

Oral History Interview
with
GEORGE C. MCGHEE

Director, U.S. Commercial Co., 1946; Special Assistant to Under Secretary for Economic Affairs, U.S. Department of State, 1946-47; Coordinator for Aid to Greece and Turkey, 1947; Special Assistant to Under Secretary of State, 1947-49; Special Assistant to Secretary of State, March-June 1949; Assistant Secretary for Near Eastern South Asian-African Affairs, 1949-51; and U.S. Ambassador and Chief of American Mission for Aid to Turkey, 1951-53. Also served as Senior Adviser, North Atlantic Treaty Council, Ottawa, Canada, 1951.

Washington, D.C.

June 11, 1975 by Richard D. McKinzie, Harry S. Truman Library

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MCKINZIE: Ambassador McGhee, a lot of historians are very interested in why people go into Government service. There was an account in *Current Biography* several years ago which quoted you as saying that you went into the oil business as a young man because it offered you the best way to get rich in a hurry so that you could afford to go to work for the Government. Had you at this very early stage in life decided on this course?

MCGHEE: I'm not sure I said it in quite that same brash way. However, there is no question

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that I had decided to seek a public career early in my life, and one of my reasons for going into the oil business was to make it possible economically to be free to do this. I was influenced a great deal by the three years I spent at Oxford where there was a great tradition for public service, and I came to attach significance to it at that time.

MCKINZIE: At that time did you know significant public figures in American life? Had you met Will [William C.] Clayton?

MCGHEE: No, not at that time. I first met Mr. Clayton when I came to Washington as a member of the War Production Board before we were in the war. I worked closely with him at that time when he was head of the Reconstruction Finance Corporation.

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MCKINZIE: You spent a couple of years in Government in the War Production Board before you went into the Navy. Did that experience teach you anything which was to have a bearing on your later philosophy of self-sufficiency, or lack of resources in the United States?

MCGHEE: I was working in the field of raw materials. The Combined Raw Materials Board was a British-American board set up to allocate raw materials between the Allied Nations. I was deputy executive secretary of this board and learned from firsthand knowledge the conditions under which raw materials were produced in the world; the economics of their production; and, where their markets were. It gave me a very valuable perspective into the general resource field, which has always been one of my continuing interests as a geologist, particularly specialized in

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oil. I had an insight from a professional viewpoint.

MCKINZIE: Many of the other people who worked in the War Production Board became very convinced of the necessity of planning in the postwar period as there had been planning during the war period. Some people were saying, as early as 1942 or '43 when you left, that the problems of winning the peace or of stating the peace were going to be as complex as the problems of supplying the war. And since this very carefully orchestrated production system had worked during the war, it ought to be continued in the postwar period. Did you have any of those feelings?

MCGHEE: Yes. That's one of the reasons that I wanted, after my term in the Navy was over, to come into the State Department and sought a position with Mr. Clayton.

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I, having participated in the war effort, was very keen to help dismantle the machinery set up during the war; to effect a peacetime transition; to assist those countries that had been ravaged by the war; and, to combat the efforts on the part of the world Communist movement to take over some of these countries by force.

MCKINZIE: You said earlier, before we started recording, that you considered Will Clayton one of the great living Americans of that day, and yet you worked for him. That's a very high tribute to pay to a man for whom you worked.

MCGHEE: I knew him very well, and the results were a much greater appreciation of his qualities. He was an extraordinary man, self-educated, very unassuming, a handsome fellow, of courtly manners. The best self-educated

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man I've ever seen. He knew more about any subject than anyone who talked with him, including the ministers who called on him from other governments. I had a marvelous opportunity to get to understand his economic philosophy. I attended all of his meetings. When people called on him, I sat in the corner and took a memorandum of conversation and got action on what he had decided. Having watched him in action for over two years, I could tell you pretty much what his reaction would be to any circumstance. It was a great education to me.

MCKINZIE: One of the questions that's come up in recent years is just how influential his economic philosophy was in the State Department in 1945 and 1946. It was after all quite different than what had been in effect in the distant past.

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MCGHEE: His economic philosophy was very simple. It was that of a private trader in commodities on a world scale, trading without any help or interference by Government in buying and selling cotton all around the world. His firm had 5,000 employees in Brazil alone and bought and sold cotton on a tremendous scale. Out of this came his own private trading philosophy, and that dominated our Government. He was much more important in the international economic field than anyone in the Department of Treasury or in the Department of Commerce, or the aid agencies of that time.

MCKINZIE: Mr. Clayton was not alone in believing that when the war finally ended there would be a period of a couple of years in which European nations, particularly, would rebuild

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themselves. Then if they pursued a free trade policy, there would be more integration of world economies and an upward spiral of standards of living. What went wrong?

