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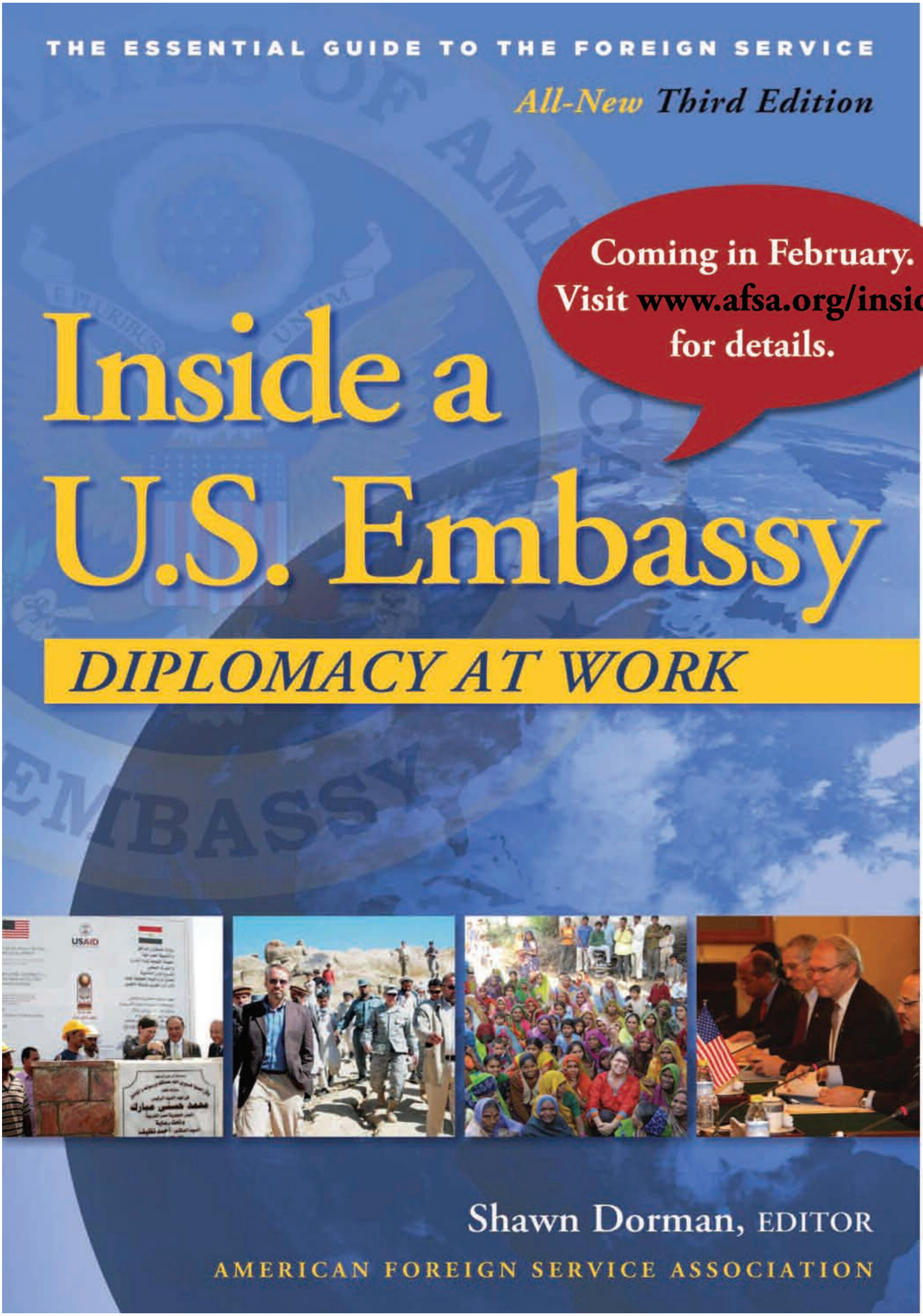
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FOREIGN SERVICE JOURNAL

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PRESIDENT'S VIEWS

WikiLeaks and Diplomacy in the Digital Age

BY SUSAN R. JOHNSON

The ongoing debate about the WikiLeaks release of more than 250,000 State Department cables has mainly focused on whether making volumes of sensitive diplomatic reporting public was justified. One side applauds the documents' release in the name of freedom of speech and transparency, while the other cites the responsibility not to divulge stolen classified information, as well as privacy rights.

