farmers managers?*

NILES: The Communists are still very influential. But it goes deeper than Communism, because private ownership of land ran contrary to a pre-revolutionary Russian tradition that began to break down, only slowly, after the liberation of the serfs in 1861, under Alexander II. This process accelerated after the 1905 revolution under Prime Minister Petr Stolypin’s reforms, the so-called, “Wager on the Strong,” under which he gave land to farmers who were prepared to farm it and created the first class of rural smallholders in Russia. Stolypin was assassinated in 1911. He was Prime Minister for only six years. He was an extraordinary man. If he had not died, many good things might have happened. He was really a fantastic character, Petr Stolypin. The Czar, Nikolas II, was responsible for his assassination, which took place in the Kiev Opera House in 1911. In any case, Stolypin gave the land to the farmers. He wanted to create in the countryside a strong bulwark for the monarchy. That is what he was trying to do. He was giving people a stake in the system. They were the people whom Stalin killed in 1930s, in the so-called “Kulaks.” Kulak, in Russian, means “fist,” and the term was coined by Communist propagandists to give the impression that these people were grasping, selfish, miserly, miserable people who had taken land and money from the poor peasants. In fact, they were the industrious people in the village. What Stalin did was, of course, to create and envy and hatred within the village, and promote...

*Q: He encouraged the layabouts.*

NILES: Exactly. The “Kulaks” were killed. They were sent to Siberia and died, or were executed. Those who were less industrious were left on the new collective and state farms. Of course, they made a mess out of it, as you would expect.

*Q: Selective breeding.*

NILES: What you had in Russia (I know this reflects certain of my own family’s involvement there) was reverse Darwinian selection. Each time a group of people rose to the top and demonstrated capability, they were destroyed. Whether it was during World War I, where there were enormous losses and the leaders were killed, or during and after the Revolution of 1917, when the most productive and talented people were all killed or thrown out, or during collectivization, or during the purges, when the most capable Communists were all killed, the results were the same. These were people who had risen to the top of the whatever system there was. You have to assume that these were the people who were the most qualified, the smartest, the hardest working, the best, not all of them, but most of them. Stalin killed them all, for instance 90% of the senior military officers in 1937, leaders such as Tukhashevskii, Yakir, and Blucher. Every time there was something going wrong in the country, they went after the Jews, whether it was the so-called “doctor’s plot” in 1949, or some other fantasy. As a result, the least qualified people were left. So, it is kind of reverse Darwinism.

In any case, our next foray into the former Soviet Union was a very interesting one, the second conference on aid to the former Soviet Union in Lisbon, around June 1, 1992. On the way, we stopped in London for the first night, and met there with Prime Minister Major. Foreign Minister Douglas Hurd had a dinner for us at the Savoy. The most memorable aspect of the meeting with Prime Minister Major at 10 Downing Street was the discussion of the pending U.S. presidential election. It is no secret that Prime Minister Major favored President Bush’s reelection, which on June 1, 1992 did not look so improbable. I recall him remarking that the United States presidential election was the most important election of the year for Europeans “and we do not even have a vote.” An interesting, and perceptive observation.

In any case, there were three focal points of the meeting in Lisbon. One was former Yugoslavia. By that time, Bosnia had become seriously unstuck, and what were we to do? That is where we agreed to go with Chapter VII sanctions on Serbia, which were imposed by the UN Security Council the week after the Lisbon Conference. The second focal point was dealing with the economic collapse of the Soviet Union and mobilizing economic support for Russia and the other newly independent states, and the third focal point was dealing with the nuclear weapons of the former USSR that were in the other republics. At Lisbon, Secretary Baker signed the agreement we had negotiated with the Belorussians, Ukrainians, Kazakhs, and the Russians on the return of the nuclear systems to Russia. The Agreement described the timing, terms and conditions under which that would happen, and also covered the financial aspects, some of which were supported by Nunn-Lugar money. That process has worked well and has assured that the nuclear systems that were in the Ukraine, Belarus, and Kazakhstan were returned to Russia, and

many of the delivery systems, tactical and strategic, were destroyed. The Ukrainians just now are destroying some TU-160, "Blackjack" bombers, that they tried to sell back to the Russians, who apparently wanted them but they didn't have any money. These are very modern airplanes, a little bit like the B1B, but somewhat larger. There were two SS18 bases in northern Kazakhstan, each with 77 missiles, or one-half of the total (308). Those missiles have all been destroyed, and the warheads, 10 for each missile, were sent back to Russia. Start II, if the Duma has the sense to ratify it, will result in the destruction of the remaining SS18s in Russia.

*Q: These are the medium range.*

NILES: No, no. SS20 were the medium range missiles. The SS18 was the largest intercontinental missile ever made. It was tested with 10 MIRVed warheads, so for SALT/START counting purposes, it was assumed that each deployed missile had ten warheads. The Soviets had 308 deployed SS18s. We assumed that they, all together, had 3,080 warheads. That was the SALT rule. If you ever tested a missile with 10 MIRVs, we assumed that every single deployed missile of that type had 10 warheads. So, we figured that there were 308, or 3,080 nuclear warheads, total on the SS18. Two bases were in Kazakhstan. There were two in Russia. The two in Kazakhstan have been dismantled, but the Russians are supposed to get rid of all of the remaining SS18s under START II. This is a big success story that people in this country do not fully appreciate, namely the way in which the United States, working with the four successors to the USSR, ensured the safety of the Soviet nuclear arsenal. Without us, and this was very much a question of Secretary Baker's leadership, it would not have happened.

In the United States, of course, we have come down to START I level, which is about 6,000 warheads, and the Pentagon would dearly love to move to the START II warhead level of 3,000-3,300, although we could ensure our security with half of that, or less. One reason why moving to fewer than 2,000 warheads is difficult for us is that it would be very hard to maintain the so-called "strategic triad" of land, sea and air launched weapons at that level. If each Trident submarine has 192 warheads, ten of them would account for your entire inventory, and I believe that we have 18. Do we need the "Triad?" I believe it makes more sense in terms of balancing the interests of the Navy and the Air Force than in it does in any "strategic" sense.

The Russian Duma needs to ratify START II, and I think even the Communists in the Duma understand that Start II is in their interest because they cannot afford to maintain the Start I level. They actually have to come down way below that, to what we would call Start III, which might be, say, 2,000, 1,500, 1,000 warheads. This is what we should be aiming for, even maybe a little lower. If the Russian Duma could do this, which may happen this month, we would reduce from 6,000 to 3,000 warheads, or something like that. But, before we do that, the objective is to negotiate quickly Start III, which would bring us down to 2,000. We would finally reach a point at which we would have to bring other countries in, because when we get down to 2,000 warheads, hypothetically, the French, the British, Chinese systems, become not inconsiderable. When we had 6,000 warheads, and we were talking about 600 or 800 in those programs, it didn't make a big

difference. But, if the US gets down to 2,000 or less, and the Chinese, British or French have 800, there may be a need to multilateralize the process. It would be an interesting effort, the multilateralization of START. Those were the key issues for the ministerial conference in Lisbon, around June 1, 1992.

While in Lisbon, I ran into Alexander Chikvayidze, who at that time was the Foreign Minister of Georgia. At that time, Georgia was the only country in the former Soviet Union that Secretary Baker had not visited since the fall of the Soviet Union. We had not visited in February 1992, during our swing through the former Soviet Union because a civil war was underway in Georgia between Shevardnadze and Gamsakhardia. It was unsafe. I am not sure it was so safe when we finally went there. Chikvayidze told us that Shevardnadze was in a tough situation, which was certainly true, and that he needed US help, initially through a visit by Secretary Baker. Secretary Baker is a man who puts a great stock in personal relations and personal loyalty. People whom he knew, who had worked with him, were honest, and carried through on their commitments to him, his instinct was to stick with people like that. Conversely, if someone tries to pull a fast one on him, he will remember it. For him, Shevardnadze was in the first category, and he liked him personally. That is clear from all his writings and statements. Chikvayidze made a good pitch, and so we took off from Lisbon and flew to Tbilisi after the conference. It was a very interesting trip. Chikvayidze, his secretary, and a couple other people flew with us on the Secretary's aircraft to Tbilisi. We arrived there late in the day and went to a hotel outside Tbilisi that had been built by an Austrian company. The hotels in Tbilisi, the Veria and the Tbilisi, had been destroyed, along with a lot of the rest of the city, during the fighting between Shevardnadze's forces and those of Gamsakhardia in January, February, and March of that year.

Interestingly enough, one of the people on the trip was Lieutenant General John Shalikashvili, who at that time was Assistant to Chairman Powell. He was just about to be named Supreme Allied Commander in Europe, replacing General Galvin and receiving his fourth star. As Assistant to the Chairman, Shali traveled with the Secretary on all these trips. So, here he was, going to the land of his father's birth, where he had never been before. General Shalikashvili's father was Georgian, and his mother was Russian. He was born in Warsaw, where his parents were refugees from Communism, around 1936. In 1944, his family fled Warsaw ahead of the Red Army and when the war ended they were in a displaced persons camp in Bavaria. In 1952, he went to the United States, graduated from college, joined the Army, and became Chairman of the Joint Chiefs of Staff on October 1, 1993. I am not sure I know of a greater American success story, and it could only have happened in America. We should all be very proud that our country can provide that sort of opportunity to refugees.

In any case, Shalikashvili was going back to Georgia. We had an Embassy in Tbilisi, but the first Ambassador had not yet arrived. Cary Cavanagh, I believe, was our Chargé D'Affaires at the time. The Secretary, Dennis Ross, Margaret Tutwiler and a few others, were taken to a special villa somewhere up in the hills, which the rest of us never saw, and the rest of us went to the Austrian hotel. Shalikashvili was with us. At about 9:00 PM that night, we were with people from the Georgian Foreign Ministry, including their

current Ambassador to Washington, Japaridze. A messenger with a car and driver came around saying that President Shevardnadze wanted to see General Shalikashvili, and Shali left to see the President. We naturally wondered what it was about. You could hear shooting up in the hills. But Shali went off and we were left wondering what was happening. He came back about two hours later. The next day, he told us that the pitch that Shevardnadze had made to him was to persuade his brother, Otar Shalikashvili, who is a retired Army Colonel then working for Rockwell Manufacturing in Columbus, Ohio, to come back to Georgia to be Defense Minister. Shali told President Shevardnadze that he didn't think his brother could do that but agreed to transmit the request. Shali realized that with everything going on in Georgia and in light of the fact that he would shortly be going to SHAPE as SACEUR, he didn't want his brother, Otar, to be Defense Minister of Georgia. That one didn't work out. Otar, as it turned out, was not interested, either.

Interestingly, at about the same time, a similar issue came up in the case of a retired US Army Colonel Einstein, who was an Estonian-American. He was invited back to be Minister of Defense, or Chief of the General Staff, in the new Army of Estonia. I persuaded Secretary Baker, and he persuaded Secretary Cheney and others in DOD, that this was not a good idea. Given the sensitivity of the relationship between Estonia and Russia, we didn't want a guy who was identified with the U.S. Army, even if he were retired, to be out there as Chief of the Defense staff or Minister of Defense. Under DOD rules, Colonel Einstein could have endangered his pension rights if he took a foreign position without the authorization of the Secretary of Defense. Subsequently, in the Clinton administration, Colonel Einstein applied again, and the Estonians raised it again, and the Administration let it go through. He ultimately went to Estonia, and I must confess that no harm was done as far as I know. He probably did a good job, but he ultimately ran afoul of political disputes in Estonia, and left.

When we visited Armenia in February 1992, we ran into Rafi Hovannessiyan, a lawyer from Los Angeles who had become Foreign Minister of Armenia. Hovannessiyan was a real operator. He was an American citizen, serving as Foreign Minister of Armenia in the government of President Ter-Petrossian. Through the Armenian-American community's Congressional ties, he was responsible, in many respects, for the terrible provision of the law, I think, Section 604 or 612 of the Foreign Operations Act, that prohibits any United States assistance to Azerbaijan. This was the Armenian way of putting pressure on the Azeris, who were causing problems for Armenia as a result of their dispute over the Nagorno-Karabakh region. We ran into a number of United States citizens, and I am sure there are many more whom we did not know about - Ukrainian-Americans, Armenian-Americans - who had gone back to work in these countries after the collapse of the Soviet Union. Some were there for commercial projects; others for the largely altruistic motive to help the country from which they or their parents had originally come. My position was, quite simply, that we didn't want to have United States citizens there working in areas of defense and security, if we could avoid it, particularly in countries like Georgia and Estonia, where you had sensitive relationships with neighbors. These were cases in which the presence of an American, particularly a retired military officer, could seem to involve us in local disputes.

That trip into Georgia was the last trip I made to the region with Secretary Baker. He, of course, resigned as Secretary of State around July 15, 1992, to go back to the White House, and Secretary Eagleburger took over as acting Secretary of State. After the November 1992 election, President Bush nominated Larry as Secretary of State. It was a very thoughtful gesture. It was a recess appointment. Larry was never confirmed, but he was formally sworn in as Secretary.

My last trip to the former Soviet Union was a trip with President Bush in January 1993 for the signing of Start II. It was an extraordinary trip in itself. Of course, by then we were working for a lame duck administration. Probably the most remarkable occasion of all was a dinner that President Yeltsin hosted in the Kremlin in one of the rooms that were decorated with icons and frescoes from the 14<sup>th</sup> and 15<sup>th</sup> centuries. I had never seen it before. I don't know what it is called, but it was a lovely place. Anyway, Yeltsin had a dinner for President and Mrs. Bush, and all the rest of us. Frank Wisner, who at that time was Under Secretary for Security Issues (T), was also there, and Frank and I were seated at a small table with Yevgeny Primakov, who at that time was head of the SVR, the successor to the KGB, and Mikhailov, who was Minister of the Nuclear Industry. Frank Wisner had been negotiating with Mikhailov on various nuclear proliferation issues, notably the Russian interest in completing a nuclear reactor at Bandar Abbas in Iran that had been partially completed by Siemens/KWU and abandoned in 1979 when the Shah fell.

*Q: You were saying he was very corrupt?*

NILES: He was a dreadful person, corrupt and totally dishonest in my experience. But on this occasion, he was also totally drunk. Primakov speaks pretty good English, but I was interpreting for conversations between Wisner and Mikhailov. Mikhailov became very frustrated when Wisner stressed the need to be careful in contacts with countries like Iran and India that were trying to develop nuclear weapons. Frank pointed out that those countries were much closer, geographically, to Russia than they were to the United States, so Russia should be even more concerned that we were in avoiding any actions that would contribute to their nuclear weapons potential. Mikhailov, of course, was interested in the money. We knew what he was in it for. He finally said to Primakov, very contentiously, "Why do we talk with these corpses?" The election had occurred and President Bush was obviously not going to be President 15 days later, and nobody knew what Wisner was going to be doing. In fact, he became Under Secretary of Defense for Policy. I told Primakov and Mikhailov that Wisner was going to be an important figure in the next Administration, too, and that they should show some respect for him, and not call him a "corpse." Primakov said to Mikhailov, "You have to be careful. Don't say things like that, because that other guy," pointing to me, "speaks Russian, as you can see. He is interpreting for you, and you are calling him a corpse." Mikhailov didn't care. He was so drunk. Finally, he got up in the middle of the meal, and stumbled off, not to reappear that evening. That conversation was a good insight into the problems we faced in dealing with the Yeltsin Administration. Of course, Frank Wisner already knew Mikhailov, as he had been negotiating with him for some time, although he had not seen him in quite that condition. It was an educational experience for both of us.

*Q: What was our reading, at that time, on Primakov? Primakov was playing a not-helpful role, in our opinion, in Iraq.*

NILES: When I was in Moscow in the 1960s and 1970s, Primakov was Deputy Director and then Director of something called “The Eastern Institute.” (*Institut Vostoka*) Some translated the title into “The Oriental Institute.” It did not, however, as the name might suggest, cover China and Japan. It covered the Middle East, and it was one of the mechanisms that the KGB used for infiltration and clandestine activities in Arab countries, to a degree in Israel, and Iran. Primakov was at that institution, which was a KGB-dominated operation, and he was one of the few people whom we could see. I remember going to the Institute to see him. I wasn’t working on those issues, but I went with Bob Barry, who was the Middle East man in the Embassy’s Political Section in 1969-70. Primakov was someone with whom we could meet, which meant that he was not only cleared by the KGB but he was part of it. That was confirmed, in my mind, when he became Chief of the successor to the KGB, the SVR, at the time of the fall of the Soviet Union. He first assumed greater prominence immediately prior to the Gulf War when he visited Iraq for talks with Saddam Hussein, who was an old friend of his. Exactly what Primakov was trying to accomplish there I do not know, but I doubt that it was very friendly from the United States point of view. I always thought that he had a particular hate for the United States. By the time I ran into him again, in January 1992, he had become the head of the SVR. In my mind, that confirms the fact that Primakov was always part of the KGB. As far as I am concerned, he always was, he still is, and always will be.

*Q: He is what now?*

NILES: Prime Minister of Russia. He replaced Kozarev in 1994 as Foreign Minister. Kozarev was discarded because he was seen as being too pro-US. So, Primakov, whom no one could accuse of being too pro-US, took over. This last summer, when the Kireyenko government collapsed during the financial emergency, Primakov became Prime Minister. He is one of the smartest guys around. But, as far as I am concerned, he hates the United States with a deep and abiding passion. Anybody who thinks they can work fruitfully with Primakov is welcome to try, but I wouldn’t want to do it myself.

*Q: Was this how we fingered him at this point?*

NILES: During the Bush Administration, we saw Primakov as being one of the bad guys. He tried to screw us during Desert Shield, and right up until the end he tried to help Saddam. As far as I was concerned, we had no illusions as to what Primakov’s sympathies were. Now, he is in a different position, but I am glad it is not my responsibility to have to work with Primakov. By the way, that is not his real name. He was born into a Jewish family in Kiev and lived a fair part of his early life in Tbilisi, Georgia. His family’s name was Finkelsteyn. I can understand why he changed his name. Being Jewish in the Soviet Union was not career enhancing.

In any case, that was my last real involvement in Soviet/Russian affairs. Prior to that trip to Moscow in January 1993, we did have one other truly extraordinary exposure to the Russian scene in Stockholm in December 1992 with Secretary Eagleburger. We took off around December 5, 1992 on a trip that took us to Stockholm, Geneva, and Brussels. Each stop had some interesting aspects. The meeting in Stockholm was for a CSCE Ministerial. The Swedes were in the Chair, and Foreign Minister Alf-Ulsten, a very attractive and capable Swedish lady, was the Foreign Minister and head of CSCE during 1992. The issues were largely those of former Yugoslavia. Not a lot of headway was made, as you can imagine in December 1992. Many of the Yugoslav leaders were there: Izetbegovic, Gligorov, and Tudjman were there. Milosevic was not there. Milutinovic, who was the Foreign Minister and is now the Prime Minister of Serbia, was there. In the morning of the CSCE meeting, around 11:30 or so, Kozarev began to speak. He made an extraordinary and shocking announcement to the effect that the Soviet Union had been reestablished, that the experiment with democracy and market economics was over in Russia, and we were back to the old days. That was the gist of it. He went on for about 15 minutes. He shocked everyone, including his own people. It turned out that he was trying to employ shock therapy, warning us that we better start helping them, or bad things were going to start happening in Russia because they had some crazy people out there with nuclear weapons. Larry Eagleburger and I had a good talk with him during a break in the action, and Larry assured him that he and the President would make sure that the incoming Administration was fully briefed on Russian concerns and was encouraged to be forthcoming. But there was not too much the Bush Administration could do in December 1992.