MCGHEE: What went wrong was that the European countries didn't have the resources to recover without our help in a very large way. The mere creation of a condition for free trade was not enough. They couldn't make the payments for the raw materials they needed. Their economies were so depressed that the partnership between the cities and the country had broken down, and the country didn't supply the food for the cities. Although Mr. Clayton was trying to create an international trade organization, which would create free conditions of world trade, he very soon recognized that the Europeans couldn't make it on their own. He was, in

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my judgment, the principal originator of the Marshall plan.

MCKINZIE: Would it be fair to say that international financial institutions such as IBRD, IMF, and the Ex-Im Bank were inadequate to the task of reconstruction of Europe?

MCGHEE: Yes. They provided the framework within which trade and investment could take place, but they didn't provide the capital. The countries had lost all of their capital as a result of the war. The British loan was the first recognition that we had to provide extraordinary amounts of capital to individual European countries. But even that wasn't adequate and was obtained only with very great difficulty from the Congress.

In initiating the Marshall plan, Clayton and others recognized that the

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need was much greater than we thought. His estimate of 14 billion dollars proved to be almost precisely accurate. That's just what we transferred in the years under the Marshall plan. This raised the level of capital available, and introduced the principle that they would reconstruct their countries on the basis of a cooperative effort under a single coordinating mechanism.

MCKINZIE: Did you go with him to Geneva in April of 1947 when he attended the GATT convention or something, and people evidently personally pressed their needs for...

MCGHEE: No. I'm very familiar with his actions during this period because I was staying home looking after the office. It was a meeting of the ECE. The ministers of the various countries who were there impressed

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upon him their need for foodstuffs and raw materials for their plants. France in particular, as I recall, had a tremendous deficit in wheat. This was one of the principal matters he gave attention to. He went to Paris for that purpose, and when he came back, he wrote his famous memorandum which described the need and the necessity for us to make a move. In my judgment this memorandum (which by the way I carried from his sick bed to the Under Secretary of State) was the single most important impetus for the Marshall plan.

MCKINZIE: He was so concerned about the need for immediate action that he gave you this memorandum?

MCGHEE: He had just come back from Europe. He had the flu, or something and was in his bed.

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I went out to show him telegrams and to see what was on his mind. He had written this memorandum and gave it to me. I took it immediately to the Under Secretary.

MCKINZIE: One of the things that always comes up in connection with the Marshall plan, is why the United States decided to do it the way it was done. There was after all this organization that you've already mentioned, the ECE, and there was, or could have been, a special agency of

the United Nations to administer it. Was that seriously discussed in the office in which you worked?

MCGHEE: I didn't play an important role in the policy discussions leading to the Marshall plan. I am sure that the various vehicles were discussed, but ECE included the Eastern European countries. Once Russia turned down

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their participation in the Marshall plan, this mechanism was not adequate. I don't think anyone felt the United Nations (this includes not only the countries of Europe but the whole world) would have provided an adequate mechanism. So it was necessary to set up a new ad hoc committee in Paris under the chairmanship of now Lord Franks.

MCKINZIE: At the time this was being planned did you recall the discussions about whether or not to invite the Soviet Union, with the hope that they would or would not participate?

MCGHEE: No, I don't recall. In inviting them we were sincere and would have attempted to go through with it had they accepted. It's the greatest good fortune that they elected not to accept and not to allow the Eastern European countries to accept. I doubt if the Marshall plan would have been successful had the Soviets been a member. All of our other postwar efforts in which they participated made little progress. The regime of Berlin is a very

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good example.

MCKINZIE: The way the Marshall plan legislation was drafted, there was almost a built-in impetus for European countries to integrate with the provision that no one submit a shopping list of his needs. There was to be a coordinated, planned recovery. Is that the hand mark of Will Clayton?

MCGHEE: Yes. Clayton obviously saw the problem as a whole. One of the principal reasons was the interdependence of the continental countries for coal. This was one of the main reasons they had to cooperate. It was quite obvious that if they attempted to reconstruct their countries in isolation from each other, the result would probably have been a failure. Only by developing Europe as a unit with some opportunity for specialization of efforts (particularly transferability of coal and energy) was there any hope for success. Clayton understood all this extremely well.

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MCKINZIE: Mr. Ambassador, there's one thing I would like to ask you, but I think I know what your answer is. There is a historian who contends that the Marshall plan originated out of the agitation of General [Lucius D.] Clay in Germany. Germany had become a load on the Army and U.S. taxpayers, which was going to become permanent unless something was done. The only thing that Clay could figure to do was to reintegrate Germany into the economy of Western Europe. Through various channels this pressure found its way to the State Department and was a strong impetus for the development of this plan. Is that at all valid?