A parallel debate continues on the impact of the documents' release. Some welcome it, arguing that the benefits of greater understanding of diplomacy and diplomats outweigh the costs of inhibiting diplomatic dialogue with Foreign interlocutors. Many also emphasize the leak's potential to endanger sources and make the work of diplomats that much harder.

Wherever each of us comes down on these questions, we can all agree that the theft of this incredible volume of diplomatic correspondence is a real blow to the Department of State. And it raises serious questions about the risks of compiling shared databases of sensitive information.

The best way to minimize the danger of future disclosures on this scale, while still sharing vital information across organizational lines, is to understand how the leak happened. A good place to start is a Dec. 31 *Washington Post* article titled "WikiLeaks Reveals Flaws of Information-Sharing Tool," which tells the story of an obscure State Department database called Net-Centric Diplomacy. Established in 2006 and connected to a giant Defense Department system known as the Secret Internet Protocol Router Network, Net-Centric Diplomacy became "the conduit for what was perhaps the biggest heist of sensitive U.S. government information in modern times."

As reporter Jory Warrick explains, after 9/11 sharing information relevant to terrorist plots and other threats became a priority for all federal agencies, including State. But because of design flaws and confusion among its users, the database became a repository for a vast array of reporting cables and other materials that were never meant to be shared outside the department.

Thorough as the article is, here are just a few of the many questions it does not answer: How and at whose initiative did we decide to establish the Net-Centric Database? How was it funded? Which key stakeholders were involved? If some were not, why not? What criteria for including classified reporting were established and by whom? Did the concept go through the usual review process?

How were Foreign Service personnel briefed about Net-Centric Diplomacy and trained in the use of the SIPDIS caption (automatically distributing secret cables into SIPRNet)? What about other agency users? If the goal was to pre-empt terrorist threats, were the cables captioned SIPDIS relevant to this objective? Did we at State ask hard questions about SIPRNet and its protections against unauthorized downloading? Did reporting officers, deputy chiefs of mission and ambassadors understand that whenever they added the SIPDIS caption, their audience became ridiculously large?

Post-9/11 pressures to share information about potential terrorist threats were understandable. But did we ever identify the risks involved and propose measures to manage and minimize them? If so, was the problem with implementation, and can it be fixed?

In the end, we at the Department of State are responsible for both sharing and protecting our sensitive information effectively. Before the Internet, accessing and spiriting away a quarter of a million cables would have been unthinkable. Now it is not.

Clearly, we failed to grasp just how dynamic cyberspace is. Our future decisions must take into account the implications of digital information and cyberspace management for the conduct of diplomacy. ■

Susan R. Johnson is the president of the American Foreign Service Association.

Letters

Remembering Counterinsurgency

In a perfect world, Patricia Thomson's recommendations for recruiting the "best and the brightest" for Provincial Reconstruction Teams would be taken to heart (November Speaking Out, "Making Provincial Reconstruction Teams More Effective").

When I was a first-tour FSO, my recruitment for the Civil Operations and Rural Development Support program, where I served from 1969 to 1971, came in the form of a telegram assigning me to the pacification effort. The cable also informed me that in order to make the next training cycle at the Foreign Service Institute's Vietnam Training Center, I would have to leave post in about 10 days.

As a young FSO, I probably had few of the management skills Thomson also found lacking in the more senior officers who typically lead the PRTs in Iraq and Afghanistan. Our province senior adviser in Vietnam was a senior FSO, but not the corporate-style manager Thomson describes. Even so, under his leadership we moved some 18,000 refugees out of camps and back into their homes. The key to success in my district, and I suspect in any counterinsurgency setting, was the provision of physical security for the people.

I believe that Thompson describes the perfect PRT-man in her article. But I am not sure every PRT officer needs to be nearly as perfect as she describes. That said, there should be a national campaign plan (as in Vietnam), which those stationed in the provinces would implement as well as they could, given local conditions and the "canon of resources" available.

The problem with recruiting too many perfect PRT-men is that counterinsurgency is not a reliable career outside the military. I recall that after Vietnam, everybody (even the military) wanted to forget about counterinsurgency. Indeed, many of the young Foreign Service officers who had served so ably with CORDS struggled to gain career status in the U.S. Agency for International Development.