We went from Stockholm to Geneva for a meeting of the Conference on Former Yugoslavia (ICFY). That was the occasion when Secretary Eagleburger announced that Milosevic, Karadzic and Mladic were war criminals, much to everyone's surprise, including mine. Prior to the speech, Ralph Johnson and I had a long discussion of this issue with him, and we both urged him to avoid an explicit statement of that sort since, as we saw it, the United States, specifically the incoming Clinton Administration, was going to have to deal with those three criminals. I believe that Larry felt a great sense of personal frustration over the way in which events in Yugoslavia had unfolded during 1991-92, and as the premier Yugoslav expert at the top of the Bush Administration, he had taken a lot of heat personally for not doing more to prevent the atrocities that had occurred. So, I think he felt that this was his turn to give something back to those who had caused him a lot of grief.

The NATO Ministerial meeting in Brussels was fairly routine, particularly after Stockholm and Geneva. This was at the end of the Bush Administration. People were waiting for Clinton, as you can imagine. That is very briefly the involvement that I had working with Secretary Baker and Secretary Eagleburger in the former Soviet Union during 1992.

There was one other conference. Secretary Eagleburger and I flew to Tokyo at the end of October 1992. Mike Armacost was the Ambassador in Tokyo at that time. We went to the third of the three conferences aimed at putting together a package of assistance to the

countries of the former Soviet Union. It was a long trip for relatively little. There was nothing terribly significant that transpired there. The fact that we were continuing to meet and consult was the most important thing about the trip.

*Q: Today, the Clinton Administration is encountering major problems in dealing with Russia and the other successors to the Soviet Union. When you left there in April 1993, what was your feeling and, you might say, from the people you had in the Bureau about “wither Russia” and the other successors to the fallen Soviet Union?*

NILES: By the time I left in April 1993, it was clear to us that we were in for a long, hard slog in the former Soviet Union and that the process of economic and political reform would be a long and difficult one. In 1993, relations between Yeltsin and the Duma, largely dominated by Communists, broke down entirely, and he directed the army to attack the building where the Duma was sitting and some of its members were holding out. In the process, he also got rid of his Vice President, Aleksandr Rutskoy. Yeltsin, it was clear to us, was a very erratic character, largely due to his alcoholism. We knew that before the fall of the Soviet Union. Yeltsin’s behavior, from time to time, was anything but encouraging. But he seemed at that time, in 1993, still healthy enough to do his job, fairly dynamic, fairly much in control. But his inability, and his government’s inability to come up with a coherent, comprehensive economic development strategy, and to stick with it for any length of time was a major problem from the start. It was clear to us that economic reform in the Soviet Union was going to be a very long process, even if they got the policies right. That was clear by the time I left. We had “succeeded” in getting the IMF, IBRD, and the EBRD deeply involved in trying to assist the former Soviet Union. As I said earlier, there was no other way in which were going to get official resources flowing, and we believed that without the encouragement of official loans, private investment was going to be very slow. The Bank and the Fund, I am sure, wish that they had never heard of Russia, along with a lot of big investment banks and others who have taken some extraordinary hits. Companies such as Swiss Bank Corporation, UBS, and Deutsche Bank lost hundreds of millions of dollars dealing in Russian commercial paper during the summer of 1998. Of course, they had made lots of money in that business before, so the balance may not be quite as bad as it looks. Basically, what happened in Russia this year was the break down of a pyramid investment scheme, a “Ponzi scheme,” as it is called. Ponzi was a swindler at the beginning of this century who offered tremendous rates of interest on investments, but only he knew that the only way he could pay the interest was by taking in more and more deposits. The Russian economy, by the summer of this year, had effectively become a massive Ponzi scheme.

*Q: When you say this year, you are talking about 1998?*

NILES: Yes, in 1998. It hadn’t happened in 1993 when I was involved. At that time, the economy was in bad shape, but it wasn’t in quite the shape it is now. The “Ponzi scheme” was based on Russian T-bills. The Russians would issue more and more of these Treasury bills. Although the rate of inflation was roughly 15%, the Russians swore up and down that they would hold the ruble at whatever the rate was. So, these western banks had, in a sense, a one-way bet to buy these Russian T-bills in ever larger quantities.

The Russians used the proceeds from selling more and more T-bills to redeem the existing stock of T-bills. The companies felt they had a guaranteed real interest rate of about 15%. The T-bills were selling with a face interest rate of 30 to 35%. The rate of inflation at 15%, and there was a guarantee from the Russians, encouraged I suppose by the IMF and everybody else, that the exchange rate would not change. Well, it worked for a while. It all broke down with the fall of the Kiriyenko government this summer.

In 1993, we did not have an entirely clear picture of what was going to happen in Russia, and we did not realize the extent to which the economy would crater. Russia is by no means the only country that has gone through this. Some have escaped to a degree, in part because their economies were smaller and more diversified, as for example the Baltic states. Ukraine and Belarus have suffered more than Russia. Some might ask, "What could have prevented this?" One of the conclusions that some people have drawn is that Russia should have gone through the same kind of shock therapy that Balcerowicz and others applied to Poland in 1990-92. The Polish economy, during that period when Balcerowicz first became Finance Minister in the Walesa government, declined in real terms about 40%. But by 1993, the economy had stabilized and you had real growth in Poland for the first time in 1994. Since then, real growth in Poland has averaged six to eight percent. Even though Poland is not out of the woods by any extent, the situation is obviously miles ahead of Russia. Could you have done that in Russia, with a much larger economy, much less experience with a private economy? No one knows. But it does seem clear that the economic policies followed by the succession of Russian governments after the fall of the Soviet Union were destined not to succeed. It is also important to keep in mind that the Soviet economy was in a state of virtual collapse by the summer of 1991 as a result of Gorbachev's failed efforts to reform it.

*Q: The Polish workers probably are a different breed of cats.*

NILES: Well, they might be. I don't know. There are a lot of similarities, I think. Forty years of building socialism in Poland has not had a good effect on the morale and productivity of the Polish working class either. Anyway, the Russians did not adopt a radical reform program. The tentative reform efforts that were undertaken in Russia included a corrupt form of privatization that discredited the program in the eyes of the people and turned out very badly. One thing Russia does have, unlike the Eastern Europeans, is abundant oil and gas reserves, and if those can be developed, they can provide a financial base either to develop the rest of the economy or to subsidize a lot of stupidity and corruption. I believe that the situation will be considerably worse in Ukraine Belarus, in part because they lack the raw material, particularly hydrocarbon, riches of Russia.

*Q: Was there a concern, during the time you were on the Assistant Secretary position, of a reunification of Belarus or Ukraine? Did we feel this was good, bad, or how did we feel about this?*

NILES: Ideally, what we wanted to see, was political independence and economic cooperation. We wanted the economic links between the republics of the countries that

emerged in the Soviet Union, somehow to be perpetuated. But, we wanted political independence. Frankly, we saw that political union of the three Slavic republics, Belarus, Ukraine, and Russia, possibly with the northern part of Kazakhstan where the population is largely Russian, as tantamount to the reestablishment of the Soviet Union. We didn't want to see the political re-emergence of something like the Soviet Union. At the same time, we encouraged the CIS, not so much as a political entity, but as a framework within which economic cooperation could take place.

*Q: CIS being?*

NILES: Commonwealth of Independent States. This was the organization that was set initially at the end of 1991 by Yeltsin, Nazarbayev, Kravchuk, and Shushkevich. We encouraged that and felt that that was a desirable development, because it would presumably have produced a higher level of economic activity for the entire group, the entire region. But, I guess you would have to say that nobody's heart was in it. The Russians supported it, as did the Belorussians, but the Ukrainians and the others didn't seem to want any part of it. They would go to CIS meetings, but nothing would ever come of it, and nothing has ever come of it as far as I can determine. I have not been involved, obviously, since 1993, but these meetings continue to take place, and nothing seems to happen. I believe the biggest problem is fear on the part of the others that serious economic cooperation could somehow lead to Russian political dominance.

*Q: Did our policy toward the former Soviet Union impact on the election of 1992, the Clinton/Bush election?*

NILES: I don't think so. As far as I can recall, Russian policy was never mentioned by then Governor, now President, Clinton. As best I can recall, the foreign policy issues that came up during the election were Haiti and Yugoslavia. On the latter, Governor Clinton said that the United States had not been sufficiently strong in response to Serbian war crimes and that we should have been prepared to use force, although exactly how he wasn't very specific. In both cases, Clinton policy, shortly after a certain period of examination, ended up basically where we had been. The media let him off the hook.

*Q: Which is usually what happens.*

NILES: The 1992 election, as is the case with most presidential elections, was not fought on foreign policy grounds. If it had been, President Bush would have won, hands-down. The perception, not the reality, that the country was in economic difficulties swung the election. By mid-November, less than two weeks after the election, the third quarter GDP figures were released which revealed that the recovery was well underway. Had those numbers come out before the election, the result might have been different. By the time the election came, the economy had turned around, and was moving full steam ahead.

*Q: It is also not the statistics, it is the perception.*

NILES: It is the perception. While the earlier release of the GDP numbers would have

helped a little bit, the big problem was Ross Perot.

*Q: What about Dennis Ross? With this, you haven't mentioned his name, yet, my understanding was, he was considered the person, in both the Middle East and Soviet Union.*

NILES: Dennis is a brilliant guy. Among American officials, he is more responsible than any other single person for whatever progress has been made in the Middle East peace process, going back to the Bush administration and the Madrid Summit in November 1991. But his other area of activity involvement during the Bush Administration was the former Soviet Union. Dennis, not I, was the key person on Soviet policy. Before me, I am sure Ray Seitz would agree that, as Assistant Secretary, he was not the principal advisor to the Secretary of State on Soviet policy; it was Dennis Ross. Fortunately, for us, Dennis was a very good person with whom to work. We had a very good relationship because he is not a secretive, exclusionary person. He needed support from us to prepare papers, do staff work, and so forth. He had a relatively small staff in S/P. So, the Office of Soviet Union Affairs, under Larry Napper, worked with me, and through me, with Dennis Ross. I think that is a characteristic situation of the way in which the Department of State operates when you have somebody like Dennis as Director of Policy Planning who has the confidence of the Secretary of State and that person is given operational responsibilities. The formal division of responsibilities between the regional or functional bureaus is irrelevant in that situation. Dennis was the guy on policy involving the Soviet Union. On the economic side, Bob Zoellick was the key person, although Richard McCormack was formally Under Secretary for Economic Affairs. I do not know what McCormack did, but we had nothing to do with him on any EUR issues. That was the way the Baker State Department operated.

*Q: One thinks back to Nixon and Kissinger, and all. Were there any back channels to Yeltsin, or to the Russians that was bypassing the regular bureaucracy, or had that era gone, by this time?*

NILES: I can't say there weren't. There was a fairly active contact between President Bush and President Gorbachev. Was that back channel? I think Secretary Baker was fully involved in those contacts. Secretary Baker had, during my time, a continuing contact with both Gorbachev and his last Foreign Minister, Aleksandr Bessmertnykh until the end of the Soviet Union, as he did subsequently with Yeltsin and Kozarev. In EUR, we might not have know everything that was going on, but I am sure the Secretary did. I think we were largely cut in, but I am not saying we knew everything. We obviously didn't. We didn't need to know everything. But I think the idea of a secret U.S./Soviet or U.S./ Russian negotiating process was alien to the way the Bush administration worked. I may be wrong. I may not have known about it.

*Q: I just started the Bush Scowcroft book.*

NILES: That is a good book.

*Q: Well, Tom, this might be a good place to stop. We basically covered relations with the Soviet Union/Russia, and we have covered Yugoslavia.*

NILES: Next, we should talk about Western Europe.

*Q: Western Europe and maybe Central Europe.*

NILES: The European Union, France, Germany. Also, economic issues, particularly the Uruguay round, which were important.

*Q: Okay, great.*

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*Today is the 21<sup>st</sup> of December 1998. Tom, I will let you start. We can do economic, European Union, deal with Uruguay round, western and central Europe.*

NILES: Well, let's talk just a second about Germany, because that an interesting subject, right about now. When I took over as Assistant Secretary in September 1991, one of the things that made my time as Assistant Secretary quite different from that of all my predecessors since 1945, and that included Ray Seitz, who left in June to go to London, was that Germany was no longer a big issue for us for the first time. All of the previous Assistant Secretaries, and for that matter, Secretaries of State had spent an enormous amount of time, over the years from 1945 to 1990, struggling with the German question. This included the problems of the occupation regime; the issue of Berlin and Soviet pressures against Berlin; the management of quadripartite responsibility in Berlin. Coordination of the Western quadripartite group (the United States, Britain, France, and the Federal Republic of Germany) a time-consuming and important issue. We had a special unit in the Central European Office that did nothing but Berlin issues. As Country Director for Central Europe from 1979 to 1981 and then Deputy Assistant Secretary responsible among other things for Central Europe from 1981 to 1985, I spent long hours on Berlin issues. Every NATO ministerial had a separate meeting at which we would meet to talk about Berlin. There would also be quadripartite Political Directors' meeting built around the lower-level meeting, and then the Ministers would meet, ostensibly to discuss Berlin. We used Berlin very effectively as an excuse to get together with the Germans, British, and French to discuss issues other than Berlin. But, during my time as Assistant Secretary, as I said, Germany and Berlin were not issues. Germany was a very important partner, our single most important partner in Europe, and Germany was at that time still going through extraordinarily difficult transition period, integrating what used to be the GDR into the country. But, as a potential crisis point, as it was in 1948 and periodically afterwards up to the time of the signing of the Quadripartite Agreement on Berlin in September 1971,

*Q: 1991.*

NILES: No. I am referring to the 1971 Quadripartite Agreement.

*Q: Okay, 1971.*

NILES: From 1971, until unification on the 2<sup>nd</sup> of October 1990, Germany and Berlin were less sensitive than before, but the potential for a problem was always there. The post-1971 Quadripartite regime in Berlin never worked perfectly because there were too many vague points in that agreement, and new issues kept arising. And there were some questions that we had been unable to work out with the Soviets, and agreed to disagree about in the negotiations that led to the 1971 Agreement. I remember in 1984, for example, we had a real problem with the Soviets about Berlin aviation because they were trying to change the rules, unilaterally, about the flight paths for aircraft flying in and out of Tegel Airport. I remember we met several times with Secretary Shultz and spent a lot of time going over this issue, and got his instructions about how to work on it. Finally, we told the Soviets that we were not going to go along with their unilateral changes. We made clear that we would work with them on safety issues, but we could not accept the Soviet right, unilaterally, to change the air regime, because, after all, that was what the Berlin blockade was about, among other things. Germany was a tough issue up to September 1990, but unification took it off the board. That was one area where the European Bureau, and I as Assistant Secretary had little bit less on our plates than our predecessors.

There was an extremely active engagement with the European Union, which, at the time I came back from my two years as Ambassador to the European Union in September 1991 it was in the midst of an important transformation, as it is today. In the fall of 1991, it was on its way to establishing what I would call a political identity and becoming a political, as well as an economic force. That process is still going on today, and it will continue for years, if not decades. The question that was at the head of our agenda and still is, despite the progress that has been made, was the relationship between the European Union and NATO. We could support the European Union's efforts to create a European Security and Defense Identity as they call it (ESDI), but we did not want to see this happen in a way that would conflict with or detract from NATO, and ten of the eleven EU members that were also members of NATO - all except Ireland at that time - agreed with us. The problem in this discussion, as always, was France, as was the case long before I became Assistant Secretary, and continues to this day. Basically, the issue is how to fit France into a coherent western security framework. The French always claim to want to be part of it, but when you finally get down to the fine points and the details, it is clear that they cannot bring themselves to participate fully in a security arrangement - i.e., NATO - in which the United States plays the leading role. I spent an enormous amount of time as Assistant Secretary working with the principal allies, in this case Germany, France, the United Kingdom, and Italy were the ones with whom we particularly talked about this issue. We brought Italy in primarily because we knew that the Italians would be so grateful to be treated as a serious ally that they would be inclined to support us. I traveled frequently to Europe with David Gompert from the National Security Council staff, Lieutenant General John Shalikashvili, Assistant to the Chairman of the JCS, Lieutenant General Ed Leland, Director of J5 in the Pentagon, and Steve Hadley, Assistant Secretary of Defense for International Security Policy. The five of us, Gompert, Hadley,

Shalikashvili, Leland, and I traveled all over Europe, five or six times, trying to find some way in which we could establish an acceptable linkage between the European Union and NATO in the defense area. We didn't achieve that, but we pushed the rock along a little bit, and laid the groundwork for some of the progress made during the Clinton Administration. In 1995 or 1996, an agreement was reached on something called a Combined Joint Task Force (CJTF) within NATO. The CJTF concept was something that we had been working on in 1991 and 1992. This is an arrangement whereby if there were some kind of a security-related problem, not in NATO itself but somewhere around NATO, in the Balkans, Eastern Europe, more likely in Africa, in which the United States did not wish to participate, the European Union could take it on and use NATO assets. They would form a Combined Joint Task Force, under European commands and use NATO assets for that operation. Now, when you are talking NATO assets, you are basically talking U.S. assets in areas such as command, control, communication, intelligence and transportation.

*Q: We are really talking about transport, particularly...*

NILES: Yes, we are talking about the legs, but we are also talking about the command, control, and communications capabilities. We are talking about Intel capabilities, and we are talking about airplanes. None of the Europeans, to this day, have got heavy lift capabilities. They are talking about building something called a "future large airplane," which looks like Lockheed-Martin C-130J. The British are talking about buying or leasing some C-17s from Boeing. They may do this, but a C-17 costs about \$145 million. I'm not sure whether the Brits really want to buy those. They should. But, for the moment, the only country in the world that has serious heavy-lift capability, and we have a lot of it for sending large numbers of people a long way with heavy equipment, is the United States. We have C-5Bs, C-5As, which are near the end of their shelf life, lots of C-141s, which are gradually being replaced, lots of C-130s, and we have this fabulous new airplane, the C-17. Ultimately, we probably will end up with 120 or 130 C-17's. They are extraordinarily effective heavy lifters. They are called Globe Master 3. If the European Union wants to get troops to Africa quickly, there is only one way they are going to do it, which is with the help of the USAF's Military Airlift Command (MAC). They don't even have an arrangement with their national carriers where they can take airplanes, such as 747's, out of their commercial fleet, because they haven't gone to the trouble of putting the big doors on, and the strengthened floors and everything, that we have done, with most of our carriers' 747's, DC-10s, and MD-11's. So, we are into it, whether we like it or not. But, the label on the flag, or the flag over it, would say, European Union or Combined Joint Task Force. It might say "WEU," since the Western European Union might be the mechanism they use. I did miss one point here. The link between the European Union and NATO would probably be provided by the Western European Union, which has not been terribly active, but is now taking on new activities.