MCGHEE: This was an important element of the problem, and together with the raw material shortages in England, France, Italy, etcetera, it would have helped provide the rationale

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for the Marshall plan. Germany could only be reconstructed as a part of Europe. Europe could never have tolerated Germany's development in isolation, and this fitted in well with the concept of having the Marshall plan under one coordinating mechanism with the decisions made by Europeans. I'm sure that General Clay's recommendations in this regard were important, but they were by no means the exclusive origin of the concept of the Marshall plan.

MCKINZIE: About the time that all that got to be complex in the Department, you were appointed the coordinator of Greek-Turkish aid. Could you talk about how you happened to get that appointment and what kind of instructions you got when you took the assignment?

MCGHEE: Both Mr. Clayton and Mr. Thorp, his deputy,

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were away much of this stage. After the passage of the original Truman Doctrine legislation, someone had to give consideration to how the 400 million dollars that we sought would be spent in order to get the appropriation legislation. I was appointed chairman of an interdepartmental committee to accomplish this. I held meetings day after day with representatives of the Department of Commerce, Agriculture, etcetera. In presenting the original legislation, little thought had been given to how this would be administered. Those involved had thought vaguely that it would be administered by the State Department, but it was quite obvious that the State Department, which is essentially a big policymaking mechanism, was not in a position to administer such a program. We developed the concept that the Washington backstop would

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be in fact an interdepartmental committee chaired by the State Department. The representative in the field would be the administrator of the program, not the coordinator of the committee in Washington. This came from General Marshall's experience in China when he was given full authority in the field. He had back in Washington General Carter to coordinate efforts in his support. This was given to me as the model. It was made very clear that Greek-Turkish aid was administered by General [James] Van Fleet and Ambassador [Edwin C.] Wilson, and that I was their Washington backstop.

I wrote an article on how this was accomplished which will give all of the details if you might be interested.

MCKINZIE: Yes. Where was that published, sir?

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MCGHEE: I have it here, some organization later published it.

But this arrangement was quite new, it had never been done in our Government before. I think it worked quite well. As coordinator for aid to Greece and Turkey, I had a small office with

perhaps thirty people in the basement of the State Department. I administered Public Law 75 for its entire existence, reporting to Mr. [Robert A.] Lovett, who was Under Secretary of State.

MCKINZIE: You had mentioned earlier that you weren't intimately acquainted with U.S. policy toward Greece or Turkey before you were named the coordinator of this program. There is, however, a scholar who contends that the deteriorating British position in the Mediterranean was known in the State Department, and there were people who expected

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Britain to pull back. The question was when and not whether the U.S. would assume some former British responsibility. The question involved the size of the commitment. Is that a plausible explanation given what you've learned later?

MCGHEE: It's obvious that the officers in the Bureau of Near Eastern Affairs would have given thought to this. The British economic situation was such that it was difficult for them to continue giving economic aid to Greece. They had 3,000 troops there, but they weren't really in a position to give them adequate supplies or to maintain them for any extended period. Perhaps people in the NEA anticipated that the British action. However, at the time it happened, it caught us by surprise. It came from a quick decision

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in the British Cabinet and was presented to us as a fait accompli. They were pulling out. They didn't ask us; they told us.

MCKINZIE: When all that occurred and you began to set up this system, to what extent did you run into interest blocs who had a special axe to grind? People who wanted to sell Kansas wheat in Greece, or sell American equipment, war equipment of one type or another.

MCGHEE: I don't recall any important obstacles at that time. It was a new program. No one really understood the nature of it, or the course it would take. We had a number of problems, including staffing the mission. In the end we had perhaps 3,000 people in the mission. I had to choose most of the people. We had a very difficult time getting

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the head of the mission, Governor [Dwight P.] Griswold. Most of the top bankers in the country turned us down. We got Griswold because Truman had known him. They had been in the same company during the war. Truman had a high regard for Griswold, and Griswold was willing to do it.

I was besieged by Greek-Americans who sought to impose their particular views on Greek political factions. One had to be very careful in dealing with Greek ethics because their interests were inclined to be colloquial rather than in the U.S. interest.

MCKINZIE: This gets into a very delicate point about not only Greek-Turkish aid, but all aid programs. What is the extent to which the giver has the right to determine the circumstances under which the beneficial

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aid is used? Does the United States have the right to demand internal domestic reforms in order to make this aid effective? As I understand, the United States did in fact insist upon some internal changes.

MCGHEE: The Greeks were in a very weak position. They desperately wanted our help, and they needed it in order to survive against the guerrillas who at one time controlled almost all of Greece outside of Athens and Salonika. They were quite compliant with our wishes. In any event, it was a question of either you do it, or you don't get the money. It was that simple. We did prescribe various conditions which we considered necessary to make the aid effective, to keep it from becoming a creature of Greek politics, and to keep it from being wasted.