Thomson concludes that making the changes she recommends will require a real investment, and asks if we can afford it. Unfortunately, Congress thinks not, and has only given modest support to Secretary of State Hillary Rodham Clinton's funding requests.

So, where will PRT members go after Afghanistan? My guess is back to the Foreign Service, back to the military, and back to the university.

Alfred R. Barr
FSO, retired
Washington, D.C.

With Low in Rhodesia ...

I was in the Foreign Service from 1970 to 1979. My last post was South Africa, where I was a political officer, but I also had the Rhodesia (now Zimbabwe) portfolio.

In 1976, when I arrived there, that job basically meant following developments through newspapers and meeting with the occasional Rhodesian passing through town — Bishop Abel Muzorewa, Ndabagini Sithole, etc.

But once the "Anglo-American" effort got under way, I began working in support of talks — from Secretary of State Henry Kissinger's trip to see South African Prime Minister John Vorster and Rhodesian Prime Minister Ian Smith, through Andrew Young's trips (as emissary to Africa) once the negotiations moved to Malta and then Lancaster House in London.

I wasn't around for the endgame, but did start going to Zambia and Mozambique to see key players Joshua Nkomo and Robert Mugabe, and then became the support staff for our efforts in Salisbury (now Harare).

At the time, Stephen Low was the U.S. ambassador to Zambia, and he became a key mediator in the Rhodesian transition. At one point, he moved to Salisbury, then the capital of Rhodesia, taking a suite at the Mekeles Hotel downtown.

I can remember many a session

with him and other interlocutors, but my most vivid memory is of him playing his cello. While no Yo-Yo Ma, he was quite accomplished, and playing certainly provided him the respite he needed during those heated negotiations.

Steve and I then went our separate ways, with me leaving the Foreign Service to make my way in the nongovernmental organization world. We crossed paths from time to time, most recently in October 2010 in Washington, D.C. He didn't recognize me right off, and was obviously quite weak, but after I reintroduced myself we spent quite awhile reliving those days in Salisbury. He was lucid and engaged, very much his old self. I was delighted to see him, and we promised to get together again soon.

I left the next week for a trip to Ghana, Ethiopia and Liberia, from where I write. I never got that chance, and am devastated to hear the news of his passing. He was indeed a great diplomat, an insightful and experienced negotiator, a "key player" in every sense of the phrase, and a fine human being. My condolences to his family and friends.

Steve McDonald
Director, Africa Program
Woodrow Wilson International Center for Scholars
Washington, D.C.

… And in Dakar

I remember Steve and Sue Low for their generosity and across-the-board kindness when my wife, Penny, our two (soon to be three) children and I all arrived in Dakar in the late summer of 1963. I was Steve's replacement, and he and Sue were heading off to their new assignment in Brazil. Steve and I shared a love of music. He played the cello; I, the trumpet.

Steve, of course, knew that Dakar was my first Africa assignment. The most interesting and relevant bit of advice he gave me was that I should try to slip into "Guinee-dite-portuguese" (Guinea-Bissau) if I could figure out how to do it. He had succeeded once. He also suggested I get acquainted with the Dakar office of the African Party for the Independence of Guinea and Cape Verde, known as PAIGC, which might facilitate my entry. I managed it twice.

The first visit was assisted by a Lebanese merchant in Bathurst, who arranged for a Portuguese Air Force pilot to fly his single-engine plane from Bissau to pick me up in Bathurst. The second visit was preceded by a meeting with Amilcar Cabral and his PAIGC team in Sekou Toure's Conakry. Our ambassador in Dakar, Mercer Cook, encouraged both adventures, but I doubt they would have happened without Steve's initiative.

Steve replaced me many years later (November 1979) as ambassador to Nigeria. What a coincidence! It was not just music that we had in common.

Don Easum
FSO, retired
New York, N.Y.

Where Credit Is Due

I read the December Speaking Out by Raymond Malley, "U.S. Foreign Economic Assistance in Perspective," with great interest. But I was stunned that in writing about the problem of rapid population growth, he gave credit to the World Bank, Scandinavian aid agencies and private groups, but neglected to mention the role of the U.S. Agency for International Development.

Both in the field and in Washington, supported by some billions of dollars over the past 40 years, USAID has probably had the most significant impact of any development agency in addressing problems of rapid population growth.