*Q: When you talk about the Western European Union, what does that encompass? You have Greece and Turkey on one side, and some of the neutral countries, the Scandinavians...*

NILES: Greece is a full member of the WU. The WU now has 11 or 12 members. Ireland is not a member, although it is associated with it. Denmark is associated with it, but not a member. Turkey is associated with it, but not a member. The European neutral members, Austria, Finland and Sweden are not yet members. Norway is an associate member. So, I think it has 11 members, if I added right. The WU was formed under the Brussels Treaty of 1948, which I guess, is being extended this year, otherwise, it expires, 50 years later. Basically, as it divides to watch after Germany to make sure the Germans didn't get out of control again. But, in 1955 or so, when they belonged to NATO, the Germans joined the WU. The treaty was amended at some point to take away the anti-German qualities, because after all, the Germans are part of the treaty. You couldn't leave a flea bag in there. So, anyway, the WU is in membership, sort of parallel to European Union, although some European Union members are not members of the WU. They are associated with it. The WU is on the way to becoming the military arm of the European Union. That would be the organization, perhaps in some way, absorbed into the Union, or certainly linked with the Union. It would serve as the link between NATO and the European Union. In any event, that was an issue this team of five that I mentioned worked on for the better part of 1992. Midway through the year, Shali left to go to SHAPE and Lieutenant General Barry McCaffrey took his place as Assistant to the Chairman. Toward the end of the year, Ed Leland retired, Barry moved to J-5 and Lieutenant General Mike Ryan (USAF) replaced Barry as Assistant to the Chairman. But whatever the composition of our group, we were unable to bring the French to accept conditions for cooperation between NATO and the EU, through the mechanism of the Western European Union (WEU), that would have strengthened Western defense cooperation. French suspicion of a leading role by the United States was part of the problem, but the other part was French reluctance to subordinate French forces, except on a case-by-case basis, to any multinational entity, be it NATO, the EU, or the WEU. While we were not able to reach closure on the issue, we made a fair amount of headway, and we contributed to the successful arrangements that were developed in 1995-96.

*Q: What was the motivation of France in this, as you and your team saw it at that time?*

NILES: Well, there was no single French policy, and that was part of the problem. Of course, we are little bit incoherent sometimes, too, but the French were terribly incoherent. There was an Elysee policy, there was a French military policy, and there was a Quai d'Orsay policy. Sometimes, they met and sometimes they didn't. The Quai d'Orsay during that period was run by Roland Dumas, who was a close friend of Mitterrand, and in the end the Quai would not take a position at odds with that of the Presidency. By the way, it appears now as though Dumas may be going to jail because of financial improprieties. He was a good guy, in his way, but he had the air of someone who was not necessarily the most trustworthy individual. I wouldn't say to him, "Here, hold my wallet." He was a very interesting, somewhat flamboyant character. One of Dumas' responsibilities was to make sure that the Quai d'Orsay was basically in line with the Elysee, and on our issues he was generally he was able to do it. But the Quai d'Orsay had certain people in it who didn't seem to me to be answerable to anybody. This was a Gaullist group who were determined to diminish the role of the United States in Europe, which they saw as a direct threat to France. President Mitterrand and Dumas seemed

more pragmatic. Their view seemed to be that the United States could not be counted upon to remain militarily committed to European security indefinitely, so Europe had to begin to prepare for the day when the United States would no longer be around. But balancing that was Mitterrand's fear of a reunified Germany, despite his own close relationship with Chancellor Kohl.

Once Germany was unified and the four-power status was gone, and there were no more French occupation forces in Baden-Württemberg or in Berlin, the whole equation in Europe changed. The reunified German state under Helmut Kohl was dedicated to European integration and supported a close relationship with France. By and large, Kohl was prepared, even after unification, even after Germany was quite a different country, to be the junior partner in this Franco/German relationship. He was less prepared to do that than before, but still there was this element of "Yes, you can go through the door, a little bit before we do." Mitterrand's fear was what would come after his friend, Helmut Kohl, left the scene. Of course, in reality Mitterrand never answered that question because of his death in 1994.

Interestingly enough, the present German government, the Red/Green government under Schroeder and Joschka Fischer is much less sentimental about the Franco/German relationship and, I think, much less prepared to give way to the French. I think the French probably have good reasons to be more concerned about this German government than the previous one. In any case, I think Mitterrand was worried about the future in terms of the Germany role, and he saw that the United States played an extraordinarily positive role in maintaining a balance in Europe. He just wanted to make sure that he had some mechanism for controlling what we did, or at least, significantly influencing what we did. He wanted to keep hooks into the United States. Mitterrand's position also was, as he expressed it once to President Bush, "Look, I don't want you to leave Europe, but I know you are going to. That is why we need to be ready for it." Our answer to him was, "Be careful, you are creating a self-fulfilling prophecy here. To the extent the United States Congress gets the idea that we are being jerked around by our allies, particularly France, they are going to be much less prepared to spend whatever it is, \$20 billion a year, to maintain 100,000 troops in Europe. Mitterrand understood that, but at the same time he could not resist the temptation to carry out what would be a traditional French policy aimed at minimizing United States influence in Europe. He wanted us there, but he wanted to control us.

The French military realized more clearly than either the Elysee or the Quai d'Orsay that militarily they were totally incapable of doing anything without the United States. Even their nuclear programs, presumably the symbol of French independence from the United States, depended on United States support and had, over the years, informally become more and more integrated into ours. In addition to technological cooperation, we cooperated on nuclear targeting. We were pretty good about allowing the French access to advances in conventional U.S. military technology, particularly in the electronics area, and allowed companies like Matra, Aerospatiale and others to work with U.S. companies on joint projects. So, the French military was, by that time, largely cleansed of Gaullist prejudices against cooperation with the United States. And they also knew that if France

ever had to go to war again, they would need our support. So the French uniformed military were very keen on closer integration of French forces into NATO. They wanted to return to the NATO Military Committee. They wanted to return to SHAPE, the sooner the better. I encouraged the JCS officers with whom I worked - Shalikashvili and Ed Leland, and of course the Chairman and others, to get as close as they possibly could to the French. And they did. The experience of cooperation in the Gulf War helped a lot. The Chairman of the French Joint Staff was in the United States several times during my time in EUR. I went to meetings and dinners that General Powell, who went out of his way to show respect for the French, had with him. It was a good relationship.

But ultimately, Mitterrand and the Foreign Ministry, for different reasons, wanted to keep France at arms' length from NATO, even though the reintegration of France into NATO, on a bilateral basis, had gone very far. On one side, you had 13 NATO allies (Iceland did not have a military) that had substantially integrated their forces in NATO Europe under a central command at SHAPE, and subordinate commands all over Europe. And on the other side, you had France, which had a bilateral military relationship with the other 13 NATO members. Was it the best we could do? Yes, probably. Was it ideal? No, but it was better than the alternative, which was not to be able to work with the French. But we always maintained our goal of the full reintegration of France into the alliance on the same terms and conditions as the other partners. That was almost achieved in 1995/1996, but it failed over a classic French-American argument about who was to be the Commander at AFSOUTH in Naples. We insisted that the Commander at AFSOUTH had to be an American officer because the biggest part of AFSOUTH was the United States Sixth Fleet. We refused to turn the Sixth Fleet to somebody other than an American Admiral, and we argued that even if the President agreed to do it, the Congress would use the budgetary process to reverse it. President Chirac insisted that the AFSOUTH Commander had to be a European. The Germans, reflecting Kohl's reluctance to disagree with the French, were unhelpful in the beginning. The other Europeans supported our position, in part because they knew how difficult it would be for them to agree on the nationality of a European commander.

*Q: They must have known, realistically this is not an option.*

NILES: I believe this issue became a point of principle for Chirac personally, largely because the dispute became a public issue in France. I don't think even Juppé, who was Prime Minister at the time, really had his heart in it, but Chirac wouldn't give up. Having put that out on the table as an important French position and French requirement, he couldn't walk away from it. We tried to find every way we possibly could in 1995/1996 to help Chirac off this position he was on, but we couldn't do it. The French finally proposed an arrangement in which the Sixth Fleet in the Mediterranean would be subordinated directly to SACEUR, who it was assumed would always be an American officer, at SHAPE. But we said that was ridiculous because one of the key elements was unified command. You don't want to have the fleet, which is the principal force there not subject to the commanding officer. It was a bad idea. Even the French military said it was a bad idea and urged us to reject it, even though it was proposed by their President. Ultimately, full de jure reintegration of the French forces into NATO did not happen, but

de facto reintegration has occurred. You have French officers at all levels of the NATO military command structure. NATO has not moved back to Paris, but the problem is basically solved and it worked pretty well. I do have to say, however, that we have not yet had a Combined Joint Task Force without United States participation. I am waiting to see how that works.

*Q: It is interesting, you were saying, the French military, obviously a professional military, the Quai d'Orsay, French Diplomats, and the Elysée, which is the political center, but the Chamber of Deputies never came into this. I was wondering whether this was something anybody ever paid any attention to. You sure as hell have to pay attention to American Congress.*

NILES: Sure. That is a totally different system.

*Q: I was wondering, in your part, did this ever come up?*

NILES: We met all the time with visiting NATO Parliamentarian. Bundestag deputies people were in my office, as Assistant Secretary, almost every week. The House of Commons Defense Committee came to Washington once a year, and we had regular visits by parliamentary delegations from other NATO members, and we would meet with all of them. But I cannot remember one occasion when a French National Assembly delegation came to Washington. French deputies came as part of delegations from the North Atlantic Assembly, or as part of the WEU Parliamentary Assembly. But the idea that a French Parliamentary group would come to the United States to meet with Congress, or to see the Executive Branch, never came up, at least not on my watch. And I certainly never once heard a French official say, "Well, I'm not sure whether we can get National Assembly approval for that." They didn't pay any attention at all to their Parliament. Certainly, Mitterrand, Dumas and the other Ministers did not seem to care about the National Assembly. They were in the Palais Bourbon across the river, and they left them alone.

Another big issue during my time in EUR was the whole panoply of economic issues. I had left, as I said, USEC, USEU in September 1991. It had been a fascinating time to be in Brussels, but I left to my successor, Jim Dobbins, a difficult agenda of issues. We had hoped to conclude the Uruguay round in December 1990. That was to be the final ministerial. Our delegation was headed by USTR Carla Hills and Clayton Yeutter of USDA. We negotiated at Heysel Conference Center until 2:00 a.m. every day for a week straight, and in the end were unable to reach an agreement because of the European Community's inability to compromise on agricultural subsidization. We ultimately reached a compromise at Marrakesh in January 1994, but we have some of the same issues going on today. In 1991, we had several other difficult economic issues between the European Union and the United States, including the beef hormone issue, which is still with us today, was one of them. The banana issue which is still...

*Q: The other issue, before the banana issue was what?*

NILES: The beef hormone issue. This concerns growth enhancing hormones that are given to beef cattle in the United States, which in 1989 the European Parliament, with no scientific evidence to back up the decision, found unacceptable on health grounds, so we were unable to export beef to the European Union. We retaliated on products from the European Union, such as tomatoes, cheeses and wine. We particularly singled out Italy for realization because some Green EP deputies from Italy were primarily responsible for pushing through the ban on hormone treated beef. It was a bit unfair, because as the Italians pointed out, the Government in Rome had no control at all over Green Party deputies from Italy who were sitting in the European Parliament. But the EU had an obligation from the Tokyo Round to give us duty-free access to the European beef market for 10,000 tons a year of so-called "Hilton" beef, which is very high quality, hotel or restaurant quality beef. Since we were unable to sell it, we retaliated against an equivalent value of European products. It is a silly system if you think of it since in practice it boils down to saying: If you refuse to allow your consumers access to competitive products from the United States, we will respond by denying our consumers access to similar products from Europe. This issue is still with us in 1998. These things never go away.

In any case, we made a major push in the fall of 1991, during the Dutch Presidency, to bring closure to the Uruguay Round. I worked very closely with Bob Zoellick, who was, at that time, the Counselor of the Department. Shortly thereafter he replaced Dick McCormack as Under Secretary for Economics Affairs as well. We worked closely with the Dutch Presidency, specifically Prime Minister Lubbers. President Bush and Secretary Baker were totally committed to this effort. The culmination of our effort came during a trip to Europe in November, beginning with the NATO summit in Rome, which was on the 6<sup>th</sup> and 7<sup>th</sup> of November.

*Q: This November what?*

NILES: It was November 1991. The NATO Summit in Rome was an important milestone in that we adopted the new NATO Strategic Concept. Again, it involved a difficult negotiation with the French, this time on nuclear issues. We finally concluded at about 3:00 a.m. on the 2<sup>nd</sup> day, in time for the President and others to be able to sign the new NATO Strategic Concept. This, of course, was rendered somewhat obsolete less than two months after we signed it because the Soviet Union went out of existence on December 25, 1991. In any case, in Rome, Bob Zoellick and I peeled off from the NATO discussion one afternoon and met for about an hour and a half with Dutch Prime Minister Lubbers, who was the President of the European Union for that six-month period. The timing was important because President Bush was going The Hague that next night, after the NATO Summit, for our semiannual meeting with the Presidency of the European Union. (We just had one here with the Chancellor of Austria in Washington last Friday, impeachment day, with President Clinton. He was there with Jacques Santer, the President of the European Commission. This is a semiannual event, home and home, one six month period, the President meets in Europe with the EU leaders. The next six months, in the United States. This six months is Austria. The next six months is, I think, the Federal Republic of Germany. The President, in all likelihood, will be going to Berlin.

In any event, Zoellick and I met with Lubbers for an hour and a half at the site of the NATO Summit, and tried to work out numbers for percentage cuts in agricultural subsidies, both domestic subsidies and export subsidies. We were prepared to do away with the Export Enhancement Program, but we wanted in exchange 30% cuts in the global value (in money terms) of European Union agricultural export subsidies and in the global volume of products sold with export subsidies. If they could sell unsubsidized products, fine, but with the subsidy programs, we wanted 30% reductions in both the volume of the subsidized exports, in particular grains, beef, butter, and other dairy products, and in the value of those subsidized exports. The Europeans weren't prepared to go above 22, 23%. Although, the Netherlands benefits tremendously from export subsidies, not on grains, but on meat and dairy products, Lubbers was prepared to cut a deal, and he agreed to try to sell this to EU Commission President Jacques Delors. Delors was in a tough position. He, too, wanted an agreement, but the government of France was strongly opposed to any reduction in export subsidies because that would harm the interests of the "grain barons" of the Isle de France region. Delors also had a sentimental attachment to small-scale farming, and tended to believe the false propaganda that the CAP was designed to protect small farmers.

*Q: His position was?*

NILES: He was President of the European Commission. He was a great man with great accomplishments as President of the Commission. But, Delors, of course, was not an independent actor. He couldn't act without the French. Basically, what we wanted Lubbers to do was to convince Delors that Europe could live with the 30% cuts and then jointly to sell this position to the French. Lubbers undertook to do that. The NATO summit ended at 3:00PM. We jumped on Air Force One, and flew to The Hague. There was a big dinner that night with Queen Beatrix. The next day, we had a long meeting, in a wonderful 16<sup>th</sup> Century building in The Hague with Lubbers, Delors, and the whole team from the European Union, including Franz Andriessen, a Dutchman who was the Vice President of the Commission for Foreign Affairs, Ray McSharry, an Irishman who was Commissioner for Agriculture, and Hans Vandenbroek, who at that time was Foreign Minister of the Netherlands. It was a big delegation. There were about 10 of them, and about 10 of us. Our team was President Bush, General Scowcroft, Secretary Baker, Carla Hills, Clayton Yeutter, John Sununu, Bob Zoellick, Jim Dobbins, and I. Despite the fact that there were some other big issues, such as the situation in Yugoslavia, on the agenda, we spent the entire time, five hours in all, talking about agriculture. One of the surprising things was that President Bush assumed the role of our principal negotiator on what was a very complicated issue, backed up from time to time by one of the others on our side, depending upon the specific circumstances. The President did a great job. It was give and take, back and forth across the table, a lot of writing and rewriting. At the end of the day, we had talked only about agriculture and agricultural issues in the Uruguay round. It was amazing. The President of the United States was out there, with his sleeves rolled up, rewriting these proposals. He was really into it. But at the end of the day, we couldn't do it. The French wouldn't give in, and unfortunately it was left to the Clinton Administration, in 1994, to conclude the Uruguay round. From the point of view of a career diplomat, it was very interesting to watch the dynamics on our side, with the

President directly engaged in negotiating with the President of the Commission and the Prime Minister of the Netherlands, to watch them interact. The Dutch were trying to squeeze Delors and others on the Commission side to go along with the U.S. At the end of the day, Delors said frankly, "I could agree to this. I think it is a good idea, but I could never sell this to the Council. I talked to Mitterrand and Dumas. There is just no way this is going to happen."

*Q: I have noticed that, in these things, and other talks, we seem to look forward to the time of the Dutch Presidency, that they seemed to be a problem solver.*

NILES: They are inclined to be problem solvers, particularly in the trade area because they live on trade. In terms of the percentage of foreign trade in their GDP, the Dutch are at the top of the class. I think their trade turnover, goods and services, accounts for 50% of their GDP. So they are very sensitive to any problems in the trade area, and they support a strong, multilateral, liberal trading system. They have for centuries. That is what they do. That is what the Dutch are all about. They also are fairly aggressive in pushing their views, which is good if we agree with them, but not so good if you don't. You may recall, though, that the Dutch approach has its downsides. When we were talking about Yugoslavia, I made clear my view that the Dutch bit off more than they could chew, on the behalf of the European Union, when they told us that they would deal with Yugoslavia. There was no way that the Dutch could have dealt with Yugoslavia in 1991, as President of the European Commission. We are talking about the same time period. The discussion of Yugoslavia was in July 1991. The negotiation on agriculture took place in November 1991. So, the Uruguay Round was a big disappointment for me twice, first in December 1990 with Carla Hill and Clayton Yeutter, and then again in November 1991 with President Bush and Secretary Baker.

*Q: How did you feel about one coming up, was the rock usually farm subsidies of both Germany and France, trying to maintain small family farms?*

NILES: This is the false justification of the European Common Agricultural Policy (CAP), and our farm program, too. Our agricultural programs don't maintain small family farms. Most of the money under our programs goes to big farmers, as does most of the money in the European agricultural subsidy program. The European agricultural subsidy program is very rich. We are talking about 50% of the budget of the European Union, which amounts to around \$100 billion. So, we are talking about \$50 billion a year in agricultural subsidies in Europe. The largest part of that goes to the biggest farmers. These are, for example, the great "grain barons" in the Isle de France who have become extravagantly wealthy through CAP subsidies. The European Union made one extravagant mistake. In 1967, when the three Communities ( Coal and Steel, Atomic Energy and the Economic Community) were combined into the European Community, they agreed to take German agricultural prices, which were very high, as the basis for prices within the Common Agricultural Policy (CAP). That was insane. Germany was one of the highest cost producers, with small farms by and large. When you applied those German prices to French farming, it was a bonanza for French grain farmers, particularly in Isle de France area around Paris. It led to a great and enduring feast at the public

trough for those French farmers. They have lot of political influence, as do our farmers, in part because there is a good deal of gerrymandering in the allocation of seats in the French National Assembly, and the rural districts have much more voting power than the districts in urban areas.