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MCKINZIE: It amounts to a benevolent intervention in internal affairs?

MCGHEE: We thought so. Perhaps others might not judge it so. But in any event, we determined it was necessary in order to make the aid effective, and the Greeks had the alternative of not accepting the aid.

MCKINZIE: Did your group in Washington have a difficult time getting things straightened out? Lincoln MacVeagh and his group in...

MCGHEE: No, I think that problem has been exaggerated. It was perhaps inevitable that there would be a conflict. The conflict occurred only for a very brief period, and MacVeagh was removed. There could be only one American running the show in Greece, and the position of the aid

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administrator was more important than that of the Ambassador. I was caught in the middle of this. Being in the State Department I found the sympathies of the officers in the Near Eastern Bureau were for MacVeagh. I was a buffer between Griswold and the Department. Once we recognized that the situation was really impossible, MacVeagh accepted it with good grace. There was never any real conflict. It was dealt with very quickly.

MCKINZIE: It's amazing how quickly that aid was administered, and how quickly you then pronounced the end of the program. You spent a three-week period in the fall of, '47...

MCGHEE: Yes, I went often both to Greece and Turkey during this period. Three weeks would probably have been a normal tour. I don't recall the precise date.

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MCKINZIE: When you came back you indicated that you thought it had achieved its purpose.

MCGHEE: Yes. As I recall, I was a little premature because we had a defeat later in the Grammos Mountains. I had been in the Grammos with Van Fleet during this battle, and when the

guerrillas were defeated and retired into Yugoslavia, I was naturally optimistic. But there they had safe haven. We couldn't follow them, and they were free to wheel around the border, come back in, and inflict a surprise attack on the Greeks.

MCKINZIE: Almost analogous to Laos.

MCGHEE: Yes.

MCKINZIE: There was this military reversal. When you say that the purpose of the program had been achieved, did that mean that economic

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stability had been achieved contingent upon continuation of economic aid? Or did you believe that this initial 300 million dollars would have done it?

MCGHEE: One hundred million to Turkey and another 300 million to Greece in the subsequent year.

We understood full well that Greece would be dependent upon us for economic aid for a long time. As a matter of fact, I would not have been willing to predict at what time that Greece would ever become independent of us. In later years, I was very agreeably surprised when Greece did become independent.

MCKINZIE: Considering the emphasis that was placed on the European Recovery Program for economic integration why was there no such emphasis on Greece's integration in a regional kind of economy?

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MCGHEE: There's no basis for integration with Turkey. There was some basis for integration with Europe, and some was accomplished. We developed markets in Europe for Greek tobacco and Greek ores. Investments were made in Greece by European countries, as well as ourselves. As much integration as possible was attempted under the Marshall plan, but the economies of Greece and Turkey were both quite different from that of Europe. They had never been so industrialized. It was not as easy to integrate their economies as it was those of the Western European countries.

We found also that we had to subdue the guerrillas before we could make any economic progress at all. There was no use in building bridges if they'd blow them up the next day. The farmers could not plant crops if the guerrillas were going to come in and destroy

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them, or take the produce. So, we had to allocate funds that had been originally earmarked for the economic program to the military program.

MCKINZIE: In one sense your job was made more difficult by the maladministration of the earlier UNRRA program. I seem to recall reading in newspapers that suddenly someone would

find 15 tractors that had never been disbursed and that there had been a shunting off of quite a bit of that UNRRA aid. Was that a specter which was hanging over you?

MCGHEE: Yes. That was a particularly important element in American public opinion in persuading them to go into this aid program because UNRRA had achieved a rather notorious inefficiency. This was due to several factors. One, of course, was that there was no clear line of

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authority. It was a multinational operation, and couldn't be run as effectively or as authoritatively as an American operation. There were also lots of East Europeans involved in the administration who were attempting to divert materials to the support of the Communists.

MCKINZIE: Did you accept the belief that people who were modestly well off or who had private property were not susceptible to the appeal of Marxist propaganda?

MCGHEE: This is very complicated. Communism is quite often associated with socialism. There are many indigenous socialistic movements which share the socialistic approach to communism but which are by no means subservient to international communism. I think it's usually agreed that people who have

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made a little progress economically become the most demanding, or the most restless. They seek additional progress more actively than those who have nothing or those who have much. Insofar as they think that socialism or communism offers a better hope for economic progress, they are inclined to accept it. I don't know. It's infinitely complicated as to why so many Greeks sympathized with the guerrillas. I think some of them thought they were fighting against the monarchy. Some of them felt they were fighting against foreign occupation of Greece. This is similar to Vietnam where, I think, they are fighting against us as the inheritors of the position of the French.