Neither did the author mention the efforts of the United Nations Fund for Population Activities, another major donor for many decades.

Charles N. Johnson
USAID FSO, retired
Gainsville, Va. ■

Send your Letter to the Editor to journal@afsa.org.

Cybernotes

QDDR Release: Into the Dustbin of History?

On Dec. 15 the Department of State finally released the Quadrennial Diplomacy and Development Review, an 18-month study it conducted with the U.S. Agency for International Development as an answer to the Pentagon's venerable Quadrennial Defense Review.

Titled "Leading Through Civilian Power," the report is dedicated to the late Ambassador Richard Holbrooke, who began his Foreign Service career with USAID in Vietnam and died just days before the document went to press.

The full text of the report and an executive summary are both available on the department's home page (**www.state.gov/qddr**), but here are some highlights:

The State Department must reorganize to address transnational issues more effectively. Among other changes, State should create under secretariats for economic growth, energy and the environment, and for civilian security, democracy and human rights, as well as a coordinator for cyberissues.

USAID should be rebuilt to serve as the pre-eminent global development institution. As the lead agency for the presidential initiatives on food security and global health, it should focus on six areas: sustainable economic growth, food security, global health, climate change, democracy and governance, and humanitarian assistance. For its part, State should commit more of its senior diplomats' time to advancing development issues, and promote "development diplomacy" as a discipline that recognizes the interdependence of the two missions and offers best practices for managing foreign assistance.

State must embrace conflict prevention and response as a core mission, both in Washington and in the field. Among other changes, the current Civilian Response Corps should be replaced with a more flexible and cost-effective Expert Corps that can deploy nongovernmental personnel overseas.

Both agencies should "work smarter" by reforming personnel, procurement and planning capabilities. Specific steps the report advocates include: allowing more State civil servants to serve overseas and expanding opportunities for them to convert to the Foreign Service; using limited-term appointments to put outside experts in the field; tripling mid-level hiring at USAID and expanding interagency rotations; and establishing multiyear strategic plans for State and USAID that bring together all country-level planning for diplomacy, development and broader foreign assistance into a single, overarching strategy. (As of Fiscal Year 2013, USAID's budget proposal will be included in the broader State foreign assistance request.)

There was virtually no media coverage of the document's release, other than a handful of *Washington Post* articles (**www.washingtonpost.com**) and a single passing reference in an op-

50 Years Ago...

The modern diplomat finds himself drawing upon almost every field of human knowledge, using information about people and events in even the remotest areas, and employing skills which were seldom needed by his professional forebears. He is called upon to struggle with facts that can never be quite complete, with situations which cannot be compressed into simple generalizations, with a future which, though dimly seen, is upon him before he is satisfied that he sees the present. The common myth that a diplomat's role at the end of a cable or a telephone is of decreasing importance is simply nonsense. The daily cables underscore the critical role being played by those who are remote from Washington.

— Secretary of State Dean Rusk, "Greetings from the New Secretary," *FSJ*, February 1961.

ed by *New York Times* columnist Nicholas Kristof (**www.nytimes.com**). More encouragingly, a number of non-governmental organizations and think-tanks (but none representing conservative perspectives, such as the Heritage Foundation or the American Enterprise Institute) have posted analyses and commentaries on their Web sites. Those reactions have generally been positive but qualified. Here is a small but hopefully representative sample.

Paul O'Brien, Oxfam America's vice president for policy and advocacy campaigns, called the document "compelling yet incomplete" (**www.oxfamamerica.org**). He noted that it "leaves open the question of how the United States will resolve situations where diplomacy and development will require different approaches and trade-offs."

For its part, the Stimson Center issued a detailed scorecard grading the QDDR's recommendations by assigning up to four stars to each in terms of how well it implements the goals State set for the process when it began in 2009 (**www.stimson.org**). The report gets top marks in several categories, but no stars at all in such areas as describing "a budget planning process that would link decisions about funding programs to decisions about personnel and management," prioritizing the two agencies' roles and missions, and setting metrics for success.

The Center for Strategic and International Studies offers a wealth of short but detailed commentaries on different facets of the report in what it calls a "Pivot Points" overview (**http://csis.org**).

Sixteen former and retired senior career officials from State and USAID, including Kenneth Yalowitz, director of the John Sloan Dickey Center for International Understanding at Dartmouth College, have issued an assessment of their own (**http://dickey.dartmouth.edu**).