*Q: They always seem to also be able to bring out tractors in the streets of Paris.*

NILES: Like our tractors that come to Washington. Farmers are difficult people everywhere. I come from a farm background. I am probably a difficult person, as a result. But, farmers are independent, too, except when it comes to getting governments subsidies, which they really like. In any case, it was just not possible politically, in 1990/1991, to do what needed to be done. In January 1994, we did finally cut the deal, essentially splitting the difference between the United States and the EU. We are supposed to resume negotiations during 1999, in part to finish the work that was not completed in the Uruguay Round on agriculture. That is going to be difficult. Of course, we do not have “fast-track” negotiating authority for the President. I do not know whether President Clinton is even going to ask for it, much less get it. It is going to be a difficult time in the trade area. With the European Union, we have a lot of other problems, including the banana issue.

*Q: The banana issue?*

NILES: The banana issue is an interesting issue, because we don't produce any bananas in the United States. But, we have some big companies, like Chiquita and Dole, that do produce a lot of bananas, but they produce them in Nicaragua, Honduras, at least they did before Hurricane Mitch, Costa Rica, Colombia, and Ecuador. The Europeans have a system which gives a preference to bananas grown in ex-Colonial areas. We are talking about the Caribbean islands and African countries such as the Ivory Coast. There is some domestic production in Europe in places such as the Canary Islands. Now, those bananas, by and large, are not competitive in price and quality with bananas from Central and South America. Chiquita, Dole and the other producers from Central and South America have got close to 75% of the market in Europe. It's not as if they are not allowed in there, but they want to have access to the rest of the market. The Europeans have not been prepared to agree to that, in part because European companies, notably an Irish company named Ffyes, want to retain their markets. We have joined with the Colombians, Ecuadorans, Hondurans, Nicaraguans, and Costa Ricans in WTO cases against the Europeans on behalf of American companies, not on behalf of American products. Some claim that political contributions from Carl Lindner, who controls Chiquita, lie at the heart of our position. In any event, we won our case in the GATT, and we won in the WTO, both of which found that the European banana regime is contrary to the rules. The WTO told the European Union that they had to bring their regulations into conformity. The Europeans said they did, we said they didn't. We went back to the WTO, which agreed with us and we were authorized to impose sanctions on the Europeans, which we did. It is similar to the beef hormone case.

*Q: Their claim is that beef hormones are unsafe?*

NILES: Yes, that is what the European Parliament, which didn't know anything about it, decided, back in 1989. My view of the European Parliament is that if you take over-the-hill politicians who still think of themselves as important people, and put them down in Strasbourg with unlimited expense accounts, little to do, and no serious responsibilities, the likelihood is that they are going to do something irresponsible. One thing that needs to happen with the European Parliament is that they need to be given some real work to do. Then, they might stop doing stupid things like adopting the ban on hormone treated beef. For the moment, what they do is create problems for the European Union. Those issues are going to be interesting for the United States/European Union relationship in 1999. I don't get the impression that the current US management is really paying sufficient attention to the importance of the European Union. But, that is another issue altogether.

*Q: Well, correct me if I'm wrong, but, have we talked about the former bloc countries. They are going through their gestation period, or whatever you want to call it.*

NILES: We started our program of assistance to Eastern Europe just after I arrived in Brussels as Ambassador to the European Community. At the G7 Summit in Paris in July 1989, we agreed on a program of support to Poland and Hungary, the two that had moved furthest in political and economic reforms. One interesting question is whether that G7 support for Hungary was a factor in the decision taken less than month later by the Nemeth government to allow East German tourists in Hungary to go to the FRG, a move that led to the collapse of the GDR in October 1989. Of course, by the end of the year, the Communist governments had been overthrown throughout Eastern Europe, and we embarked upon a major program of support called The SEED Program, Support for Eastern European Democracy, which continues to this day. At the start, we concentrated on Poland, Hungary, and Czechoslovakia, and the bulk of the money, which was around \$400 million a year, went to the northern tier. Around 1994/95, we gradually shifted our emphasis away from the north, because we felt those countries were at the point of being more or less self-sufficient, and began to put more money into the southern tier: Romania, Bulgaria, and Albania. The latter desperately needs help. It has been accurately described as "an African country in Europe." Although SEED has been is a good program, it is very modest. \$400 million spread over several countries is not going to make a big difference, but we have used the money reasonably well, particularly in the so-called "Enterprise Funds," which are essentially venture capital operations. The "Enterprise Funds" try to bring the private sector, with encouragement in the form of some government money, into those countries. In one case - the US/Czech Enterprise Fund - they had management problems. But the US/Polish fund has been a sparkling success. I think it started with \$50 million, and it has more than \$175 million in resources.

We are still talking about Eastern Europe. We had a number of initiatives with those countries during the Bush administration. The first was the North Atlantic Cooperation Council, which was agreed upon at the NATO Ministerial in December of 1991. Bob Zoellick, Mike Lexson, and I developed that proposal and sold it to the allies. It was the

beginning of bringing those countries closer to NATO. At the Summit here in Washington in April of 1999, Poland, Hungary and the Czech Republic are going to become members of NATO. My own personal opinion is that is too early but that is another question.

*Q: Was this proposal to bring them into NATO buffeted about?*

NILES: No. We never even looked into that possibility during the Bush Administration. We recognized that they were not ready for NATO, but the North Atlantic Cooperation Council was a way to bring them closer to the Alliance. Membership was something that we said was possible down the road. That remained the position at the beginning of the Clinton Administration. But when the President got to Brussels in January 1994, he decided for largely domestic political reasons to open up the door to Poland, Hungary and the Czech Republic. I personally think this was premature.

We began from December 1991 onward to develop ties between NATO and the former Warsaw Pact countries. The Department of Defense has played an important role in developing the ties with the military establishments in those countries, seeking to educate them in what a military does in a democratic state as opposed to being under an authoritarian communist dictatorship. That has been a very important part of the reform process in all of those eastern European countries.

In July of 1992, President Bush visited Poland on his way to the G7 Summit in Munich and the CSCE summit in Helsinki. We flew first to Warsaw, then to Munich and then to Helsinki. The visit to Poland was only a day but President Bush and the rest of us felt very moved to be in a democratic Poland. The Poles, beginning with the President Walesa down to the man on the street, were very warm in their reception. It was a remarkable time.

We went to Munich and then on to Helsinki. The CSCE Summit focused on the crisis in Yugoslavia. One thing we agreed on in Helsinki was the establishment of the so-called "Sharp Guard" naval blockade of Serbia/Montenegro. We also worked on the Nagorno Karabakh issue between Azerbaijan and Armenia and established something called the "Minsk Group" to try to resolve it. I am believe that continues to function today. Our colleague Jack Maresca was our first representative in the Minsk Group, and made some truly heroic efforts to find a way to stop the fighting between Azerbaijan and Armenia and end the Azerbaijani economic boycott on Armenia. That is another issue that has not yet been resolved.

*Q: The Armenia problem has been around for a long times, hasn't it?*

NILES: The Armenia problem has been around for a very long time. Of course there are the problems between Turkey and Armenia, also. Going back to Yugoslavia, "Sharp Guard" established a NATO force that patrolled the Adriatic to enforce the Security Council arms embargo and economic sanctions on Serbia. We worked very closely with the Italian Political Director Vanni d'Archirafi on that. We put together a proposal that

was accepted by all the NATO countries to set up a system that would control the ships going into the former Yugoslavia, particularly into Bar.

Another eastern European issue came up during President Bush's meeting with Czech President Havel. At the time there was a great deal of agitation in Czechoslovakia to split the country into its Czech and Slovak components. Prime Minister Klaus had essentially told the Slovaks that if they wanted to leave, "here is your coat." President Bush, with the memory of what happened in Yugoslavia very much in his mind, asked President Havel what was going on and whether he wanted us to try to stop this process that seemed to be leading to the splitting of the country. President Havel said that he was a democrat and if the Slovaks wanted to leave and they could do it democratically, fine. President Bush replied that he respected that position, as we were democrats, too.

*Q: The really interesting thing is that it was not a democratic process. There was no plebiscite.*

NILES: Well, it was a democratically-elected government in Slovakia that decided to do it. In any case, President Havel was between a rock and a hard spot. He did not want to split the country but he had two democratically-elected leaders in Slovakia and the Czech Republic, Mečiar and Klaus, who seemed determined to do it. I don't know about Mečiar. I think he was just trying to negotiate. I don't think he really wanted independence. I think he thought that at the end of the day, if he threatened independence, and walked up the edge of the cliff and was ready to throw himself over the edge, the Czechs would say please don't throw yourself off and give him 25 billion crowns or whatever he wanted.

Klaus said we don't need you and I think it was a big surprise to Mečiar. It reminds me a bit of the Russia position on economic assistance. Basically their position is "help us or we will commit suicide." Economic suicide, that is, by unlimited issuance of money, which would cause hyperinflation. But sometimes you have to let people commit suicide.

*Q: During this dealing with this part of eastern Europe that was developing systems that were expected to be there for the next fifty years or more, was there a concern that this would prove to be a happy hunting ground for the German Republic once it got its house in order? Was this a discussion?*

NILES: It really wasn't. We recognized that traditionally Germany had been a key country in all of eastern Europe but there was no sense that this was a bad thing that we should try to prevent. Germany was already the principal trading partner and foreign investor in all of those countries. Once the division of Germany ended they were in a position to play a much more active role in Eastern Europe, which they have done. I think the only factor, which will attenuate to some degree the German influence in Eastern Europe, is the fact that some day those countries will join the European Union. Now, in real life it is not going to happen anytime soon because the European Union cannot afford to bring these countries in unless it substantially increases its own budgetary resources, which the member states don't want it to do. It also must significantly reform its

Common Agricultural Policy (CAP) because of Poland, in particular, with 18 to 20 million farmers. There is no way the European Union could pay for the Polish agriculture under current CAP arrangements.

I believe that EU membership for those countries is relatively far off. They are looking for a formula where they can be associate members or members for some things and not for others, like agriculture. I don't see how you can do that. But sooner or later these countries are going to be part of the European Union, and it is up to the United States, using our rights under the WTO article 24/6 to insist that if they join we need to be compensated because we our economic interest in those countries will suffer.

*Q: Was there concern from the economic side of the European Bureau about one currency?*

NILES: While I was there they agreed to the timetable for monetary union. They have actually followed that timetable, so far. The first of January 1999 as the date for establishing the single currency and the European Central Bank was agreed at Maastricht in December 1991. Our attitude at the time was that this is a logical step. The United States has a single currency and central bank, but it took us 125 years to get to Federal Reserve and another 25 years to have an effective central bank, so the Europeans will be way ahead of us if 41 years after the Treaty of Rome they can form a single central bank and a single currency.

It is not going to be a simple process. One of the things you don't have is some of the corrective elements that we have in our monetary system. For example, we have enormous labor mobility in the United States. Ironically, the Europeans had much more labor mobility years ago then they have now. If you think about the Gastarbeiter in Germany, a lot of those came from Italy, Yugoslavia, and Spain. Today if you went to the Germans and said, hey, how about a half a million Italian workers they would ask you if you if you were crazy since they have about ten percent unemployment. The same is true all over Europe. These countries are not prepared to accept large numbers of people coming from other parts of the European Union, let alone outside of the European Union. They are not likely to change.

Why do I raise this issue? In the United States' monetary union when you have recession or depression in the industrial region of our Midwest, as we did in the last 70s and early 80s, several million people moved to the so-called "Sun Belt." That is the kind of self-corrective mechanism we have, and labor mobility is an important part of that. The Europeans don't have that. One, they don't have the instinct to move, although some did at one point in the early 50s, and, two, they don't have the regulations. In theory they ought to be able to establish conditions for the free flow of labor, but right now it doesn't work.

*Q: Was there concern on the part of the Treasury?*

NILES: This is the reserve currency argument. The dollar today is the principle reserve

asset and the principle medium in international trade. Most products are not priced in Marks, Francs, Pounds or Yen; they are priced in US dollars. That means people trade in dollars and there is a demand for dollars, and all the dollars that we flooded the world with as a result of our balance of payments deficits over the years have a place to settle and we don't have to pay outrageous high rates of interest in order to get people to hold dollars. That could change as a result of the Euro, and it could well mean that we are going to be a little more careful about our international accounts. We won't be able to run a 200 billion-dollar a year balance of payment debt. That would not be a bad thing for the United States, but the adjustment process could be painful. We should begin to plan for it now, but we won't.

*Q: I can't think of anything else on this issue.*

NILES: There is one issue that just came to me and that is Macedonia. I mention that because it will be a big issue when we talk about Greece. In 1991, when Yugoslavia fell apart people asked about the rest of it, specifically Macedonia. The long time Communist president of Macedonia didn't really want independence but when everything fell apart, especially after Bosnia, he realized he did not have a choice and declared independence.

The Greeks objected to the use of the name "Macedonia" because it seemed to imply irredentism on the part of the people of Skopje, who aimed to acquire Thessaloniki and Greek Macedonia. Some people in Macedonia stupidly began to talk about themselves as the heirs of Alexander the Great, which they aren't. They took over an emblem, which Alexander the Great had stamped on his money, the 12-pointed star of Vergina. The Macedonians took that symbol in July 1992, and the Greeks were frightfully angry. This issue has been partially resolved because of a US-led effort.

The issue came up during the Bush administration in an interesting way. In December 1991. Constantine Mitsotakis, then Prime Minister of Greece, came to the United States to meet with President Bush. Mitsotakis voiced his concerns about what was going on in Yugoslavia. He agreed with President Bush and Secretary Baker that we should not at that time recognize the independence of Croatia and Slovenia. We thought we had a deal and thought with Greece opposing recognition, the European Union wouldn't be able to reach a consensus at the Maastricht Summit later that month. So we felt that we had done some pretty good work. Much to our surprise the European Union agreed to recognize the independence of Croatia and Slovenia. President Bush and Secretary Baker felt that they had been treated badly by their friend Mitsotakis, who had agreed with them in Washington just 10 days before that this wouldn't happen.

It turned out that the Greek Foreign Minister, Andonis Samaras, who had a big thing about Macedonia, had gotten the other European Union countries to agree that they wouldn't recognize Macedonia as an independent state unless it changed its name and removed the Star of Vergina from its flag. As a concession to the other eleven, he agreed to the recognition of the independence of Croatia and Slovenia. It was a bad move on the part of the Greeks and had wide ramifications because it meant that a key part of the international community had acquiesced in the destruction of Yugoslavia, which we felt

we should not do. It was an interesting sideline of how another issue came up and bit us in a sensitive place.

On January 18, 1993, I got a call from George Moose, who was working on the transition team for the Carter administration. He informed me that they were going to announce my successor the next day. I said that was very interesting and could he tell me how this person was? George said it was a guy named Steve Oxman. I had known Steve when he was one of Deputy Secretary Christopher's staff assistants during the Carter administration. I got in touch with him, talked with him and worked with him to smooth the transition. On April 1, 1993 he took over as Assistant Secretary.

*Q: What was his background?*

NILES: He was an investment banker. He had most recently worked with Wasserstein, Pirella, the firm highlighted in "Barbarians at the Gate" for its role in the leveraged buyout of RJR/Nabisco. Bruce Wasserstein became known, rightly, as "bid 'em up Bruce" for his role in that deal. Steve had a sad experience because he was blamed for the failure in the Clinton administration to deal effectively with Yugoslavia and was fired in June 1994, to be replaced by Dick Holbrooke. To blame the failure of the Clinton administration to deal effectively with Yugoslavia in 1993/94 on Steve Oxman is a bit like blaming the Mayor of Honolulu for failure to anticipate the attack on Pearl Harbor. He could not come up with a sensible policy because the President and the people around him were not interested in the issue. It was as simple as that. It is also sad that Steve Oxman suffered this way because he really admired the President and Mrs. Clinton. He had been at Oxford with the President and at Yale Law School with both of them. He had high hopes for the Administration when he came on board, and he was one of many who was treated in an abominable manner by that Administration.

Around the first of April, Secretary Christopher called me up to his office and said he did not know what was going to happen but they would find a good job for me. I told him I appreciated this and by the way I would very much like to be ambassador in Germany. I did not go to Germany. Dick Holbrooke went to Bonn because former Vice President Mondale was given Tokyo, where Dick had wanted to go. I got a call one evening from the Director General Genta Holmes, who told me I could have the ambassadorship to Greece and told me, with the sort of grace and consideration that you come to expect from the Department, that I had thirty minutes to let them know. So I talked to my wife who wasn't very enthusiastic about it. I talked to George Vest, whose judgment I respected, and he said I ought to do it. In the end, I accepted. I subsequently learned that the position was offered to me on the assumption that I would turn it down and that they had another candidate ready in the wings. The process moved ahead and I studied a bit of Greek over at FSI in the early morning. I had a confirmation hearing in September and was confirmed in October and arrived in Athens on the 30<sup>th</sup> of October 1993. I was there until September 1997, almost four years.

*Q: Before going out to Greece could you talk about the Greek Americans and how they reacted to you?*

NILES: I had never served in Greece before and I had few ties with the Greek-American community. I did know one prominent Greek-American from previous work in the State Department, Tom Korologos, who has helped a number of people with Congressional confirmations. He is a prominent Republican and a good friend. But I was not well plugged into the community before my appointment. I found out later that there had been some efforts by prominent Greek-Americans on the Democrat side to try to get one of their people in but there was no consensus in this group as to who the lucky guy should be. President Bush's Ambassador to Greece, Michael Sotiros, was a prominent Greek-American Republican, so the Greek-American Democrats logically thought it was their turn.

As soon as I was told of my appointment, in addition to the administrative details I began to study Greek and establish contacts in the Greek-American community. They knew me to a degree from my time as Assistant Secretary working on Greek-Turkish relations and Cyprus, so there was a certain amount of comfort on their part. I met with the members of Congress, Senator Sarbanes, Representative Mike Bilirakis, a Republican from Tampa, Florida, Representative George Gekas, a Republican from Pennsylvania and a few others. One congressperson who never showed any interest at all was Senator Olympia Snow of Maine. This went quite smoothly in my experience. I called on Archbishop Iakavos, with whom I developed a very good relationship. He was the Archbishop of North and South America. He retired in 1997 at the age of 85. He was quite a remarkable man. I visited him in New York, and he came to the Residence for dinner during one of his visits to Athens.

I was helped quite a bit by Mike Sotirhos, who as I said was the Bush Administration Ambassador to Greece with whom I had worked when I was Assistant Secretary. He was a good source of information. Andy Manatos here in Washington was very helpful. Throughout my time in Greece, even though there were some difficult moments in Greek-American relations, my own relations with the Greek-American community were quite good.

*Q:* This was before you went out and you had already dealt with the problem of Cyprus?

NILES: At that time we were coming off a very intensive effort by the Bush Administration, in which I participated, for about a year and a half to bring the Cyprus issue to closure. Unfortunately, this effort failed, but in retrospect we came very close. The tragic situation was that the Turkish government of the day was not able to muster the courage and domestic support to make the deal work to establish a bi-zonal/bi-communal Federation. Subsequently, the situation there has worsened. When I went out there was a sense of optimism and I went out a supporter of the administration's position that we should seek a bi-zonal, bi-communal federation. I have to tell you that I came back after four years in Athens very doubtful that this could ever be negotiated and if it could be negotiated, whether it would work. I didn't realize it in 1992 but the Cyprus settlement under the London agreements of 1958 and 1960 essentially established a Bizonal/Bicommunal Federation that lasted for four years and whose collapse in 1964 led

ten years later to the Turkish invasion in 1974. The only solution I see is a formal partition of Cyprus with links between the two communities.