Remember that these people never had the tradition of free enterprise that we have. Free enterprise to them meant economic

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exploitation by landowners or wealthy people in the capitals who had monopolies from the government. There was no real free enterprise system in prewar Greece and Turkey corresponding to what we had in this country.

MCKINZIE: When one reads about the Greece and Turkey aid program the emphasis is always on Greece. You never hear very much about Turkey. I take it that program went exceedingly smoothly.

MCGHEE: There were different problems because the Turkish economy had not been destroyed by the war -- only strained. But at the same time we went into Greece we felt we had to boost the morale of the Turks who were under direct pressure by the Soviets to cede their eastern-most provinces and to give them a role in the control of the Straits. In a sense,

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Russia wanted Turkey to become a part of the Iron Curtain. We felt that the best way to stop this was to give Turkey military aid. Only 10 million of the original 100 million was for economic aid. This went for roads mainly. Turkey never got any economic aid under Public Law 75 because the next year they came under the Marshall plan.

We didn't intervene as much internally in Turkey as we did in Greece. It was a different problem. The government was in control of the situation. Its economic problem was not impossible at all, and as I say, there was no devastation from the war.

MCKINZIE: Once the Marshall plan was enacted by Congress in early 1948 what was your role?

MCGHEE: I continued to administer the military

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program, which became separate from the economic, through the second year of operations under Public Law 75. This then became a part of the Mutual Security Program.

MCKINZIE: I must again ask you about a recent historical interpretation. There's a historian at the University of Toronto named Gabriel Kolko. He has concluded that economically the Marshall plan didn't work. He believes that by 1949 it had been determined that Europe would be fine economically as long as the United States was providing development capital. But the minute the development capital ceased to flow, Europe would be plunged again into an economic recession or depression. He goes further to say that by 1949 the American people were tired of phrases like "development assistance" or "economic aid," so it was necessary

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to come up with "defense support" (was the word he used) in order to keep pumping money into those economies. That's kind of a devil theory. Does it mean anything to you?

MCGHEE: No. Defense support came when we shifted impetus to the military effort following the Korean invasion, and we determined that we had to strengthen Europe militarily or Europe would suffer the same fate as Korea. To superimpose military effort upon a recovering group of nations required special capital assistance, otherwise, it would have negated the investment we made on the economic side. So it was necessary to supplement it. As I recall the amount was very carefully calculated to make possible the military effort -- after the economic impetus which had been imparted by original 14 billion dollars ended.

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MCKINZIE: Had there been no military threat would the economic aid given under the Marshall plan have been sufficient to have started the machinery and kept it running under its own power?

MCGHEE: Yes. The money was spent to create new military forces in order to meet this presumed threat. Had it not been necessary to develop these forces, the Europeans wouldn't have needed the additional assistance.

MCKINZIE: Did you ever talk to President Truman about the Greek-Turkish program?

MCGHEE: Yes. I can't recall many details, but on several occasions I called on President Truman in company with Secretary Acheson and we would discuss the program.

MCKINZIE: Did President Truman really understand

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the big picture and the technicalities of this program?

MCGHEE: Sure he did; he understood everything. He had a very broad view, and he was very direct in his actions. If there was a problem he wouldn't beat around the bush. When Acheson recommended a solution, Truman would usually accept it without worrying about the domestic political consequences, or anything else, if he was convinced it was the right course.

MCKINZIE: How did you come out of that, and suddenly get the rank of minister, or get sent off to the Middle East to work on the settlement of Palestinian refugees?

MCGHEE: When Public Law 75 came to an end, Dean Rusk called me in. He was Deputy Under

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Secretary of State at that time and said that the only thing available that they could offer me since my job had been finished was the Arab refugee problem. He offered me the rank of minister. I knew little about the problem. I had been completely absorbed by Greece and Turkey. I had to ask him what the problem was. It had only been created a short time before -- very soon after the end of hostilities.

I joined Ralph Bunche in Rhodes where he was conducting the last of the armistice negotiations - the Israeli-Syrian negotiations which terminated the hostilities. Then I visited all the Arab capitals, came back, put together an organization, and made recommendations to the Department for an overall economic approach to the Arab refugee problem. A mission headed by an Englishman, a Turk, and an American

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would visit the area and formulate a policy. It came to be known as the Clapp mission. I proposed the selection of [Gordon R.] Clapp, head of the TVA, as the U.S. representative because he symbolized dams and water which were the key to the Middle East development. I got Clapp to Washington. He spent the evening with me at my farm and he went over to see the President. The President urged him to take the job, which he did without hesitation. We hoped that by pointing out the advantages of accepting capital to develop their countries (particularly the building of dams and the irrigating of land) the Arab states would see the advantages of using

the refugees as resources and would welcome them. Israel could take some back; the Arabs could keep some. We wanted to remove the political aura which surrounded the problem.