The signatories strongly support the QDDR's main themes, including the emphasis on building civilian power, and concur with Sec. Clinton and Admiral Mike Mullen, Chairman of the Joint Chiefs of Staff, on the need to rebalance national security resources. But they caution that State and USAID are unlikely to escape growing pressures for federal budget tightening, and therefore urge more attention to planning for cuts and educating stakeholders on how such reductions could impair American interests.

The final page of the report's executive summary acknowledges that "Execution is everything. We are fully aware of the reams of paper in published reports that simply gather dust on bookshelves across Washington, D.C. Secretary Clinton is adamant that the QDDR not be one of those reports." If the apathy surrounding the report's issuance is any guide, living up to that commitment will be tremendously challenging, particularly given the recent shift on Capitol Hill.

— Steven Alan Honley, Editor

Site of the Month: www.acronymfinder.com

Now offering more than a million definitions, each sourced and fact-checked, *AcronymFinder.com* bills itself as the world's largest and most comprehensive dictionary of acronyms, abbreviations and initialisms. (Acronyms are abbreviations formed by terms from a word or series of words that are pronounced as a word, such as radar or scuba. Initialisms are formed from the initial letter or letters of several words or parts of words, which are then pronounced letter by letter; e.g., BBC or CIA.) Users can also search for more than 850,000 U.S. and Canadian postal codes, and can nominate new acronyms and initialisms for inclusion.

Whether you search by an acronym's first letter or type it into the box, the results are filtered according to the following categories: Information Technology, Military & Government, Business & Finance, Science & Medicine, Organizations & Schools, and Slang & Pop Culture. "DCM," for instance, can stand for any of 78 phrases, of which "Deputy Chief of Mission" ranks third (after "Dilated Cardiomyopathy" and "Dichloromethane"). To facilitate the process of finding an exact match, look first under the category most likely to fit the context.

Writing on the site's blog, founder Mike Molloy (who identifies himself as CAW: Chief Acronym Wrangler) comments that when he started in 1986 with a document listing about 1,000 definitions, he never imagined that, a quarter-century later, that 40-page document would have grown a thousand times as large.

By the way, if you're searching for a term no longer in common use, you may wish to visit AcronymFinder's predecessor, *AcronymAttic.com* (www.acronymattic.com). The two sites use the same technology, but the three million terms and definitions on the older site have not been verified and are no longer being updated. In addition, AcronymAttic is much more basic in the searches it can conduct and the data it can display for queries.

— Steven Alan Honley, Editor

Is State Concerned Enough about Religious Freedom?

Among other provisions of the 1998 International Religious Freedom Act, the State Department is required to produce an annual report on freedom of worship in every country around the world. And on Nov. 17, 2010, State duly released an executive summary of the latest edition, detailing conditions in 198 countries (**www.state.gov**).

Among the report's conclusions: Genuine religious freedom does not exist in North Korea; freedom of religion is neither recognized nor protected in Saudi Arabia; the South Sudanese government does a far better job of ensuring free worship than its counterpart in Khartoum; and the Burmese regime has tried to force students to convert to Buddhism.

A key fact-finding partner for State in this endeavor is the independent U.S. Commission on International Religious Freedom (**www.uscirf.gov**). The USCIRF limits its focus to the most egregious violators of religious freedom, producing recommendations on which ones State should designate as Countries of Particular Concern. In addition to recommending that all of 2009's violators remain on the 2010 CPC list, the commission wants State to add five more: Iraq, Nigeria, Pakistan, Turkmenistan and Vietnam.

The USCIRF is particularly concerned about the situation in Iraq. While many Middle Eastern countries have experienced periods of intense Christian emigration in the past, the outflow from Iraq has accelerated alarmingly. More than half of the country's Christian community has fled since 2003, reducing its count to 500,000 in a population of almost 30 million. And while general violence in Iraq has decreased markedly, religious and ethnic minorities are actually becoming more attractive targets, because they lack the militias and tribal structures needed to defend themselves. To counter this trend, the commission recommends the appointment of a U.S. envoy for human rights in Iraq.

As we went to press in early January, however, State had taken no action on that recommendation. Nor had it announced this year's list of Countries of Particular Concern, though Assistant Secretary of State for Democracy, Human Rights and Labor Michael Posner told reporters that the list would be issued sometime in January.