*Q: What about the business community?*

NILES: I went and talked to the people affiliated with the Business Council for International Understanding, BCIU, and talked with others who were interested. Greek-American commercial ties are fairly limited. US interest in Greece was and I think remains very modest. Trade is around a billion dollars a year. As far as investment, Greece had and still has a problematic reputation among the American business community because of the anti-business policies adopted by the Papandreou Government (1981-89). I tried to attract more interest from the American business community during my time but it wasn't a great success.

Part of the problem is that it is a small country, 10.4 million, wealthy by world standards but relatively poor by European Union standards. If you are going to invest in the European Union market do you invest in Greece? Probably not. Since Greece has become a member in the European Union there has been little new US investment and some disinvestment. The latter was largely because of the crazy economic policies pursued by the Papandreou government in the 1980s, which featured nationalizations and enormous budget deficits. One of the things I tried to emphasize with American businessmen was the potential of Greece as the window into southeastern Europe. The problem is that southeastern Europe is not that attractive either. But, as people look ahead and see Bulgaria, Romania, the countries of the former Yugoslavia beginning on the path of economic development, Greece takes on new importance. In that sense the city of Thessaloniki could again become the hub of an economic region, as it was during the time of Alexander the Great, the Roman, Byzantine and Ottoman Empires. The potential is there but it has not been realized. I worked diligently to persuade the Greeks to do the things that would change their problematic reputation but I don't think that I succeeded.

*Q: You went out there on October 30, 1993. How would you describe the political situation at the time?*

NILES: Well, Andreas Papandreou had just returned to power. There were national elections on October 10, 1993, and Papandreou, who had been left on side of the road for dead in 1989, politically as well as physically, returned to power. He had a severe health crisis in 1989 and had heart surgery in London. He also had a personal crisis; he divorced his wife, Margaret Papandreou, an American citizen, and married a former airline hostess, a very attractive and pleasant lady with a questionable reputation. While I was there some very compromising pictures of her were published in one of the Greek newspapers, *Avriani*, whose publisher had been a passionate supporter of Papandreou but for reasons that were not clear to me at the time, turned strongly against him. It was all very conspiratorial.

*Q: These were topless pictures?*

NILES: These were worse than topless. In some she was topless and in some she was naked. In some she was engaging in lesbian activities. It was dreadful. This all happened in the fall of 1995, and I think it helped precipitate the health crisis that ultimately killed Papandreou, because he was devoted to her. She nursed him back to health after his heart operation.

In part because of the mistakes of the Mitsotakis government, under the New Democracy Party, which was in power from 1990 to 1993, Papandreou's Party, PASOK, won the October 1993 election.

*Q: PASOK?*

NILES: The Pan-Hellenic Socialist Movement. Theoretically, it is not a party but a "movement." It was a distinction without a difference in real life, but the terminology was important to Papandreou, who was probably a Trotskyite and believed in permanent revolution, for which you needed a "movement." He came in on the October 11, 1993, and I arrived on the 30<sup>th</sup>.

The Papandreou government was made up of prominent members of PASOK, as you would expect, and the only unusual thing about the government was that his wife was his Chief of Staff. We worked very well with her, however, and I found her both competent and agreeable. I was always able to see the Prime Minister when I needed to, and we visited about once a month. The other principle people in the government at the time included Foreign Minister Karolos Papoulias, who had been foreign minister from 1985 to 1989. We got along fine but he spoke no English and no French, and only a little German, which he didn't like to use. This was a bit of a problem because while I was studying Greek I didn't speak it well enough to carry on with the foreign minister.

The minister of National Economy and Finance was George Yennimatas, a long-time colleague of Papandreou's who was tragically dying of lung cancer. He died in April, 1994 and was replaced by a younger, and more capable man named Yannis Papantoniou. Costas Simitis, the current Prime Minister, was Minister of Industry in that government. He resigned in September of 1995 to begin his challenge to Papandreou, which led him to the Prime Ministership in January 1996. I got to know all of the members of the government. They were a quite a mixed bag. George Papandreou, the son of the Prime Minister, was the Minister of Education and Religion, and I worked a lot with him on problems dealing with US schools in Greece: Athens College, The American College, Anatolia College, American Farm School, and the American School of Classical Studies. George was born in 1952 in Minneapolis. Gerasimos Arsenis was the Minister of Defense, and I worked very closely with him.

The day I arrived I got a message from Papandreou that he wanted to see me. I had not yet presented my credentials to the President but I drove out with my DCM, Jim Williams, to see him. We talked for about an hour and a half. We established our agenda and talked about the Cyprus problem, relations with Turkey, bilateral economic relations, and terrorism, which was an enormous problem with the activities of the November 17

group. This issue was one that came up frequently and was very frustrating because I don't think Papandreou ever came clean with me about what he really knew about November 17. He took a lot of secrets about that to his grave.

I told Papandreou when I came in that I had never been directly responsible for relations with Greece during his previous time in power but that I had been involved with some of the points of friction between his Government and the Reagan administration, particularly NATO issues, Greece's reaction to the establishment of martial law in Poland in December 1981 and the shutdown of KAL-007. On martial law, Papandreou said he could understand why they did that. On the shutdown of KAL 007 in September of 1982, he opined that maybe it was a spy plane. Papandreou ran an overtly anti-American policy. He came into power in 1981 with three stated goals that had direct implications for us: to get rid of all the American bases; to get Greece out of NATO; and, to get Greece out of the European Union that Greece had just entered. Well, during his eight years as Prime Minister he signed a new base agreement with the United States, remained in NATO and of course stayed in the EU if for no other reason than because he couldn't give up the flow of money. But he drove both NATO and the EU practically crazy.

I told the Prime Minister that I had been sent to Greece by President Clinton and Secretary Christopher with a mandate to develop and improve on the relations between the United States and Greece. I said that President Clinton and Secretary Christopher didn't go through the bad experiences of the 80s and didn't come to the table with negative baggage. But I told him that if he wanted to go through the same type of experience, which at times approached guerrilla warfare, we could live with a re-run of the 1980s. Papandreou looked at me, smiled and said: "Mr. Ambassador, times have changed."

*Q: Did Papandreou continue on his anti-American course up to the time he left power?*

NILES: It moderated during the 1980s, and President Reagan's silent treatment didn't hurt a bit. Papandreou was the only NATO head of government who was never invited to Washington. That bothered him, as he was a former U.S. citizen, a war veteran, and a United States social security annuitant as I discovered.

*Q: He was a veteran as well?*

NILES: Yes, he served in the United States Merchant Marine. He was receiving all kinds of benefits while Prime Minister. When he died, I was in charge of distributing to his widow and previous wife his social security death benefit. His relationship to the United States was very complicated.

The whole story of Andreas Papandreou has not been told. I was at a reception in Athens in 1995 or 1996 when a very old man approached me. He was with the newspaper, *Eleftheros Typos*, which means "free press," and which was the mouthpiece of New Democracy. This paper was giving me a very hard time, primarily because the United States was not engaged in a guerrilla war with the Papandreou government. They could

not make up their mind whether I was a homosexual or a philanderer having affairs with numerous prominent Greek women, so they accused me of both. They decided to have a bad relationship with me. In any case, the old man came up to me and complained that we had thrown him out of our country. I asked him when and he replied that it happened in 1946. I said that I could hardly take responsibility for that. He said that didn't really matter. He was a Communist at the time and was the United States correspondent for the Greek Communist newspaper *Rizospastis*. This was during the Greek civil war so, in retrospect, he could understand why we threw him out. He explained that what really made him angry was that we didn't throw "that damn Papandreou out." He said that he had been a true Marxist-Leninist while Papandreou was a Stalinist. I explained that we could not have thrown Papandreou out as he was an American citizen by then.

There are all kinds of stories about him like that. He came to the United States in 1940, before the German attack on Greece. His father, George Papandreou, escaped to Egypt in April 1941 just ahead of the Germans and formed a government in exile. Was he a Communist? I don't know. I am sure there are a lot of FBI files on him. Max Kampleman, who knew Papandreou when he was at the University of Minnesota in the late 1940s and early 1950s, once remarked to me that, "If Andreas Papandreou was not a card-carrying member of the Communist Party of the United States, the only thing missing was the card."

During the first Papandreou government in the 1980s, the United States was regularly excoriated by the PASOK media. These were very left-leaning papers, much more so than the avowedly Communist papers in Western Europe. We were supported by what there was in the way of right-wing media. In 1993 when I arrived, Papandreou was back in power and we had a good relationship with his government. But the PASOK media continued to attack us violently, and they were joined now by the center-right media, which could not abide the fact that the United States had reasonably good relations with the hated Papandreou government.

But as an example of how much things had changed, by April 1994 I had succeeded in arranging for Papandreou to visit Washington and be received at the White House, something he had not be able to do during the whole nine years of his previous incumbency. It was a remarkable visit in many ways. Papandreou had last been in the White House in 1964 when he accompanied his father, then Prime Minister, for a meeting with President Johnson. The Greek and Turkish Prime Ministers had been summoned to Washington – I believe that is the right word to use – to be told by the President to stop causing trouble over Cyprus. Being in the Oval Office again was an emotional experience for Papandreou, and he reminisced a bit about how the lay out of the room had changed. Interestingly, he remembered a great deal about his 1964 visit.

*Q: I think this is one thing that struck me during my four years in Greece and that is that the Greeks always blamed someone else for whatever happened. No matter what, from an earthquake to something more political it was the fault of the CIA.*

NILES: I think that is in part due to the fact that they are a small country in this world

that is dominated by big powers. And, to be honest, there is no question that we made some mistakes with Greece, particularly during the period of the Dictatorship. For instance, Spiro Agnew visited Greece in 1971. I think he did two things on that particular foreign trip. He represented us at the megalomaniac ceremony that the Shah of Iran had at Persepolis celebrating “2,500 years of his dynasty,” and on his way back stopped off in Greece and visited his birthplace or the birthplace of his parents. When I visited that area - Kiparisis on the southwest coast of the Peloponnesus - the people there said they weren't so sure that they were proud to claim him.

*Q: I want to go back to the initial meeting with Papandreou. You were both new and did he want to start with a clean slate?*

NILES: I told him that we wanted to look ahead and let bygones be bygones and he agreed. I have to say that I had an excellent personal rapport with him. Papandreou, had his health allowed, might have been prepared to really buckle down and solve some problems. We really did not get much done with him with the exception of the September 1995 interim agreement on Macedonia, and that simply undid a bad mistake he made at the beginning of his second Administration in November 1993. He was hard line on relations with Turkey. I couldn't tell if it was philosophical or political or just inertia. When I suggested that it might be good to open up a broader dialogue with the Turks, the Prime Minister always replied that if Greece did that, the Turks “would pose claims against our sovereignty.” This was his way of saying that he was afraid the Turks would raise the delineation of the seabed in the Aegean and perhaps claim some small islands the Greeks regard as theirs. When he said that, I would always say that he could just reply that the issue was not on the table. But the most I could ever get out of him in reply was silence.

People told me that when Papandreou agreed with me it didn't mean anything. It could mean yes, no or maybe. If he said nothing it meant no. I quickly learned that a “yes” did not translate into action. I would go around to other ministers in the effort to follow up on a Prime Ministerial undertaking and say that Papandreou said such and such to me and get strange looks in reply. I soon came to understand why. He was physically only able to work only about three or four hours a day because of his heart condition. His foreign minister was not prepared to do anything without a strong signal from the Prime Minister, which he never got, with one critical exception. In September 1995, at a crucial point in the New York negotiations on Macedonia, Papoulias was trying to walk back from a commitment Papandreou had given us in Athens a week before to lift the Greek embargo on Macedonia if the Macedonians removed the “Star of Vergina” from their flag. We called Papandreou and he instructed Papoulias to move ahead. Interestingly, when we had a meeting in the White House with the President the next day to celebrate the success, Papoulias did not come. He sent the Greek Ambassador to Washington, Loucas Tsilas, in his place.

Papoulias was not inclined to move on any tough issue. I once had a conversation with him prior to a meeting of the Black Sea Cooperation Council Foreign Ministers in Bucharest. I told him this would be a good opportunity to see his Turkish colleague open

a dialogue. Papoulias replied that he really didn't have much to talk about with the Turkish Minister. This response rendered me nearly speechless because this was so ridiculous. Finally, I listed a few things they could talk about but he didn't agree with me.

That period of immobility regarding Turkey which characterized all of Papandreou's time in office the second time around was important because opportunities were lost. I must say, however, that on the Turkish side the situation was no better. Mrs. Tunsu Ciller was hardly a good negotiating partner, but one of the people who served as Foreign Minister during her time in office, Mr. Gonensay, could have been a good interlocutor for the Greeks. There was so much bad feeling and so many difficult issues between Greece and Turkey that if you didn't work on the relationship constantly, it would inevitably worsen. The Turks did some stupid things, which scared the Greeks and caused them to do things that were equally dumb. In the fall of 1995 the Greek parliament ratified the Law of the Sea Convention which the Greeks claimed gave them the right to a twelve-mile territorial sea in the Aegean. The Parliament's declaration noted that Greece was not establishing a twelve-mile territorial sea at that time but that Greece had the right to do so at a time of its choosing. A stupider move could not have been contrived. What this would mean, *inter alia*, was that in many areas, a twelve-mile territorial sea would close off large parts of the Aegean to Turkish warships without the permission of Greece. The Turks were aroused about this and the Turkish Grand National Assembly passed a resolution in November 1995 which said that if Greece should take this step the government of Turkey had the right to go to war without further reference to the parliament. They used the word "war" in the resolution. The Greeks took the stance after this that they had no immediate plans to implement a twelve-mile territorial sea but they had the right and they would exercise it when it was most advantageous to them. That was a dumb position, on both sides.

In the fall of 1995, before the weather in the Aegean got too bad for naval maneuvers there were frequent alarms of potential encounters, with ships going here and there. It was a very frustrating situation. There was a totally incompetent government in Turkey with Mrs. Tunsu Ciller, who was probably the most incompetent person to lead a major government in recent years. The Papandreou government was totally paralyzed, in part because of his health and the inability of his ministers to act without him.

*Q: Both of these countries are members of NATO?*

NILES: During the Cold War you could make a case that both needed to keep their eyes on the major threats, which were the Warsaw Pact and the Soviet Union, and to a degree they did. Once the Cold War was over, it became clear that Greece's defense effort was aimed primarily at Turkey. They were also concerned about Albania, Macedonia and Bulgaria, but their basic defense posture was aimed at Turkey. For Turkey, however, Greece was probably problem number six. They were in a terrible neighborhood. They had borders with Syria, Iraq, Iran, Armenia, and Georgia to preoccupy themselves.

This didn't mean that Turkey had a good attitude towards the Greeks. They had this so-called army of the Aegean, which was stationed along the Aegean coast. I kept pointing

out the Greeks that this was a cadre army used for training and that it couldn't attack anybody. The cream of the Turkish army was tied up in Kurdistan fighting the PKK. It was not as big a threat to Greece as it appeared, but there was an anomalous situation in which two NATO countries were arming against each other.

*Q: Did your counterpart in Ankara and fellow NATO ambassadors feel they had to keep these people apart?*

NILES: Well, we not only wanted to not only keep them apart but also start a better relationship. I worked closely with Dick Barkley, who was my initial counterpart in Ankara, and then with Mark Grossman. We always felt that we had a good cooperation. I don't think either embassy had a partisan view. We felt that both sides were behaving stupidly and we needed to save them from themselves.

I worked closely with three NATO Secretaries-General - Woerner, Claus and Solana - on this issue. The other NATO ally that was actively concerned about Greek-Turkish relations was the United Kingdom, but the Germans and the French also tried to help. I will say that the Dutch, during the time that they were in the chair of the European Union in the first half of 1996 were very active. I worked very closely with them. They are marvelous allies as long as you agree with them.

As I said, the NATO Secretaries-General were likewise strongly committed and made major efforts: first Manfred Woerner before he tragically died of cancer; then Willy Claes, a Flemish socialist, with whom I had a good working relationship before he ran aground over a scandal involving the acquisition of helicopters when he was the Minister of Finance; and then Javier Solana, who was a very active and effective partner in our effort to keep Greece and Turkey from going to war with each other.

But during the last few months of 1995, the relationship continued to deteriorate. There were elections in Turkey in December of 1995. Mme. Ciller's party lost, but after the election she remained in office as a caretaker prime minister. Just about that time, probably unrelated to what was going on politically in Turkey, a strange set of incidents began around the tiny island of Imia, or Kardak as the Turks called it. This island is about four miles off the southwestern Turkish coast in the area of the Greek island of Kalymnos in the eastern Aegean. A Turkish coastal freighter, sometime around December 10, 1995, ran aground on Imia. A Greek Coast Guard cutter from Kalymnos came by and offered to help pull the ship off the rocks. The Turkish ship said it did not need any help from the Greeks because Imia was a Turkish island. The Greeks said no it is not and they pulled the ship off.

At the end of December 1995 and the first few days of January 1996, there was an exchange of notes between the two Foreign Ministries. I cannot recall which sent the first note. They reiterated the conflicting territorial claims. It might have stayed there except that somebody in Athens leaked the notes to a right-wing Greek newspaper and they were published. The mayor of Kalymnos then proceeded to go to Imia and hoist the Greek flag. A Turkish team from *Sabah*, one of their big newspapers, flew out with a helicopter,

tore down the Greek flag and put up the Turkish flag, videotaping the entire thing. Then they sent these videotapes all over the world. Athens was in a state of patriotic outrage. Ships were sent to the Aegean. Pretty soon you had the makings of a full-blown crisis.

At the same time, you had a political crisis in Greece. In September 1995, Constantine Simitis had resigned as Minister of Industry over a dispute involving the privatization of a shipyard. Prior to his resignation, Simitis had been working with some disaffected senior members of PASOK (Vasso Papandreou, Theodoros Pangalos and a former minister named Averinos) is what was clearly an anti-Papandreou effort. The papers called them “the gang of four” after the Chinese group of the mid-1970s. They made no effort to conceal their activities. Pangalos had been Deputy Minister of Foreign Affairs who resigned in 1995 to run for Mayor of Athens. He lost, and later complained that Prime Minister Papandreou had sabotaged his campaign. Vasso Papandreou, no relation of the Prime Minister but one of many women in Greece said to have had what you call a “close personal relationship with the Prime Minister, had been Greece’s EU Commissioner during my time there as Ambassador. At the beginning of November 1995, Papandreou’s health took a turn for the worse and he went into the hospital. On January 20, 1996, he resigned as Prime Minister, retaining his position as President of PASOK for the time being.

Simitis came in as Prime Minister, and in his new government Pangalos became Foreign Minister and Vasso Papandreou became Minister of Development. Basically, Simitis kept the best members of Papandreou’s government and replaced the less competent. His was a much more competent government on balance.

But the first thing they had to deal with was the mounting crisis around Imia. I was in constant touch with the government, warning them against taking any rash steps. On the morning of the January 29, 1996, we learned that Greek forces had landed on Imia. I called the Minister of Defense and he confirmed that troops had landed on Imia. I told him he needed to get them out and he replied that he could not remove the troops from Greek territory. I called the Prime Minister and repeated my position, warning that the Turkish response might be unpredictable. I also alerted the Operations Center and my counterpart in Ankara that we might be in for a rough ride.