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MCKINZIE: Did you think there was ever really any hope for that kind of a solution?

MCGHEE: No. Later this same idea was tried again by Eric Johnston, the movie czar, but without success. The political aspect of it loomed much more importantly in the minds of both the Arab leaders and Israel.

Out of the Clapp mission, however, came the UNRRA which is still in existence and which administers the provision of shelter and feeding for the refugees. In the meantime the number of refugees has increased from nearly 750 thousand to a million and a half with no solution in sight.

MCKINZIE: Why is it UNRRA had a proposal for an international WPA which got all involved in politics in this country?

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MCGHEE: This came after my time. What they were seeking to do was to put some of the refugees to work rather than have them just sitting in their tents. This was more costly. I think it would have cost 10 million more than what they asked for, but it would have been a very constructive move because these people's morale was very low. The refugee centers were breeding grounds of discontent and guerrilla action. Had these people been put to work their attitudes would have been much better.

MCKINZIE: Is that when you became familiar with the people and policies of the Near Eastern Division in the Department of State?

MCGHEE: Yes. It was my mission to the Middle East in behalf of the refugees that gave me my first insight into the Arab-Israeli

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problem, over and above Greece and Turkey, and led to my appointment as Assistant Secretary of State for this area when the administration changed.

MCKINZIE: You got to know some people who in some way were extremely demoralized, I gather, because of their opposition to President Truman's policy on Palestine to their feeling that he had unduly criticized them by calling them striped pants boys and anti-Semitic. Did this make a difference? Did it make them super cautious?

MCGHEE: As you state there was a difference in view between President Truman and many of the officers in the NEA Bureau as to policy toward Israel. I wouldn't want to characterize any of them as being anti-Semitic, and they were by no means men "in striped pants." They

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did because of their long experience, see both sides of the problem. The leader of the Bureau at that time was Loy Henderson, who came into the Department from the Department of Commerce. He was one of our ablest officers. He is a close friend and I have great respect for him. He was later Director General of the Foreign Service and is still living here today in Washington.

MCKINZIE: In 1949 you presided over a conference of Chiefs of Missions in Istanbul. Did this have anything to do with the implementation of the Point IV program?

MCGHEE: The Point IV program as initially enunciated involved a very small 25 million dollar expenditure and would not have been applicable to problems of individual countries. It would have assisted in the development of overall concepts which might have had limited practical

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applications. What I sought to do, both in this meeting and other settings, was to attempt to enlarge this concept to a more substantial scale that would have practical effects. This led to the Mutual Security Program.

MCKINZIE: That brings up the whole business of Point IV. There was a lot of talk about how that was President Truman's idea because he needed an idea for a speech.

We've been talking about Point IV, an idea which came from the White House then rather than the State Department.

MCGHEE: I never thought much of the original idea. I think they were just buying time. You couldn't have done anything with 25 million. You wouldn't have had much influence on the world. The concept wasn't terribly good anyway. The application of technological advances alone

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without capital and organization has very limited impact. It stirred the imagination and got something going; then the Mutual Security Program gave some substance to it with adequate financing and organization.

MCKINZIE: Did other people feel the same way about it?

MCGHEE: Oh, sure, this was the general view. I played a role in formulating the original programs for the Mutual Security Program throughout my area, which was a large part of the undeveloped world.

MCKINZIE: Do you recall a special mission by Edwin Locke. He went to the Middle East in 1952 to do a survey. He filed a report in which he said that without massive development and remedial social programs there would be a

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revolution. The report was not well-received. In fact, it died as the administrations changed. Did you have anything to do with that mission?

MCGHEE: Yes, I sent him out. He's a good friend of mine. I also sent out Joe Johnson who approached the problem differently -- entirely politically. Previously everyone had approached it economically.

MCKINZIE: How was Locke's report received?

MCGHEE: I had gone to Turkey by the time he made his report.

MCKINZIE: He talked some in his reports of the revolution of rising expectations among the populations, and the demands that people were making as a result of things they'd learned during the war.

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MCGHEE: That's a reasonable conclusion. I assume that we just weren't ready for it. We weren't yet thinking in terms of the large sums that we later were willing to under the Mutual Security Program.

MCKINZIE: In case of another national emergency would a Middle Eastern war have been necessary? James Forrestal, for example, said that the United States could not fight for more than two years without Middle Eastern oil. Was Mid-Eastern policy designed primarily to safeguard Iranian and Saudi Arabian oil?

MCGHEE: This was an important objective of policy for the reasons that you state. I don't recall the analysis that we couldn't fight more than two years, that's a rather long war. At that time, I assume we were still exporters of oil. I don't know when we changed

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precisely. We knew that ultimately our country's resources would dwindle and that the Middle East had the one greatest concentration of oil in the world and was extremely valuable.