While USCIRF Chairman Leonard Leo thanked Secretary of State Hillary Rodham Clinton for her strong endorsement of the commission's work, he expressed disappointment at the delay, which also occurred in 2008 and 2009, a Nov. 20 article in the *Christian Examiner* (**www.christianexaminer.com**) reports. The same article quotes Rep. Chris Smith, R.-N.J., a leading congressional proponent of religious liberty, as urging the Obama administration to follow up CPC designations with sanctions where needed.

In fact, the CPC list generally does not change very much from year to year: Burma, China, Iran and Sudan have all been designated as worst offenders each year since the first report in 1999. Other countries on the current list include Eritrea, North Korea, Saudi Arabia and Uzbekistan.

Most of the countries on the current list did not react officially to the commission's report, but Tehran struck back hard. In a statement posted on the Iranian Foreign Affairs Ministry Web site (**www.mfa.gov.ir**) on Nov. 19, spokesman Ramin Mihman-Doust labeled the document a product of "Washington's anti-Islamism and dou-

I have identified and will propose a number of cuts to the State Department and foreign aid budgets. There is much fat in these budgets, which makes some cuts obvious. Others will be more difficult but necessary to improve the efficiency of U.S. efforts and accomplish more with less. We must shift our foreign aid focus from failed strategies rooted in an archaic post-World War II approach that, in some instances, perpetuates corrupt governments, to one that reflects current realities and challenges and empowers grassroots and civil society.

I plan on using U.S. contributions to international organizations as leverage to press for real reform of those organizations, such as the United Nations, and will not hesitate to call for withdrawal of U.S. funds to failed entities like the discredited Human Rights Council if improvements are not made.

— From a Dec. 8 press release issued by Rep. Ileana Ros-Lehtinen, R-Fla., incoming chairman of the House Foreign Affairs Committee; *http://thecable.foreignpolicy.com.*

ble standards." He also cited U.S. rejection of the Goldstone Report (a 2009 United Nations investigation charging Israel, as well as Hamas, with committing war crimes during the Gaza War) as an example of America's "contradictory attitude" toward human rights in the Middle East.

— Mohammad Alhinnawi, Editorial Intern

Getting to Zero

On Nov. 12-14, 2010, the world's Nobel Peace laureates held their 11th world summit (**www.nobelforpeace-summits.org**) in a symbolic location: Hiroshima, Japan, the first city in history to be hit by a nuclear bomb. Among the laureates who participated in the event were the Dalai Lama; former Soviet President Mikhail Gorbachev; former Polish President Lech Walesa; and Mohamed ElBaradei, former head of the International Atomic Energy Association.

As the 2009 recipient of the Nobel Peace Prize, President Barack Obama was invited but did not attend. Obama had given a big boost to the goal of "global zero," a world without nuclear weapons, by endorsing it in a speech in Prague in April 2010.

Over the course of three days at the summit, survivors of the nuclear attacks on Hiroshima and Nagasaki, who are known as the Hibakusha (the "explosion-affected people"), testified about their painful experiences living in the shadow of the 1945 bombings and the discrimination they have experienced in Japanese society ever since.

In a final declaration, conference participants urged further reductions in American and Russian nuclear stockpiles, but also made an impassioned plea for the United States to sign the Ottawa Treaty, which bans the use of land mines. (Although Washington is not a signatory, it stopped using land mines after the 1991 Persian Gulf War and ceased production altogether in 1997.) Russia, China and India are among the other holdouts, but 156 countries have signed the Ottawa Treaty, commonly known as the Mine Ban Treaty.

Archbishop Desmond Tutu and U.S. peace activist Jody Williams made a personal appeal to the president on grounds of morality in "President Obama Should Join the Mine Ban Treaty," published Dec. 2 in *McClatchy* (**www.mcclatchydc.com**). Citing the suffering of innocent civilians affected by war and its aftermath, they urged the president to recognize that "the devastating impact of land mines on civilians is a terror of its own sort."

— Mohammad Alhinnawi, Editorial Intern

The Peace Corps Is In!