*Q: You were part of the chain?*

NILES: All hands were on deck. Mark Grossman was doing essentially the same things. One of the problems was that the Greek Chief of Staff, Admiral Limberis, was an ultra nationalist and very difficult to deal with. We tried to establish a contact between him and General Shalikashvili, who by then was Chairman, but that effort failed. Minister of Defense Arsenis had a good relationship with Secretary Perry. During the day of January 29 and into the night of January 29/30, the crisis intensified with more than ten ships from the two navies in the narrow area around Imia, along with planes and helicopters. The weather was terrible. I was in the office about 1:00 a.m. President Clinton had been on the phone with Simitis, Secretary Christopher had been on the phone with Pangalos, I was in touch with both of them, and Dick Holbrooke had been in touch with everybody.

About 2:00 a.m. we learned that the Turks had landed forces on another tiny island – I cannot remember its name – very near Imia. At about the same time, a Greek helicopter crashed in the area, killing three crew members. It seemed that the crash was weather-related, but you could not be sure. It was a tense time. But, ironically, the fact that the Turks had troops on one tiny island and the Greeks had troops on Imia created a basis on which both could agree to withdraw their forces, and the crisis began to wind down around 3:00AM.

Keep in mind that Imia is about 4 hectares in area (9 acres), with no inhabitants and no water. The key to life in the Aegean is fresh water, although there are some islands that have their water sent in by tanker. The reason why sovereignty over Imia is important is that it lies only 4 miles off the Turkish coast and that with sovereignty over the tiny islands comes control over the adjacent waters and the seabed. In any case, around 3:00 am Athens and Ankara time, which would have been about 8:00 p.m. Washington time, an agreement was reached that the troops would be pulled off both tiny islands. Tragically, as I said, in the process a Greek helicopter crashed and three crew members were killed. They were the only fatalities. The Greek press blamed us for the accident. When we asked some of the journalists who made that claim how we could have caused the accident, they responded that we could do anything with satellites or through some other means. I went to the funeral and it was very sad, as you can imagine. The thing that was remarkable was that more people weren't killed.

This crisis began to wind down on January 30. We could see a partial pull back by both sides. They gradually took their ships out and the number of aircraft decreased. The problem remained, however. The Turks claimed Kardak, as they called it, and so did the Greeks. We did not really have a clue of the legal background. We had never heard of Imia. We set our lawyers to work on the historical record. The Dodecanese islands had been Turkish from the early 16<sup>th</sup> century (recall that Rhodes was seized from the Knights of St. John of Jerusalem in 1527, thus the story of the "Maltese Falcon) until 1911, when they were seized by the Italians, who kept in theory through 1947, when they were ceded to Greece under the Treaty of Paris. In January 1932, the Italians and the Turks concluded a treaty that delineated that area. The Turks accepted Italian sovereignty over the Dodecanese Islands, which they had never done before. In December of 1932, the Italians and the Turks signed a Protocol to the January 1932 Treaty in which the Turks agreed that a designated list of smaller islands, which included Imia, were also Italian. It was clear that what they had done was to follow the three-mile limit. Anything in the Dodecanese area that was outside three miles from the Turkish coast was recognized as Italian. Imia is four miles from the Turkish coast, and as I said, Imia was mentioned in the Protocol as belonging to Italy. The Turks claim that the Protocol was not registered with the League of Nations, as international agreements were supposed to be at that time, and was therefore invalid. Under the Wilsonian doctrine of treaties being freely negotiated and publicized, i.e. no secret treaties, there was the League of Nations requirement that treaties be registered with that body. Turkey and Italy registered the basic Treaty of January 1932. Our lawyers said that because the basic Treaty had been registered, the Protocol did not need to be registered in order to be regarded as valid. That was the Greek position. Moreover, as they pointed out, both Turkey and Italy treated the

Protocol as valid up until the end of WWII.

We took the position that we would not take a position on the sovereignty issue but that we would encourage the states, Greece and Turkey, to work it out. We said that we generally agreed with the Greek position that this was something that should go to the International Court of Justice. I personally think that was a big mistake. We knew by the time we took this position that the Greeks were right on the sovereignty argument. The Turks knew that we knew their position was very weak. When we refused to take a position it sent a signal back to the Turks that we prepared to countenance or not do anything about aggressive Turkish behavior toward the Greeks on the territorial issues in the Aegean. We did not want to offend an important ally, Turkey, but what this led to was a succession of Turkish claims and statements about the Aegean territorial issues that poisoned the relationship with Greece even further. At the time of the crisis, Mrs. Ciller talked about “thousands of islands, islets and rocks” whose sovereignty was uncertain. Mr. Gonensay, the Foreign Minister in the subsequent government, talked about “gray areas” in the Aegean. In May of 1996 the Turks raised an issue about a small island called Gavdhos, which is south of Crete. We took a strong stance and said that Gavdhos was a Greek island. Recently in the fall of 1998, the Turks raised questions about several other Greek islands, including Farmakonisi, which is inhabited. What this does in Greece, of course, is scare people and put pressure on the Greek government to be very tough in any dealing with the Turks because they see the Turks as threatening Greek sovereignty and trying to seize Greek territory.

By the spring of 1996, John Kornblum had replaced Dick Holbrooke as Assistant Secretary, and John, Mark Grossman and I worked over the next year or so to try to find some formula to deal with the Imia problem. We wanted Greece and Turkey to say in a joint statement to say they would send the issue to the International Court of Justice. There was always some problem on the Greek side or more frequently on the Turkish side. The Turks at one point said frankly to us that they knew they would lose a case on Imia in the International Court of Justice, but they would be prepared to allow that to happen as long as they could balance the loss with a victory. If they were to allow the issue of Imia to go to the Court of Justice, they wanted the issue of the militarization of the Dodecanese Islands to be taken up by the International Court of Justice simultaneously. The Treaty of Paris of 1947 was the peace treaty with Italy to which Greece and the US were signatories but Turkey was not. It ended Italy’s participation in World War II and, inter alia, transferred the Dodecanese Islands to Greece. The Treaty of Paris also stated that the Dodecanese Islands must be demilitarized. The Greeks claim that until the invasion of Cyprus by Turkey in 1974 they observed those provisions. I have no reason to doubt that. After 1974, using article 51 of the United Nations Charter, which is the right to self- defense, the Greeks claim that the use of force by the Turks in Cyprus gives them the right to station forces on the Dodecanese Islands since the Turks might use force against Rhodes, which is very near Turkey, or one of the other islands. The real life situation is that because of the geography of the area, the Dodecanese being right along the coast of Turkey and far from mainland Greece, it would be impossible for the Greeks to defend the Dodecanese against a Turkish invasion, just as the Knights of St. John of Jerusalem were unable to defend Rhodes and the Genoese were unable to defend

Chios against Suleiman the Magnificent in 1527. It is a little bit like the Berlin brigade defending West Berlin against the three encircling Soviet tank armies. But the Greeks felt they had to be there militarily so that their people would feel more secure. I didn't really buy that because the people on Rhodes knew that the garrison on Rhodes would not be able to fend off the Turks if they really invaded. All of our efforts to get the Imia issue to a resolution failed. When I left Athens on September 27, 1997, the issue was unresolved. To this day it remains a problem.

*Q: I get the feeling as the crisis took place that it was like a fight among children. Children look over their shoulders and wonder who is going to stop them. Don't you think the Greeks and Turks wanted us to stop them?*

NILES: Yes, they wanted us to stop them. I am sure that in their hearts they did. Neither one wanted to go to war over Imia, or anything else for that matter, but the media and domestic political considerations on both sides prevented them from stepping back. The only reason they did so was under pressure from the United States. The President, Secretary Christopher, Secretary Perry, Assistant Secretary Holbrooke, the two Ambassadors, and the Chairman of the Joint Chiefs of Staff were all involved. Dick Holbrooke later commented that we were working during the night while the Europeans slept. That was a deprecatory comment about the European Union, unkind, perhaps unnecessary, but true nonetheless. The British reacted badly to this. They had been marginally helpful while the rest just stood around and wondered what was going on. I think this is an example of the reality that if anything important is going to happen it is going to be done by the United States. We are going to have to take the lead. We can't always do it by ourselves and shouldn't try. If we had not been totally involved with the Imia issue, Greece and Turkey could well have blundered into a war.

*Q: What about Macedonia?*

NILES: That was another tough issue. Shortly after the Papandreou government took off, in a series of totally inept moves, managed to turn relations between Greece and its northern neighbors, Albania and Macedonia, or FYROM as we called it, from marginally acceptable to really poor, and in some cases near a crisis. It was an example of extraordinarily poor management.

First, let us discuss Macedonia. Since the summer of 1992, former Secretary Vance had been involved in the problems of former Yugoslavia as a representative of the UN Secretary General. He worked with former UK Foreign Secretary David Owen. As the Bosnia situation spun out of control, he came to concentrate more on Macedonia. He had been involved with Secretary General Boutros-Ghali in an effort to find some way to build a bridge between Greece and its neighbor, the "Former Yugoslav Republic of Macedonia," or FYROM. The Mitsotakis government (1990-93) had real internal problems with this issue, and there was a split in the government in 1992 over how to deal with it. The Foreign Minister, Andonis Samaras, resigned over the issue. He remained in Parliament but formed his own political party, Politiki Aniksi (Political Spring) in opposition to New Democracy and the Mitsotakis government. But under the

new Foreign Minister, Mihailis Papaconstantinou, an able, intelligent and responsible official, the Greek government continued to negotiate with FYROM through Secretary Vance and David Owen.

The Papandreou government came in to power on October 11, 1993. Around November 15, 1993, in a moment of truly unbelievable incompetence, the Papandreou government announced that it was withdrawing from the dialogue under Secretary Vance on the grounds that it was not leading anywhere. I thought that this was crazy and could see no benefit to Greece. I told them that just because a dialogue wasn't going anywhere in the immediate future didn't mean that you stop it altogether. In fact, the reason they backed out was simply that the talks had been initiated by the Mitsotakis government, and they didn't want anything to do with it. Shortly thereafter, our people in Washington followed this miscalculation with one of our own. In January 1994, against my recommendation, they decided to go ahead with U.S. recognition of the independence of FYROM/Macedonia. It was a step that was taken to bolster Macedonia vis-a-vis Serbia, and in this sense it was a perfectly logical move. Macedonia had been part of Serbia as the so-called *Vardarska Banovina* from 1913, after the Second Balkan War, until 1944 when Tito decided to create a separate Macedonian Republic within his new Yugoslav Federation.

The Serbs still consider Macedonia theirs even though it was taken away by Tito. Bolstering Macedonia by recognition was sensible in terms of the Serbian problem, but given the unsettled conditions between Macedonia and Greece, it did not make good sense. We did this in mid-January 1994. I argued against this move, but added that if we were going to do this we should get something for it, such as persuading Macedonia to do something to appease the Greeks such as changing their flag. Recall that in June 1992, in response to a decision by the European Union at its Lisbon summit not to recognize the independence of Macedonia, the Macedonians responded by putting the ancient symbol of Alexander the Great, the star of Vergina, on their flag. The Greeks, of course, went up in smoke. I remember a meeting between Acting Secretary Eagleburger and Foreign Minister Mihailis Papaconstantinou the August 1992 London Conference on the Former Yugoslavia. Papaconstantinou complained that the Macedonians had appropriated a Greek national symbol and put it on their flag. Larry Eagleburger shook his head at Michael and said, "So what". Michael said it was symbol of irredentism, and in its own way, it was.

It was as if the Macedonians could really do against Greece. They did not have the forces to seize a gasoline station on the border, but as a symbol it annoyed the Greeks terribly. I argued that if we were going to recognize them we should get something for it. Secretary Christopher considered it unseemly for us to recognize a country only if they redesign their national flag. The U.S. recognition, which led to recognition by some of the Europeans, was a real bombshell. It precipitated actions by Greece against Macedonia which I had told Washington were possibilities. Washington didn't think that would happen. They always know better than stupid ambassadors. In any case, in response to our move the Greeks established a total economic boycott of Macedonia. They closed the Port of Thessaloniki. This was a country that was already suffering greatly from the war

in Bosnia and the dislocations from the breakup of the former Yugoslavia. It was poor to start with and this meant that the economic situation became even worse. We had a real problem, indeed a mini-crisis on our hands that we had partially provoked. At the end of the day we reached an understanding with the Greeks to call a timeout on further moves. We agreed that we would not at that time establish diplomatic relations with Macedonia, and the Greeks agreed to begin a new negotiating process under a Special Envoy from the United States.

*Q: What does that mean?*

NILES: Well, we opened a Mission in Skopje with Victor Comras there as our chief representative, but we would not exchange ambassadors. The Greeks would not do anything more beyond what they had already done with their economic boycott. President Clinton named Matthew Nimitz as his Special Emissary to try to work out a solution. Matt did a terrific job, together with Cyrus Vance. He spent a lot of time in Greece and Macedonia on this problem. Gradually we established a basis that allowed us to make a breakthrough in September 1995. Dick Holbrooke, who was in Belgrade working on the Bosnia issue, dropped down to Skopje where he persuaded President Gligorov, who by that time didn't take too much persuading, that if the Greeks would remove the embargo, he would take the "Star of Vergina" of the flag. Dick then persuaded Papandreou to buy that deal, and both sides agreed to send representatives to New York to try to work out an agreement. This happened around September 4/5, 1995. Around September 20, the Foreign Ministers, Papoulias for Greece and Crvenskovsk for Macedonia, came to New York. I went back from Athens and worked with Matt Nimitz. Holbrooke was there for the first day and then he had to leave for Bosnia. At that time our bombing campaign was underway and the Serbs were in the process of being driven out of Croatia and large parts of Bosnia. During three days of talks, Matt Nimitz and the rest of us put together an interim agreement which was signed by the Foreign Ministers. The Macedonians agreed to change their flag, the Greeks dropped the embargo, both agreed to refrain from hostile propaganda, and both agreed to negotiations about the name. The Greeks wanted it to be called the Republic of Skopje or something like that. That issue remains open, but quiescent, today.

The next day we met in Washington with President Clinton in the Oval Office. Secretary Christopher was not there and Holbrooke was in Europe. Tony Lake was there, as were Macedonia Foreign Minister Crvenskovsk, their Washington representative, Vera Acevska, Greek Ambassador Loucas Tsilas, Secretary Vance, Matt Nimitz and I. As I said earlier, Greek Foreign Minister Papoulias was not there, allegedly because he had to go back to Greece, but it was clear that he did not want to be in the same room with the Macedonian Foreign Minister, even if it were the Oval Office of the White House. It was a very nice ceremony. The President expressed his appreciation and thanked everyone present for their contributions. Again, it was a little like Imia in that there wasn't anyone else to do the job, and if the United States hadn't been available to do the job, it wouldn't have happened. Certainly Greece and FYROM would not have gone to war but relations between them would have remained frozen. They simply did not have the ability, in part because of domestic politics, to do it on their own, and there was no one else out there

that could have brought them together.

*Q: You mentioned the European Union. This would be something that you would think that the new European Union could jump into? What is more European than a dispute between Macedonia and a member state of the Union?*

NILES: I don't know what the answer is. One of the problems is that Greece is a member of the Union. This is why the European Union has trouble dealing with Greek/ Turkish relations because Greece is inside the Union and the Turks do not accept the view that the EU position could be unbiased. That may be just a negotiating ploy by the Turks but that is their position. Plus, the European Union does not have the structure available to undertake a long-term effort on these issues. The rotating presidency, where for this six months it is in the hands of the Dutch and then the French take over is not conducive to a long-term commitment to these issues. It is hard to settle some of these things in six months. Also, the European Union member states in the area of national security policy have not really transferred authority to the European Commission to undertake actions on behalf of the member states. Sometimes, although I don't think it was the true in the case of Macedonia except, of course, for Greece, there are disagreements between the members. It is very difficult for the Union to come up with a coherent position if they don't agree among themselves and decisions have to be taken by consensus. That certainly was true in the case of Yugoslavia with German support of Croatia and French support for Serbia. How is the European Union under those circumstances going to come up with a policy? They can't. This is a real problem. We ask why we are always the ones who have to carry the can, and the answer is that there just isn't anyone else to do it.

Let me just run through Macedonia during the remainder of my time in Athens. There was one very important loose end after we signed the Interim Agreement in September 1995. That was the name. Since then, the parties have met several times in New York to discuss the issue but they have not been able to come with anything. We kept arms length, as there was not an impending crisis. The two countries were trading and living together quite well. The Greeks are basically buying Macedonia. Anything that was worth anything the Greeks bought. They bought the brewery, the cigarette plant, the refinery and the cement factory. Every other major factory was partially taken over by the Greeks. I think in time the Greeks will end up opening the larger part of the economy.

*Q: Did Bulgaria enter into the issue?*

NILES: Traditionally the Bulgarians considered a large part of Macedonia theirs. They referred to it as "Pirin Macedonia." But in this case, they were so paralyzed by internal conflicts that they just stood by and watched. That was fortunate. Let me talk a little bit about Albania. The Papandreu government also managed to have problems with Albania. There is a lot of history here. There is a substantial Greek minority community in southern Albania. The population is Greek speaking and Orthodox Christian. From 1912 to about 1919 the Greek-Albanian border was further north and an area which the Greeks call Northern Epiros was part of Greece. Albanians of course call it southern Albanian. CIA Director George Tenet's father was from Northern Ecarous. Nicolas Gage,

the author, was from Northern Epiros. The Greeks have a reasonable concern about the way in which the population there is treated, but the Albanians see that as a threat to their national sovereignty.

During the chaotic circumstances in Albania in 1993 and 1994, there was a political party in southern Albania among the Greek community called "Omonia." It means "community." Six or seven leaders of "Omonia" were arrested by the Berish government on alleged espionage charges. It turns out that at least one had a claim to American citizenship. The Greeks were outraged and adopted a hostile policy toward the Berish government. Bill Ryerson was our Ambassador at the time and we worked closely together to try to calm people down on both sides of the border. Foreign Minister Papoulias was [from the] town of Yannina, near the border with Albania, which is the major town in that area. He really cared deeply about Greek-Albanian relations. This was the only issue in which he was really engaged. The key was to get these men out of jail. Dick Shifter, our Assistant Secretary for Humanitarian Affairs, managed to convince Berish to free the "Omonia 6." Various face saving concessions made. These men were too busy with smuggling and other things to be guilty of treason or espionage. Relations between Albania and Greece moved in a positive direction until the fall of 1996 when law and order in Albania collapsed as a result of the collapse of the so-called "pyramid investment schemes" run by the Berish government. But the improvement in relations was primarily due to the work we did. Dick Shifter was responsible for convincing the President of Albania to let these guys go. The Greeks by and large kept their end of the deal. In all those areas, the US was absolutely crucial in the negotiations. In the case of Turkey, if we had not been involved it is likely that Greece and Turkey would have had a localized war with casualties. This is one of our country's roles in the post-Cold War era. It is often frustrating and time-consuming, but there isn't anybody else out there to carry the load. Unless you want to say I don't care accept some sort of disaster, we are going to have to become involved.