When I was Assistant Secretary of State I dealt with this issue. The decision to offer the fifty-fifty agreement was made in my office by the oil companies and accepted by the Saudi's while I was still there. I gave testimony to the Church Committee on all of this including: the fifty-fifty; our objectives in Saudi Arabia at that time; and, why we gave them the tax credits. You'll find it in the Church Committee report.

MCKINZIE: When you were Assistant Secretary you had the very difficult job of trying to be mediator between the Iranians and the British.

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MCGHEE: Yes, I had 80 hours of conversation with Dr. [Mohammed] Mossadegh, most of it with Mossadegh sitting on the edge of his bed. As a result we made a proposal to the British which they turned down.

MCKINZIE: I understand you were meeting with Dr. Mossadegh while Paul Nitze was meeting with Lord Franks, and you two would get together and carry messages back and forth.

MCGHEE: Yes. Paul and I took Mossadegh out to my farm in Middleburg one day. We stayed all day with him. He talked about farming with my family and we talked with him about oil.

Paul and I worked together as a team on this.

MCKINZIE: Did you think the British were obstinate?

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MCGHEE: Very. Anglo-Iranian was run by William Frasier, a Scotch accountant who didn't understand the modern world. His failure to understand the political forces in Iran helped create a very difficult problem for them. The company and the U.K. faced the possibility of a grave loss at a time when they badly needed the income from Iranian oil; so they played their hand pretty close. They missed a great opportunity. We warned them that we were offering fifty-fifty. They could perhaps have had a settlement at fifty-fifty, but they wouldn't offer it.

MCKINZIE: Do you think this had to do as much with the management of Anglo-Iranian oil as it did

MCGHEE: Unfortunately the British Government left it to the company.

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MCKINZIE: Where does the Harriman Commission fit into all these things?

MCGHEE: In the midst of the impasse, I suggested that Harriman go out together with a Britisher (the U.K. named Lord Stokes) to attempt to bridge the gap between the Iranian Government and the Anglo-Iranian Oil Company, but they were unable to do so.

MCKINZIE: I've read that Prime Minister Mossadegh said that if he didn't get his way he would go down and the country with it.

MCGHEE: He made many statements like that I'm sure.

MCKINZIE: Did you find him a difficult man to negotiate with? How would you describe him?

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MCGHEE: Oh, he was a delightful fellow. I liked him very much. We spent half the time laughing at his jokes. But he had a very unreal attitude. He was very anti-British. He didn't trust the British at all. He had an unreal attitude towards the importance of Iranian oil. He thought we would offer any price to keep Iran in the western community. We made it very clear we wanted Iran to stay in the western community, but then we couldn't upset the world oil industry. As a result the Iranian oil fields were closed down for three years, during which they didn't ship any oil.

MCKINZIE: There are a few people who have said that Franklin Roosevelt had a very special interest in Iran. Therefore, Iran was treated quite differently from other Middle

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Eastern countries. Roosevelt's special interest in Iran supposedly developed because he saw it as the place where the principles of the right to self-determination of the Atlantic Charter would be tested. It was on the border of the Soviet Union, and it was a place where British, American, and Russian interests came together during the war. If these nations had territorial ambitions, Iran would be the place where the whole thing would be tested. Did it seem to you that Iran was a very special case?

MCGHEE: I don't believe this was a factor. Roosevelt after all was not President. He was dead at this time. None of us ever heard of this; nor were we influenced by this theory. We treated Iran like any country that was threatened by a communistic takeover,

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(which was true one time under the Tudeh Party at the seizure of Azerbaijan when it was threatened economically). We also wanted to get Iranian oil flowing back into the world oil trade.

MCKINZIE: Ambassador, when you were Assistant Secretary, you had a reputation as being a "doer." Someone told me that you had a different administrative style. They told me that you didn't wrangle endlessly in committees but got on with what you perceived needed to be done given the power you had at your disposal.

MCGHEE: I'd be happy if this characterized my approach. That's my idea of how it should operate. There's an interminable amount of committee meetings and discussions in Government. You don't really make too much

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progress this way. Once you know what you're supposed to do you had better go ahead and do it.

MCKINZIE: Even if not everyone felt...

MCGHEE: They have an opportunity to question your decision. It's very simple. If they didn't like it, all they had to do was to complain to the Secretary and let him decide. I never had any fear of having people who were in parallel activities question my decisions. If you can't persuade them, then go to see the Under Secretary or the Secretary; that's what they're for. There's no use in getting into an argument. Take it to the Under Secretary. I think people make a mistake by locking heads and not making decisions because they find opposition. If the decision is not within your authority it's your duty

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to take it up to higher authority. I was always quite happy to do what the Under Secretary or Secretary decided should be done -- even if I lost. Issues worth resigning over are few and far between.