More people are volunteering with the Peace Corps (**www.peacecorps.gov**) than at any time since 1970, the agency announced on Oct. 28. As of Sept. 30, the end of Fiscal Year 2010, 8,655 Peace Corps Volunteers — distributed almost evenly across Latin America, Africa, Europe and Asia — were working in 71 posts serving 77 countries. That total represents an increase of nearly 1,000 from the previous year. The agency recently reopened programs in Colombia, Indonesia and Sierra Leone, and also reinstated its suspended program in Madagascar.

In *Washington Post* articles that appeared on Oct. 29 and Dec. 8 (**www.washingtonpost.com**) reporter Ed O'Keefe shared some fun facts about the Peace Corps, which became an independent federal agency in 1981 and will celebrate its 50th anniversary this September:

• More than 200,000 Americans have served as Peace Corps Volunteers in 139 countries thus far.

• The average age of volunteers is currently 28, but 7 percent of the Corps are over 50; the oldest individual currently serving is 86.

• Nineteen percent of volunteers are minorities, 60 percent are women and 90 percent hold at least a bachelor's degree.

• Education remains the most popular sector of service, but other sought-after areas include health and HIV/AIDS prevention, business development, youth development and environmental and agricultural projects.

• The District of Columbia and Virginia both rank among the top states and metropolitan regions in terms of producing Peace Corps Volunteers. ■

— Steven Alan Honley, Editor

FS Know-How

For Better Fraud Interviews, Think Like a Lawyer

By Jeffrey E. Zinsmeister

Like many FSOs, I used to be a lawyer. As many other former attorneys can attest, practicing law involves far more paperwork and far less romance than "Ally McBeal." It did, however, teach me skills that have proven unexpectedly useful in my consular tour.

Much entry-level consular work involves interviewing strangers, people who you know only from a few sheets of paper. Crudely put, we try to get a better understanding of who these strangers are by asking a few questions. It's very similar to what lawyers do when taking depositions.

For those fortunate enough never to have seen a deposition, the process involves picking a potential witness, reading background documentation about him or her, and then interviewing that person to ascertain what he or she knows in preparation for trial. The transcript can also be used later at the trial itself to impeach a witness whose testimony on the stand differs from what he or she said at the deposition.

Like consular interviews, depositions are both fact-gathering and fraud-prevention tools. It may come as no surprise, then, that some deposition techniques are also useful at the consular window. My favorites among these are:

- Using preliminary questions to set the tone of the questioning and avoid confusion on the part of the applicant;

> *The goal is to avoid confusion and prevent applicants from later pleading ambiguity as an excuse for a false answer.*

- "Funneling" the interview to drill down to the important facts; and
- Repeating important questions inorder to elicit definitive answers and prevent backpedaling by a dishonest interviewee.

This article explains each technique in turn, using excerpts from a fiancée visa interview I conducted as an example. (To protect the applicants' privacy, I have changed dates and other identifying details from these interviews, and paraphrased answers.)

Technique 1: Preliminary Questions

The use of preliminary questions begins with having the applicant promise to speak up if he or she does not understand a question. For example, the fiancée visa interview I am using as an example began like this:

Consul: I'll be conducting this interview in Portuguese. Can you understand me when I speak in Portuguese?

Applicant: Yes.

Consul: If during the interview you don't understand a question I ask, please tell me. I don't want you to answer a question you don't understand. Will you please tell me if you don't understand something I say?

Applicant: Yes.

There are two reasons for this line of questioning, which apply with equal force in the context of depositions and consular interviews. First, it gives confused applicants more courage to speak up and interrupt the consular officer if they do not understand a question. In my experience, some applicants — especially the less sophisticated and less educated — are intimidated enough by the formal interview process to feel compelled to answer every question posed immediately, even if they did not understand it fully.

Second, these preliminary questions are a bulwark against untruths. Lawyers use them in depositions to prevent a witness from giving one answer in a deposition, changing it on the witness stand, and then attributing the inconsistency to a misunderstanding of the attorney's question during the deposition. Likewise, in consular interviews they discourage applicants from blaming subsequent false statements on the grounds that they misunderstood my Portuguese, or that they were somehow confused by the wording of a question.

Technique 2: "Funneling" Your Interview

"Funneling" in the context of depositions and consular interviews is a questioning technique designed to elicit precise statements from a deponent or interviewee. As another excerpt from the same fianceé visa interview demonstrates, it consists of beginning with broad questions to capture as much data as possible, identifying the key pieces of information therein, and using progressively narrower questions to obtain accurate, unambiguous answers regarding those points:

Consul: Sir, please tell me about how you met your fiancée.