*Q: What about terrorism?*

NILES: Terrible issue, Stu. You don't think of Greece as being a terrorist country, although they have had their share of it in the past. You don't think of Greece as being a place where a terrorist group could operate with relative impunity and maintain total secrecy over a period of 23 years. The first action by this group (November 17) occurred on the December 23, 1975 when they killed our CIA station chief, Dick Welsh. If I were a mystery story writer, it would be a fabulous story to write. The daring quality of this group, gunning people in broad daylight in the country's largest city, is amazing. They have used the same weapon repeatedly since 1975, most recently in June 1997 when they killed a person I knew, Costas Peratikos, outside his office in Piraeus. This gun, a .45, has been used over and over again. This demonstrates to me that they obviously don't think will coming looking for them. We have lost four Americans and one Greek employee of the embassy to this group: CIA Station Chief Welsh in 1975, US Navy Captain Tsantes and his Greek driver in 1985, and USAF Colonel Nordeen in 1988, and Army Sergeant Stewart in 1991. There were two cases where buses with servicemen from our air base at Hellinikon were bombed where many people could have been killed. Overall November

17 has killed 22 people. While I was there they killed another person I knew, Mihailis Vranopoulos in January 1994; in July 1994 they killed the Turkish DCM, whom I knew; and in September 1994 they killed a Greek policeman. In all, there were four murders while I was there. They also fire a 3.5-inch rocket, one of a large stock which they stole from the Greek military, at our Chancery in February 1996. Had it not clipped the top of our fence it would have probably blown up a large part of the Chancery Building. Fortunately, it was at 11:00 p.m., and so the staff there was minimal but there would have been casualties.

*Q: To what end do they do these things?*

NILES: Well, each time they carry out a murder, they issue a declaration to tell the world where they are at that moment. The declarations are full of Marxist-Leninist verbiage, although Marxist-Leninist ideas aren't very relevant. They talk about the oppression of the workers, and the evils of the United States, the European Union, NATO, and capitalism in general. They also talk about the oppression of Greece and Cyprus. They are very hostile towards Turkey. In essence, it seems to be an ultra-left Greek nationalist group. These declarations have been written, we believe, by the same person from 1975 until now. We have analyzed them carefully and found stylistic and other characteristics that are consistent throughout the documents. One of our CIA experts did an extensive analysis and compared the texts with the writings of a number of current Greek writers. He came up with an almost perfect fit with the work of one of them, and we gave the results to the Greek Ministry of Public Order. They did nothing with it. No one has ever been captured and accused of being a member of November 17.

*Q: I am referring back to my time when we had several terrorist acts. The Greeks seem to duck terrorism. We had some Palestinian terrorism and they let the people go. They seem to be unable or unwilling to deal with terrorism as long as it isn't directed at their own people.*

NILES: That has absolutely been their attitude for a long time. Even though November 17 has killed Greeks, nothing is done to stop them. One of the smart things November 17 has done did was to pick targets likely to be unpopular. They picked wealthy businessmen, the police, CIA or military officer from our Embassy, or people associated with the 1967-74 Dictatorship. They killed those people and it did not generate much sympathy on the part of the Greeks. This is one reason for their success. Some claim that another reason they have succeeded is the incompetence of the Greek police. I believe it is the lack of a commitment from the top to do something. All of my complaints and pressure to do something were unheard. The police were discredited as a result of their involvement in the Dictatorship from 1967 until 1974 so they do not have a lot of respect around the country. I have difficulty explaining it but there are all sorts of reasons why this terrorist group has been able to operate untouched by the Greek forces of justice. Nobody on the Greek side is prepared to do anything about it.

My feeling about November 17 is that it is a group of constant membership since 1975, that grew out of PAK, which was the resistance movement during the Dictatorship. PAK

was formed and run by Andreas Papandreou. I tried many times to get him to talk about terrorism but he evinced total incredulity that this terrorist group could act as it did. I suggested to him that some of these people might have been followers of his in PAK, and he responded that it was an interesting idea but then let it go. I believe that November 17 goes back to PAK and consists of between seven and ten people who are otherwise prominent citizens in Greece and basically live two lives: one life as politicians, businessmen, doctors, lawyers, and so forth; and another life as terrorists. When the Greeks finally find out who they are, it will be a shock. It was very frustrating to spend six and a half to seven million dollars a year to protect the Embassy staff from this threat and to watch the Greek state deliberately ignore it.

*Q: How did you travel around?*

NILES: I traveled around in an armored Mercedes, which was part of the Berlin Mission, and thus paid for by the FRG, until after the wall came down and we managed to snare it for Athens. A five-man Greek police detachment, four in a car and one in my car, heavily armed also protected us. We put them through special training and got them good weapons. They had nine-millimeter Beretta or Glock pistols and some other automatic weapons. I was never outside the compound without these people. They became close friends of mine. We went to parties together and I visited their families. We climbed mountains and vacationed together. They were wonderful people. I would have been better off not needing them but I was well served by them. We took the armored Mercedes on cruises with us and drove it all over other islands. It would have been hard for November 17 to take me. They could have but they would have lost someone in the process. I was a hard target as were the DCM, members of the CIA Station and the military attachés. But we had over 125 Americans and we couldn't do this for everyone. My concern was the security of the people who worked for me. I was responsible for them. We had drills, exercises and security reminders constantly. Mercifully, none of our people were attacked while I was there, although we did have the rocket attack on the Embassy.

*Q: I think that probably one more session will take care of it. I would like to ask you about your staff and if any of them carried over from the old days? How did you feel about the CIA because in my day the CIA had seized control of the embassies? Also, I would like to know about our military there. In my time it was dominated by Greek Americans who came out of the right wing of our own politics? Were there any consular or economic issues?*

NILES: The consular issues were the child custody issues and they were terrible.

*Q: We are now into a new year. It is January 5, 1999. The Papandreou, George or Andreas, were names the embassy had played with for a long time and I image there would have been a slight amount of suspicion and distaste surrounding them. You must have had a strong cadre of Greek-Americans in our embassy?*

NILES: I did not really have many Greeks. I am thinking back to the political and

economic sections. For instance, my first DCM was Jim Williams. Jim had served in Cyprus before but not in Greece. He was in Nicosia in 1974 during the Turkish invasion. He is now the Director of Personnel. He could give you good insights into the 1974 events, including the assassination of Ambassador Davies. There were some officers with 1980s experience. My second DCM, Tom Miller, had served in Athens in 1985-1988 in the Political Section. He had been given quite a rough ride then by the left wing media as being in the CIA station, which was not true, of course. This happened because he played a large role in the Embassy's counter terrorism program during his previous assignment. Tom came to Athens in August 1994 with his experience in Greece with the Papandreou government, which was hardly positive. The second half of Papandreou's government in the 1980s from 1985 to 1989 was less difficult than the first, from 1981 to 1985, when Papandreou committed his most egregious acts like welcoming the establishment of martial law in Poland in 1981 and commenting that KAL 007 probably was a spy plane in September 1982. Papandreou toned down his rhetoric and modified his policies somewhat during his second term.

There were problems that we all remembered only too well. As I mentioned before, I told Papandreou when I first met him that we could go back and relive the 1980s if he wanted to but that wasn't our preference. He replied that times had changed. He had just come back in the October 10, 1993 election and I got there on October 30. It was clear to me from the outset that he was not physical capable of leading the country or having the same kind of impact, as his health had deteriorated greatly. He could only work maybe four or five hours a day. He could put in short burst of work. When he visited Washington in 1994 he was up and working for 12 or 14 hours a day but when he got back to Greece he needed a long period of recovery. His wife, Demitra, a controversial figure, was responsible for prolonging his physical and political life and made sure he was well taken care of.

The fact that we didn't have a strong cadre of Greek experts when I got there was probably a plus for us. We didn't have a lot of people who bore deep scars and wounds from the 1980s. There were many people in the Greek-American community who had a strong and abiding hatred for Papandreou because they held him responsible, and correctly so, for the strains between Greece and America. There were very few people from that community who came to visit me while I was in Athens who had anything positive to say about Papandreou, and most had strong feelings against him. They felt equally strongly about his wife, Margaret, who used to lead the November 17 demonstrations against the United States Embassy in Athens while her husband was Prime Minister.

*Q: What about the CIA?*

NILES: The agency had a reputation in Greece, which was partly deserved on the basis of relatively ancient history, and partly a result of Greek fantasies and conspiracy theories. I can't say what the situation was in terms of the operations of the embassy and the agency during the 1960s. The version that you often heard was that the CIA dominated US policy towards Greece and controlled the activities of the embassy.

*Q: I was Consul General in the late 1960s and early 1970s, and to put it in diplomatic terms, the opinions of the CIA Station Chief carried undue weight. It was also the Nixon and Kissinger period.*

NILES: I see. Well, the way the Nixon administration related to the Dictatorship in Greece is an embarrassment to us today. I frequently found myself trying to explain this to the people in Greece. It was a burden for all of us and will remain one for a long time. But the role of the Agency while I was there was a normal one. I looked to the Station Chief for advice on certain issues involving intelligence operations. I never felt that the Agency was out of control except on one occasion when a couple of its officers were found in a van on November 15, 1993. They were disguised and about to embark on some mission that I had not been informed of. The Greek police arrested them, and I was called into the Foreign Minister's office to explain. I quickly called in the Station Chief, told him that the two men had to leave the county, and that this should not happen again. He did not object. They left, and we managed to smooth it over. I told him we could not go through this experience again and that I did not want to be surprised. I can't say that nothing happened but we did not have any more problems of this kind. Either they were good at keeping things from both the Greeks and me or nothing else happened. I had two excellent Station Chiefs and was able to work well with both of them. Their influence was not excessive.

During my term we had a large Regional Security Office from the State Department as well as a large and growing FBI presence. I found much to my dismay that there was a certain amount of competition between the Agency and FBI. This was partially personality driven and partly due to the way the Greeks were able to manipulate the relationships that they had with both. The Greeks played one off against the other. They were no fools and saw the advantages of first favoring one and then favoring the other. DEA was also there, and they got involved to a degree because of the overlap between narcotics and terrorism. So, we had at least four intelligence-related agencies in the embassy. The big job for the DCM and me was to coordinate those agencies and make sure that they all kept us informed as to what they were up to and to see that they did not spend time fighting with each other. There were a few instances of competition that did not reflect well on the Embassy. But by and large, I was able to control things, except for the two officers caught with the disguises.

*Q: Who caught them?*

NILES: The Greek police caught them. It was a comedy of errors. Some old lady saw the van and thought a robbery was about to take place and she turned them in. It was a real counter terrorist operation, though. There was a suspect about whom we were quite properly concerned. We had talked to the Greek police and gotten the brush off. This was one of our problems. The Greeks police did not react, and we decided to do it ourselves. We made a major effort to upgrade the capabilities of the Greek police. We spent a lot of money training people from the Counter-terrorism Unit, and the moment someone was well-trained, the Greeks didn't trust him any more and they sent him off to collect

customs on Samos or guard passes between Greece and Albania. I sympathized with the people on our side who became frustrated with this situation because it was a waste of money and put our people in jeopardy. One normal reaction was to try to do it ourselves, which could lead to problems. I don't know if my successors had better luck - I do not think so - but the whole issue of counter terrorism was of enormous frustration to me. On the training issue, I canceled the program in 1996 because it was clearly working against our interest of having a more effective counter-terrorism force. We would select the most promising members of the force, send them to the United States for training, and then watch as they were sent off to do something totally unrelated to terrorism when they returned to Greece.

We were probably lucky during my time that nobody was killed. Fortunately, the November 17 guys were not skilled in the use of the anti-tank missile and the attack on the embassy failed. In that case, we were not smart or well organized, just lucky.

*Q: What about our military representatives who were there? We had Greek American colonels who loved being back in Greece again as Americans and they liked the right-wing government. We also had bases.*

NILES: One of the things that I was able to do as Ambassador was to substantially reduce the size of our presence there. I was helped by the fact that the Cold War was over. I also encouraged both the military and the civilian intelligence agencies, NSA, DIA and the CIA, to draw down. They do wonderful work and I had no problem with them, but I felt the numbers were too large. Before I got there our largest base in Greece, the USAF installation at Hellinikon, had been closed. It was attached to the main airport in Athens. It shared a runway with the main airport. It was target of terrorists from 1975 until they closed in 1992. It was useful but once the Cold War and Gulf War were over, it was closed and vastly reduced the American presence in the area. Its closure also had the desirable effect of reducing the visible profile of the United States in the Athens area.

This meant that the embassy had to do a lot of things that had previously been done by the Air Force. The commissary was moved for a while to a building on Sangria Avenue, which we later sold to the Onassis Foundation for six million dollars. This was one of the great real estate deals of my life. After we sold the building, we closed the commissary altogether and we put a small store on the embassy compound. Closure of the commissary was difficult for the military retirees, which I regretted, but they were ultimately not my responsibility.

In the spring of 1994, I presided over the closure of our base near Heraklion in Central Crete, which left us with only the Souda Bay Naval Station near Hania on Crete, which had about 900 military personnel on its permanent staff. With the exception of the commanding officer, they were all on short-term assignments without their families. It is on one of the great natural harbors of the Mediterranean. The water is deep enough to bring in a Nimitz class carrier and dock it. It is a bit tight turning it around, which we discovered with the *John F. Kennedy*, which is the same length. The only problem with the carriers is that they are slightly longer than the docking area, which is 900 feet long.

We had frequent visits there by SSNs and SSBNs. I took a ride on the SSBN Nebraska and the SSN Boston. In 1995, we stopped port calls in Athens for security reasons. In the summer of 1995 the Royal Navy carrier, *Ark Royal*, was in Athens. It had been in the “Sharp Guard” NATO surveillance force in the Adriatic and then came into port. November 17, using stolen weapons from the Greek military, tried to launch a couple of mortar shells at the *Art Royal*. The only reason that this failed was because it rained and fuses got wet and these guys did not understand how to take care of their equipment. They were found because November 17 announced the success of their attack too early. The Greek police found these rockets on a rooftop near the dock. The *Art Royal* had “Harrier” jets and various helicopters all over the deck and it could have been a great disaster.

We had had the USS *Bellnap*, the flagship of the Sixth Fleet commander, tied up at the same dock maybe six months before. I talked with my naval attaché and we decided that this was too dangerous and from then on we passed up Athens for port calls. We went to Corfu and Rhodes. The *Lasalle* came into Thessaloniki but not into Athens because there was no way we could guard against this. November 17 had too many weapons that they had stolen and there were too many places from which they could launch one of those weapons at the ships.

*Q: The destroyers used to come in but you had major units that were anchored off Athens, didn't you?*

NILES: We did have units anchored off of Athens but this was before we closed Athens to port calls. We had the USS *Boston*, which was a 688 Class “*Los Angeles*” SSN and a Perry class frigate anchored side-by-side out in the harbor, where I visited them, but we didn't bring them in for security reasons. You can do that with smaller units but not larger ones. In terms of my military establishment I had six officers in my Defense Attaches' office. I had an ODC, Office of Defense Cooperation, which was separate from the embassy, with about fifteen officers and maybe fifteen enlisted people and a large number of Greek employees. It was seriously vulnerable to terrorist attacks as it was in downtown Athens. I spent a lot of my time trying to find another home for ODC. Finally, with the help of the Greek military, we found a vacant building on a Greek army base not too far from the Embassy and shortly before I left we dedicated that building. It was not perfectly secure but it was a lot better than the other location. The problem with overseeing a large military establishment really had been solved by the drawdown. We also closed the communications bases at Nea Makri and Kato Souli.

*Q: This was on Crete?*

NILES: No, those were near Athens. Nea Makri was near Rafina on the other side of the mountains from Athens and Kato Souli was a little bit further up the coast near Marathon. We got rid of those two and also turned over a small military installation (Site “B”) on the northern side of Athens in 1996, and drew down the number of people in the embassy that were supporting these operations. I was able to reduce our profile and our

vulnerability. Each base created additional security requirements. In answer to your question, there were some Greek-Americans among the military officers but not many. One of the reasons I had a somewhat easier run than any of my predecessors who were in Greece after the overthrow of the dictatorship in August 1974 - Mike Sotirhos, Bob Keeley, Monty Stearns, Bob McCloskey, and Jack Kubisch - is that they also had to deal with the political problems that arose from our large military presence in Greece. I was lucky that I did not have to deal with that.

*Q: I would have thought that there would have been a slight bit of schizophrenia as far as the Greek government was concerned. It was essentially a leftist type government with anti-American overtones. At the same time the more we got our military out of there the less Greece meant to us in military terms, which reduced their bargaining position vis-a-vis Turkey. Was this a factor?*

NILES: I think that recognition of that fact was one of the considerations that caused Papandreou to step back from his 1981 campaign pledge to close down all the US military bases in Greece. In addition to a pledge to carry out what amounted to a domestic social revolution, the 1981 Papandreou campaign had three major foreign policy planks: 1) get out of NATO; 2) get out of the European Community, which Greece had just entered; and, 3) get rid of the American bases. Since he won the election convincingly, you have to assume that a majority of the Greek people either agreed with him or did not care. For all of his rhetoric, however, Papandreou understood that while he did not like the American military presence, it gave him a call on American resources and military protection. He certainly did not feel he needed it against the Warsaw Pact, but he did have big concerns about Turkey, some of which resulted from his government's poor management of the Greek-Turkish relationship, such as in the 1987 *Sismik* crisis when Deputy Foreign Minister John Kapsis almost provoked a war with Turkey. I believe he came to see that a large American military presence in Greece gave him greater security vis-a-vis Turkey. The same was true of membership in NATO and the European Community. In any case, his three foreign policy planks remained unfulfilled when he left office in 1989.

By the time Papandreou left office in 1989, Greece had become heavily dependent upon funding from the European Community, which amounted to around five or six percent of the Greek GDP. He had also extended the base agreement with the United States. As is often the case in politics, very few people went back and asked why he didn't do any of those things he said he would. Papandreou clearly understood the value of the relationship with the United States as far as Greece's relationship with Turkey. He tried to keep as close to us as he could, as he knew we would stay close to Turkey. He was right, as we saw in the case of Imia. We saved both of them from themselves.

One interesting question for us now will be answered in January or February when the Greeks have to decide what kind of new fighter airplanes they are going to buy. Are they going to buy from Boeing or Lockheed Martin or are they going to go European? If they go European what that will do is: 1) burnish their European credentials; and 2) say that their relationship with the US military isn't so important any more. My sense is that they

will buy some of both and keep the relationship with us.

*Q: We have talked about the Macedonian problem but what about the efforts in Bosnia? Did that act at all on you?*

NILES: We were able to secure Greek participation in the NATO force sent to Bosnia following Dayton. They are still there with a supply battalion. Why did the Greeks do this? They realized that participation in the NATO military effort gave them a voice at the political table. They also contributed to "Sharp Guard" in the Adriatic. Another reason why they joined these efforts was because the Turks were there. The Greeks felt that if the Turks were coming back to Bosnia, then they were going to be there, too. We encouraged the Greeks to participate. We also encouraged them to become more involved with the programs in Albania, Romania and Bulgaria. We didn't have to push hard because they saw that these partnerships were good ones. They saw that being involved was good for them. The Turkish angle wasn't absent there either. The Turks were also involved in these projects and they wanted to be there to balance the Turks and watch the Turks. Our military people worked closely with the Greeks and they were satisfied with the way the Greeks performed. The Greeks also had military training missions in most of the southeastern European countries. They had to withdraw their military training mission from Albania in 1996, as there was no one left to train, although they kept their Consulate in southern Albania.