I spent my early life in the oil business, where people are very practical and move fast. My inclination is to move directly to whatever I'm supposed to do.

MCKINZIE: You went to Ottawa to the NATO Council meeting just after the Korean war started. They were considering the admission of Greece and Turkey into NATO. That, in itself, created a problem because they are obviously not North Atlantic countries. Is it fair to say that they were included as a political rather than a military necessity?

MCGHEE: Yes. I had been the leader in our

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Government to get Greece and Turkey admitted into NATO. I was Assistant Secretary for this area and these countries were my responsibility. At the meeting that you referred to in Istanbul we discussed this issue. Admiral Carney was there representing the Southeast NATO command. All the Ambassadors concluded that if we didn't move, Greece and particularly Turkey who was ready, might if they saw they couldn't, get into NATO, change their minds and decide to accommodate the Soviets. So we got approval by our Government, which up to that time had been opposed by the military. They didn't want to expand our responsibility so rapidly. Having assumed heavy responsibilities under NATO, they didn't want to enlarge it to the Middle East. However we got the president's approval and in Ottawa we sought agreement

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of the other allies. It was first opposed by Denmark and to a lesser extent by Norway. They didn't think of the Middle East as being European, and they didn't want to get involved in affairs so far away.

Later the proposal came under fire from the British who wanted to use it for forcing the Turks under their Middle East Command, and the French who wanted to trade their approval for a NATO naval command. Having persuaded the Danes and Norwegians, we then had an awful time persuading the British and the French to accept without these onerous commitments. But we finally accomplished this after a lot of wrangling, and the invitation was extended to Turkey.

MCKINZIE: Do you remember what tipped the balance in the arguments with the U.S. military?

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MCGHEE: I think it was this meeting in Istanbul with all of our Middle East Ambassadors and Admiral Carney, who had a very keen perception of the problem, as a military man. We had evidence that the Turkish Government was considering making some accommodation with the Soviets, if we weren't going to admit them into NATO. I think it was this evidence that tipped the scales.

MCKINZIE: You had a distinct honor in 1951 when at age 39 you were appointed Ambassador to Turkey. How did you accomplish this?

MCGHEE: I had finished the normal tour as Assistant Secretary of State, and it was logical that I move on to something else. I actually wanted to be Ambassador and Turkey was open at that time. In the discussion as to what I might do, I reacted very favorably to this

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particular possibility.

MCKINZIE: Ten years before you took that post I understand that there were only one or two foreign language officers in Turkey. At that time, most of the diplomatic people in Turkey considered it the end of the world. It was not one of the glamour posts. How did you find it there?

MCGHEE: I was very happy to go. I enjoyed it very much. I'm very interested in the history and geography of Turkey. I traveled everywhere in Turkey. Also we had a very big program. We were spending 700 million dollars a year in Turkey: 400 for the military; 300 for the economy. I was deeply involved in setting up these programs. Having gotten Turkey into NATO, I wanted to see Turkey's participation carried out. I assure you that

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those were two of the most satisfactory years in my life. I enjoyed every moment of them. We still keep in close touch with Turkey. We have a home on the south coast of Turkey. We go there every year for six weeks.

MCKINZIE: By that time did Turkey already have troops in Korea, or were you instrumental in getting them in?

MCGHEE: They already had troops in Korea. That was one of the things that helped to get them into NATO.

MCKINZIE: Do you feel that the accomplishments of those two years solidified Turkish-U.S. relations and Turkey's position within NATO?

MCGHEE: I would like to think so. During this period the Turks with our help built up their Army so it could be the anchor of the NATO

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line in the Middle East. Up until this point, the defense of the Middle East was just a bunch of mush. There was no way it could have been defended. It was very vulnerable to any real concerted Soviet pressure play or attack upon it. To build up the Turkish army to fulfill these functions (that it was quite capable of fulfilling); to align it with the NATO command; and to build up the economy in Turkey was a very large effort.

MCKINZIE: How'd your life change in January of 1953 when a new President was inaugurated?

MCGHEE: I was very disappointed when the new President relieved me as Ambassador to Turkey. I was considered a political Ambassador although I told him I didn't so consider myself. I'm a Democrat, obviously, however I had worked my way up to Ambassador

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from a rather low position in the Department without political influence. However, they chose to consider me political and relieved me. I was right in the middle of my work in Turkey and was very enthusiastic about it. It was a great blow to me.

MCKINZIE: You say those were a couple of the happier years that you can recall?

MCGHEE: Those were great.

MCKINZIE: Mr. .Ambassador, thank you very much.

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