

NOMINATION OF ALONZO LOWRY McDONALD, JR.

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
NINETY-FIFTH CONGRESS
FIRST SESSION
ON
THE NOMINATION OF
ALONZO LOWRY McDONALD, JR., DEPUTY SPECIAL REPRESENTATIVE-DESIGNATE FOR TRADE NEGOTIATIONS

—
AUGUST 2, 1977
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(II)

NOMINATION OF ALONZO LOWRY McDONALD, JR., TO BE A DEPUTY SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

TUESDAY, AUGUST 2, 1977

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m. in room 2221, Dirksen Senate Office Building, Hon. Russell B. Long (chairman of the committee) presiding.

Present: Senators Long, Ribicoff, Byrd, Jr., of Virginia, and Matsunaga.

The CHAIRMAN. This hearing will come to order.

This morning we will hear from Mr. Alonzo Lowry McDonald, Jr., the Deputy Special Representative for Trade Negotiations.

I have here a summary of Mr. McDonald's background and experience and I will ask that it be printed in the record at this point.

[The biographical data of Alonzo McDonald, Jr., follows:]

BIOGRAPHICAL SUMMARY OF ALONZO L. McDONALD, JR.

PROFESSIONAL EXPERIENCE

McKinsey & Co., Inc.

Director, New York office (since July 1976).
Managing director, of firm (1973-76).
Managing director, Paris office (1968-73).
Managing principal, Zurich office (1966-68).
Principal, London office (1964-66).
Associate, New York office (1960-64).

Westinghouse Electric Corp., Air Conditioning Division (1956-60)

Western zone manager (22 States from St. Louis).
West-Central regional manager (7 States from St. Louis).
Manager, business advisory services.
Assistant to sales manager.

Other

President, home furnishings and appliances (small retailing firm) (1953).
Advertising and promotion manager for independent television producer (1952).
Reporter, Atlanta Journal (1948-50).

MILITARY SERVICE

U.S. Marine Corps (1950-52).

ORGANIZATION AFFILIATIONS

Professional

Trustee, Committee for Economic Development; chairman, Subcommittee on Role of Government Intervention in the Economy.
Member, Council on Foreign Relations.

Trustee and member of Executive Committee, U.S. Council of the International Chamber of Commerce.

Member, Advisory Council on Japan-U.S. Economic Relations.

Member, The Economic Club of New York.

Member, Center for Inter-American Relations.

Other

Chairman, board of directors, Harvard Business School Club of Greater New York.

Member, Visiting Committee on Administration, Harvard University.

Director, The French-American Foundation.

Warden, St. Joseph of Arimathea Episcopal Church (Elmsford, N.Y.).

EDUCATION

Harvard University, M.B.A., 1956, with distinction, Century Club.
Emory University, A.B., 1948, ODK, senior honor society; editor of college newspaper and magazine; Chi Phi fraternity.

Public School, Lithonia, Ga., 1945, Valedictorian; president of honor society; three varsity sports.

PERSONAL

Born: August 5, 1928, Atlanta, Ga.

Family: Wife: Suzanne M. McDonald. Children: Alex, Denise, Jennifer, Peter.

Residence: Indian Point Lane, Riverside, Conn. 06878.

Senator RIBICOFF. I think that Mr. McDonald should be seated at the table, Mr. Chairman.

I am pleased to introduce Mr. Alonzo McDonald to the committee. Mr. McDonald resides in Riverside, Conn. He has been most recently one of the senior directors of McKinsey & Co. located in New York City.

Mr. Chairman, he has long and broad experience with McKinsey. Among his duties have been service as the company's chief officer in Paris and Zurich and one of the senior officers in London.

He brings to this position extensive awareness of the challenges facing American business, including among his skills in management, sales and business, advice in advertising.

It seems to me that it is important to have, as our principal trade negotiator, someone who understands business and trade. He has many experiences, and I think the most important is the perspective he will bring to the work about to start.

We can be reassured that a prominent U.S. businessman with trade experience will be representing other businesses and workers in negotiating issues which will have a direct effect on our economy.

I am pleased that the President chose him for this task. You and I, Mr. Chairman, who have spent considerable time in this field and also in Geneva realize how important it is to have a man of Mr. McDonald's qualifications in Geneva.

The day-to-day negotiations will be his responsibility. He will have to keep us informed. He will have to have the respect of the staff, he will have to have the respect of trade negotiators from all the countries that are involved in MTN and I do think that he is very well qualified, and I am pleased to introduce him to the committee today.

The CHAIRMAN. Thank you very much, Senator Ribicoff. That was a fine statement on behalf of the nominee.

Mr. McDonald, have you discussed any potential conflict-of-interest problems that may be involved with those at the White House who have advised you in this area, as well as the committee staff?

STATEMENT OF ALONZO LOWRY McDONALD, JR.

Mr. McDONALD. Yes, Mr. Chairman.

I beg the patience of the committee, if I may, to make a brief statement concerning financial arrangements made to divest my equity holdings in McKinsey & Co.

The CHAIRMAN. Please.

Mr. McDONALD. As a career professional, I have been associated with a distinguished professional firm for many years. I want to include this financial statement in the record to avoid any possible impression of real or perceived conflict of interest at a later date.

I am senior director and former managing director of McKinsey. I am an important shareholder of the firm. Under McKinsey policy, only active members of the firm may hold shares. Consequently my shares must be sold to the firm as of my termination date at the price in effect at that time, leaving me no financial interest in the operating results or fluctuations in the share values of McKinsey after that date.

To avoid any immediate and excessive drain on working capital by the unclaimed voluntary withdrawals of important shareholders, the firm has a contractual right to repurchase the shares by issuing a fixed-value, interest-bearing debt instrument, payable by the firm over a 5-year period.

In my case, in order to sever all association with the firm as promptly as practical, these debt instruments are to be paid off over a period of some 18 months, with the payments to be completed no later than March 31, 1979.

During this period, to make sure that I have no financial interest in McKinsey or its well-being, payment of this debt instrument will be guaranteed by a third party, the Morgan Guaranty Trust Co. These arrangements have been reviewed, and I believe found satisfactory, by the Office of White House Counsel and by Mr. Michael Stern, the staff director of your committee.

Furthermore, outside counsel has examined these arrangements and written to the White House counsel that in their opinion the arrangements do not violate the provisions of U.S.C. 208 and 209 relating to conflicts of interest of Government employees.

Nevertheless, I wanted to include this statement in the record in an attempt to avoid any future misunderstandings or misinterpretation of the facts that would limit my effectiveness in office or cause any embarrassment to the administration or this committee, McKinsey as a firm, my family, or myself.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Are there any questions, gentlemen?

Most of us have had the occasion to discuss your qualifications. I believe you are well qualified, Mr. McDonald.

Senator BYRD. Mr. Chairman, I just want to say that I have had the opportunity to have a long discussion with Mr. McDonald. I feel he brings very important credentials to this position. I am in support of his confirmation. I think he will make an outstanding Deputy to that excellent man, Robert Strauss, the Special Representative for Trade Negotiations.

Mr. McDONALD. Thank you.

The CHAIRMAN. Mr. Strauss went through a very lengthy and long-term talent search for this job. He thinks you are the man for it. He had some very glowing tributes to pay to you on the fine work that you have done, so if there are no other questions, we will excuse the witness.

When we have a quorum present, we will vote on this nomination. We will not vote at this time.

Thank you very much.

Mr. McDONALD. Thank you very much, Mr. Chairman.

[Thereupon, at 10:10 a.m., the committee proceeded to other business.]