*Q: There were too many people wandering around with guns.*

NILES: Everybody in Albania seemed to have an AK 47 and they were using them. Of course, some of those weapons ended up in Greece, in some cases as far away as Samos and Crete. That was a disaster. Greek policy in southeastern Europe, once we got over the embargo on Macedonia and the problems I mentioned between Greece and Albania in the summer and fall of 1995, was farsighted and constructive. They saw their interests served by promoting democracy and economic development and were prepared to put resources behind it. We worked with them closely. Dick Shifter found that the Greeks were prepared to support his Southeastern Europe Cooperative Initiative (SECI).

*Q: Were there any consular problems?*

NILES: The only consular cases in which I became involved were the child custody cases. I remember two in particular in which I became actively engaged, one on Crete and one in Thessaloniki. Both were difficult cases and took up an enormous amount of time of the Consular officers involved, the DCM and me. On Crete the case involved a kidnaping of two young girls by their Greek father who lived in New Hampshire, I believe. The father brought them back to Crete. The courts in the United States said the children must be returned to the mother. The Greek government and courts said the same but the children stayed in Crete. I raised the case with the Foreign Minister, and finally with the Prime Minister. They looked into it and agreed that the children should be returned. But in the male-dominated, tightly-knit Cretan society, we were unable to secure the implementation of all of these court orders. When I left the girls were still

there. There were charges of sexual abuse, but I don't know if they were true. This case had Congressional interest as well. Tom Lantos from California had a son-in-law who was a Congressman from New Hampshire. His name was Dick Svec. He ran for the Senate in 1996 against Senator Smith and lost. He was the Congressman involved and since he was married to Tom Lantos' daughter, Lantos was also involved. We did all we could. You can't go much higher than talk to the Prime Minister, Foreign Minister and the Minister of Justice. We simply could not find a local official on Crete who would execute the court orders. The police officials in Athens were not able to force their colleagues on Crete to act.

The case in Thessaloniki was similar. Two children, in this case from Alaska, had been taken back to Greece against all court orders by the Greek husband. In Thessaloniki, the American citizen mother had the children but she couldn't leave the country. She tried on one occasion but was stopped. We helped her make her way out of Greece, bending, if not breaking, the law. The husband was outraged and blamed us. This happened in the summer of 1997 just before I left. The husband was talking about suing the Embassy. Good luck.

These are terribly difficult cases. Rarely is all the truth and justice on one side. The children are the pawns. The parent who kidnaps the children is breaking the law and should be punished, but often these cases are very complicated.

*Q: We have lots of examples of women married to Iranians and the children are taken back under Iranian law.*

NILES: They made a movie starring Sally Field, *Not Without My Daughter*, in which that happens. In Greece the situation was difficult because it is still a male-dominated society and very rarely will courts side against the husband in favor of the wife, even when they are both Greeks. The idea of courts acting against domestic violence where the wife is being abused is relatively new but it is getting started. As part of the European Union, Greece has to adhere to its standards. It is even more difficult in the Middle East.

*Q: What about commercial issues?*

NILES: I spent a lot of time working on commercial issues. One of the great advantages that American ambassadors had the support of the large and active Hellenic-American Chamber of Commerce. I think it is the largest and most active of its kind in Europe. It is an organization that has a high standing in Greece. It is well respected and prominent. For example, when Papandreou was on his last legs in the fall of 1995, the three principle competitors for his succession, Simitis, who ultimately won, Arsenis, the Minister of Defense, and Tsohadzopoulos, now Minister of Defense, each used the Hellenic/American Chamber of Commerce as the organization as the platform for a speech that amounted to the kick off of his campaign. The speeches had nothing to do with Greek/American trade or economic issues, but the Hellenic/American Chamber of Commerce was seen as an organization that could bring out a good crowd. For the Embassy, the Hellenic/American Chamber of Commerce made up for the fact that we had

practically no funds for trade promotion. The Chamber sponsored shows that were very successful commercially. The only thing we provided was technical support, the Embassy's name and an ambassadorial reception, which they paid for. They regularly sponsored computer shows, a big maritime show, a show on defense equipment, and many others. All we did was show up and say what a great thing. It was the heart and soul of our trade promotion effort.

*Q: Did you find there were problems with Greek law?*

NILES: Before we get into that I want mention another commercial link between Greece and the United States. We put together a Greek/American Business Council, which was a smaller group of high-level business executives on both sides. It was formed at the time of Prime Minister Papandreu's visit to the United States in 1984. It played a useful role. It was not as successful as I had hoped it would be but it focused higher level US business attention on Greece as a place to do business, not just for the Greek market itself but for the southeast European region.

*Q: Greece as the center of an economic region?*

NILES: Yes, that could happen if the Greeks adopt smart policies and political conditions are favorable. Thessaloniki, when political circumstances have permitted, has been the commercial center for an economic region that includes what used to be Yugoslavia, Albania, Bulgaria, Romania, the European parts of Turkey, and Greece. This was true during ancient times under the Macedonian, Roman, Byzantine, and Ottoman empires. This can happen again, and I encouraged the Greeks to focus on how to promote this development, which would make Greece not just a market with 10.4 million people and a member of the EU and NATO, but also the center of an economic region, albeit one with lots of problems.

You raised the question about problems with Greek law and regulations. This was and is a problem. It is becoming less of a problem as Greek laws and regulations are being harmonized with those of the European Union. That is the public and official aspect. There is another aspect and that is the way in which the Greek system actually implements these laws. Here you run into the problem of the poor quality of the Greek bureaucracy, including corruption and poor organization. This is well recognized by the current Prime Minister, but recognizing and solving it are not the same. Greece suffers from the lack of a well-functioning bureaucracy, including the police and the tax service.

One thing that I implemented was a closer relationship between the IRS and the Greek tax service, and finally we established a permanent IRS training mission in Greece. This did not make us really popular with the Greeks. It was occasionally embarrassing because at the same time the IRS was trying to help the Greek tax service become more effective, it was taking some heavy hits at home for its own failures and incompetence. The fact of the matter is that however bad the IRS was, it was so far ahead of the Greeks that it was still able to show the way for substantial improvements for them. One reason why the Greek fiscal picture has improved so much in the last few years is because tax collections

have increased substantially, and one reason for that has been the help of the IRS training mission.

One of the problems that any ambassador would run into in Greece was the inability of the Greek government to stick with its agreements. This frustrated investors who came into Greece in good faith under certain assumptions only to find that six months later things had changed. Frequently that had to do with personnel changes at the top. Ministers didn't always pay attention to the commitments of their predecessors. I spent a lot of my time going around to ministers saying that a deal is a deal and they couldn't just push these contracts aside. This was really difficult in the case of licenses to run casinos in Greece. During the New Democracy government, the Greeks issued casino licenses, most of which to American companies. Then the government changed and they decided they weren't so keen on casinos. In the meantime American companies had come in and spent a lot of money on licenses, casinos and hotels. My role was to tell them that whether they liked casinos or not was irrelevant now that they had a law on the basis of which the previous government had sold licenses. I told the Greeks that when you jerk a company around the word spreads and soon Greece would become known as a dreadful place to do business because the rules are constantly changing. I can't say that I was satisfied with the results I achieved in the commercial area. We established a better framework for the future but it was frustrating dealing with the Greek bureaucracy.

*Q: How did you feel about what the Greek educational system was putting out as far as the future for Greece? You mentioned computers quite a bit as the entrée to the world.*

NILES: The Greek system of higher education is not a success. The Greek constitution, adopted in 1975 following the restoration of democracy establishes in Article 16 that the Greek state has sole responsibility for higher education. You could say that that is none of our business but you have several American-sponsored educational institutions that were there long before 1975 such as the American College of Greece. It is one thing, of course, to establish that constitutional principle, but it raises the question whether the Greek state is then able to implement it. During my time there, the answer was clearly "no." In 1995, only 20% of the graduating seniors were able to gain admission to one of the Greek universities. What about the other 80%? You had Greek families sending their children all over the place for higher education. The thirst for higher education is as strong in Greece as it is in this country.

My effort with the government in support of the American-supported institutions was to get them to change or reinterpret the constitution, particularly in the case of non-profit institutions such as the American College, Anatolia College and the American Foreign School. The other two United States-supported institutions – Athens College and the American School of Classical Studies – were not directly affected by the constitutional provision. I tried to persuade the Greek government to stop regarding the American-supported institutions as alien bodies that had invaded the system. I was unsuccessful. Nonetheless, the institutions continued to grow. Anatolia introduced a four-year college, as did the American Farm School. I didn't really have a problem with Ministers of Education. They agreed with me that these American institutions played an important

role but there was an enormous amount of resistance on the part of the Greek teachers union and the Greek bureaucracy, which were incapable of educating the population but did not want to admit it. Like monopolies everywhere they love their power. This is an issue that remains today.

I was able to establish a committee representing all of the US institutions in Greece with participation by the Ministry of Education at which they could talk about problems. It concentrated on day-to-day problems but didn't deal with the longer-term problem because its solution required a constitutional amendment. It is a bit sensitive for a foreign ambassador to advocate a constitutional amendment on such a sensitive issue. I did it but with the feeling that maybe this wasn't the role I should be in, but what could I do? I honestly believed then and now that this was in the interest of Greece. It was frustrating. You notice my frequent use of the word frustration. I love Greece but it is an immensely frustrating place to work.

*Q: I think it is true for all of us. There is great feeling of relief when you leave.*

NILES: I didn't leave with a feeling of relief. I left with a feeling of disappointment over unfinished business. I think ambassadors should stay in a country for more than four years, but I wasn't agitating for more time. If I had stayed for eight years I would have probably felt the same way.

*Q: Did you run across any problems with religion and proselytizing?*

NILES: Yes, as a matter of fact. I was totally unprepared for the attitude of the Greek Orthodox Church toward the rest of the world. This is an extraordinary thing to come up against. Shortly after I arrived, I called on Archbishop Serafim. He had been Archbishop of Athens and head of the Church in Greece for maybe 20 years. He died in 1998 and has been succeeded by Archbishop Christadoulou, who is said to be more flexible and modern. Archbishop Serafim was in his 80s and was one of the hardest-line guys I ever ran into. He was very ill with kidney problems and was on dialysis. He was yellow with jaundice, but he was a tough guy. He had a big picture of himself in his office in the archbishop's palace dressed up as a guerrilla during the war. He was dressed as a priest but had bandoleers of bullets around his body, somewhat like a Sam Browne belt, and was carrying a machine gun. He fought with the non-Communist Greek resistance group and claimed to have killed a lot of Germans and Communists during the war and in the Civil War that followed. His basically aggressive nature continued, and the entire Greek church under his leadership had a relatively hostile attitude toward other religious organizations. They were very strongly against the Turks, and they hated the Vatican and the current Pope.

In September 1995, they celebrated the 1900<sup>th</sup> anniversary of the writing of the gospel of St. John on Patmos. It was a big religious ceremony. They tied it in with environmental protection. Tim Worth, the Under Secretary for Global Issues, came to the event. I asked him if religion was one of his issues but he said he was there for the environmental issue. The Patriarch from Constantinople, Bartholomeus, came as well. All sorts of religious

people were there. The island of Patmos is an important place in Christian history because of the famous monastery there where St. John wrote his gospel and the fact that St. Paul visited the island. Patmos is not officially under the authority of the Archbishop of Athens; it is under the ecumenical Patriarch in Constantinople. At one point the Patriarch Bartholomeus, organizing this event on Patmos, decided it would be a wonderful opportunity to cast a vote for ecumenism and suggested to Serafim that the Pope be invited. Serafim told Bartholomeus that he could invite the Pope if he wanted to but if he did, the Greek church would withdraw from the celebration. Bartholomeus withdrew the proposal. The Greek Church is very hostile toward many other churches. I tried to discover what is at the root of this. I finally found that it all goes back to 1054 A.D. and the Council at which the two churches split over two or three words in the Nicene Creed. In the West we say, "I believe in one God who proceedeth from the Father and the Son." The words "and the Son" which appear in the western version of the Nicene Creed do not appear in the Greek version. The church split over these words and a lot of politics. I had never heard of this dispute until I got to Greece. After I read the two versions and considered the meanings, I thought that the Greek version made more sense, for all that that opinion is worth. Then in 1204 AD the fourth crusade under the Pope of the day and the Frankish King of Sicily and southern Italy set out to liberate the Holy Land but in fact attacked Constantinople and seized it. The Latins held the city from 1204 AD until 1254 AD when the Byzantines took their capitol back. In the meantime, however, the Turks strengthened their position in Asia Minor and for the first time crossed the Straits into southeastern Europe. Ultimately, of course, in 1453, Constantinople was seized by the Turks. The Greeks blame the 500 years of Turkish occupation of Greece on the Fourth Crusade. Their argument is that if the Fourth Crusade had not so significantly weakened the Byzantine Empire, it would have stood as the bulwark against the Turks. Maybe that would have been true. If you think about the terrible consequences of the Turkish occupation for southeastern Europe, Yugoslavia, Romania, Bulgaria, and Greece, you can see why they have a particular animus against the West and particularly against the Vatican. The Vatican was the inspiration behind or the legitimization behind the Fourth Crusade. The Frankish kings in Sicily would never have been able to pull this off without the Vatican saying that yes, these were schismatic Byzantines and attack them so that the truth faith may be restored. This historically-based hostility toward some other religions is pronounced.

You asked what our involvement in this issue was. We were constantly going to the government and asking them to lighten up on Protestant religious groups. The Mormons, for example, wanted to establish a house of prayer in Athens. In order to do that, by Greek law, they had to have not only State approval but also the approval of the local Orthodox Bishop. Well, in almost every case the local Bishop would find ways to say no. The Greek government was unable to force the local bishops to agree. It is a little like the child custody cases in which the government was unable to enforce Greek law. The government couldn't force the Greek church to do what it should in approving churches for non-Greek Orthodox faiths like the Baptists and Catholics and in particular for the Mormons. The groups that engaged in proselytizing had a very tough time in Greece. We were under strong pressures from members of Congress such as Senator Hatch who pointed out that even though Greece was were a good ally, the government was allowing

discrimination against the Mormon church in Greece. There was no question that was going on, and the government would have allowed the establishment of Mormon houses of worship, but the Greek church said no. The Greek church is a state church and the Greek government finances the Greek church. Greek Orthodox priests are basically civil servants paid by the state. There is a tight interlocking relationship between the two. It is unlike most countries.

I developed a theory about why Greece is this way. There are three countries in Europe in which the church plays an extraordinary role in the life of the country. Those three countries are Poland, Greece and Ireland. What links those three countries? They were all occupied by foreign forces, the British in the case of Ireland, the Austrians, Prussians and Russians in the case of Poland, and the Turks in Greece. During this long period of foreign occupation, the respective national churches - the Catholic church in Poland and Ireland and the Orthodox church in Greece - kept the national spirits alive. Had it not been for the church in Greece, and I think that this is true for Poland and Ireland as well, the national consciousness might have been lost during the long occupation of the Turks, Austrians/Germans/Russians, and British. It wasn't as long in the case of Poland. The British occupation in Ireland started in the 15<sup>th</sup> century and lasted until 1921. It continues today according to the Irish.

In Greece there is no question that had the Orthodox church not been there preserving the culture, the language and the national feeling, who knows what would have happened during this period from roughly 1350 AD until 1913, when Thessaloniki and the rest of Greek Macedonia and Western Thrace were transferred to Greece. That is a long time. Large parts of northern Greece were not free until the latter part of the 19<sup>th</sup> century. I can understand why the Church occupies the place it does but it creates a lot of problems for Greece today as this country strives to modernize and join the European Union and the outside world. I hate to think what our first report on the observation of religious liberty in Greece is going to be like. We are going to have to describe Greece as a country in which non-Greek Orthodox churches are subjected to substantial discrimination.

*Q: I was there when the Mormons were trying to do something without a lot of success and article one of the constitution stated that the Orthodox church was the official religion and thou shalt not proselytize.*

NILES: It is still there. It hasn't changed a bit. Maybe the words have changed a bit but the law is the same. Religious groups such as the Mormons, Seventh Day Adventists, and Baptists that proselytize have a difficult time. The Catholic Church has an uneasy relationship with the Greek state. There are pockets of Catholics in Greece. For example, the Ionian Islands which were never occupied by the Turks and were Venetian until the French seized them 1801, and then the British had them until the 1854 when Queen Victoria gave them to the Greeks. There are Catholics on some of the Aegean islands as well. Rhodes has some Catholics, as does Chios. You probably did not realize that Christopher Columbus was Greek. Some Greeks claim that he was born on Chios, which was a Genoese colony until 1527, there is no question that he lived there for a while before he left Italy to go to Spain. When I visited Chios, the people told me that one of

them had discovered America.

*Q: Is there anything else we should cover?*

NILES: I don't think so. I left Athens on September 27, 1997. I spent a year as Vice President of the National Defense University at Fort McNair and was then retired.

*Q: Could you talk just a bit about your impressions of military education?*

NILES: It makes a very positive contribution. These schools primarily prepare military officers to assume leadership positions in the national security area, but civilians, including State Department officers, benefit from the schools as well. There is an extraordinary commitment of resources on the part of the military. In comparison, the State Department's role is somewhat embarrassing since this is our area of activity. The Senior Seminar in Foreign Policy is our version of the National War College. It is excellent, but it is a very small program.

*Q: The State Department contingent is probably less than 15.*

NILES: It is about 12 to 15, I believe. With 1.4 million men and women under arms, our military establishment is, of course, huge compared with the Foreign Service, but the extent of the educational effort by the military is quite remarkable and shows a great commitment to prepare their people. We are lucky in the State Department that these institutions have been opened up to us. I went to the National War College, and it was a great experience. I am sure that the Foreign Service officers who go through one of the military programs come out with a much broader vision and are better able to operate in their positions.

My pitch to the military while I was there was to try to turn the National Defense University into the National Security Policy Institute or something like that, broadening it and taking in more people from outside the military. I think the Senior Seminar should be absorbed into the National War College, which it tries to replicate. It doesn't do a very good job because it is so small. It is not cost effective. You have the National War College down in Fort McNair with about 185 students who are part of a larger institution with about 450 students. It would be preferable to join forces and for the State Department to play a bigger role in the operation of the joint institution. I also think the interaction between the uniformed military and the civilians at the Defense College is great. You also have this at the Senior Seminar but again it is so small. The interaction between the uniformed military and the civilians is a broadening experience for both. It was an eye opener for me coming out of Moscow in 1976. I spent a year at the National War College. I don't know if the military officers would say it was invaluable to spend time with counterparts from the Foreign Service, but I think they found it educational.

My push was to try to integrate the State Department and the Defense Department education, even to the point of the language training. What does that mean for this place, the National Foreign Affairs Training Center, also known as the Foreign Service

Institute? If there were an amalgamation, the NFATC could specialize in certain areas - languages, for example, and skills that are needed only for Foreign Service personnel such as Consular operations - and leave the national security studies to a Joint Defense/State structure that would presumably be at Ft. McNair.

*Q: As we close this long interview, what is going on now?*

NILES: I am leaving Washington on January, 16, 1999, and moving to the New York area to become the president of the United States Council for International Business. I will succeed another retired colleague, Abraham Katz, who retired from the Foreign Service in 1985 and is now retiring from the Council's Presidency. I am going to try to fill his large shoes. I will work in New York and live in Scarsdale. The issues that the Council is dealing with are many of the same issues I have been working on in the Foreign Service so much of the substance of the work will be largely familiar.

*Q: Great. Thank you.*

*End of interview*