Applicant: Well, she came for a visit on vacation, and we fell in love immediately.

Consul: When was that?

Applicant: It was in February 2009; she came on Feb. 11, 2009.

Consul: Feb. 11 was when you met her, or when she arrived in the country?

Applicant: That's when she arrived. I met her two weeks later, on Feb. 23.

Consul: Was that the first time you had met her?

Applicant: Yes.

Consul: You didn't know her before? The petition states that you were born in the same town.

Applicant: No, I didn't. She left for the United States when she was young.

Consul: So, Feb. 23 was the first time you ever spoke or corresponded with her?

Applicant: That's right.

Consul: You never spoke to her before that date, not even on the telephone?

Applicant: No, not even on the telephone.

Consul: Not even over the Internet?

The consular officer should begin with broad, open-ended queries, then ask narrower questions to close factual gaps.

Applicant: No.

Consul: Not even on Facebook?

Applicant: No.

Consul: So just to be clear, you had never communicated with her in any way before Feb. 23, 2009?

Applicant: That's correct.

This conversation represents a verbal "funnel." It is wide at the top, where the interviewer uses broad, open-ended questions (When? Where? How?) to elicit as much relevant information as possible. Then the questions grow narrower and more direct, attempting to "close the gaps" in the testimony by asking if the interviewee is sure he/she hasn't forgotten anything, or hasn't made false assumptions (in this case, assuming that "meeting" his fiancée didn't include Facebook interactions).

The point of this process is both to dispel confusion or honest misunderstandings between the consular officer and the applicant, and to leave little room for an applicant to plead ambiguity as an excuse for a false answer. (For example, "I didn't know you meant Facebook when you asked me when I first spoke with her. We Facebooked for a while before she came here on vacation.")

Technique 3: Repeating Important Questions

This last technique dovetails nicely with the end of the "funneling" process. After you have drilled down to the important fact or facts at issue, you elicit the key information again using a differently worded question.

Doing so reaps benefits with both honest and dishonest applicants. If an honest applicant was confused by your initial questioning, or if you made an error in the native language that created a misunderstanding, the reworded question will often reveal the problem and allow the applicant to clarify.

If, on the other hand, an applicant is lying, he or she will further cement the untruth in the record, making it impossible to later blame the falsehood on a misunderstanding, confusion, or your use of his/her native tongue.

Refer back to the last question of the excerpt above. After "funneling" my questions to drill down to the precise issue of when the two people first communicated, I rephrased the key question one last time, deliberately mentioning the specific date of Feb. 23, 2009. I did so because his fiancée wrote in the petition that they had communicated extensively on Facebook and via e-mail and telephone before that date. I wanted there to be no ambiguity in what I was asking, and wanted a precise, definitive answer.

Once the applicant confirmed his earlier response, I confronted him with what the petitioner had written. Even though the applicant struggled mightily to talk his way out of the contradiction with a host of excuses, my earlier line of questioning had already closed off all avenues of escape. (Moreover, one such excuse — that he hadn't understood my Portuguese —

Repeating questions reaps benefits with both honest and dishonest applicants.

was also precluded by my preliminary questions, as detailed above.)

Fewer Confused Applicants and Better Revocation Memos

I have found that by treating interviews as mini-depositions, I can apply skills I learned during my prior career that are relevant and helpful. On several occasions, using those skills has prevented genuinely confused applicants from inadvertently creating the impression that they were lying to me. On other occasions, these methods have helped create the basis for strong revocation memoranda.

But the best thing about the techniques is that you don't have to have any legal training to understand and use them at the window. So if I have piqued your interest, please give them a try and let me know what you thought of the experience, be it positive, negative or mixed. Or if you are a veteran consular hand who is already familiar with these methods, I would welcome your feedback, as well. Either way, just e-mail me at ZinsmeisterJE@state.gov. ■

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U.S. ECONOMIC DIPLOMACY: THE NEXT 50 YEARS

Jane Sterrett

A DISTINGUISHED PRACTITIONER EXPLAINS WHY INTERNATIONAL ECONOMIC ISSUES ARE NOW CENTRAL TO U.S. FOREIGN POLICY.

BY ALAN LARSON

Without my realizing it at the time, the 1960s and early 1970s shaped the foundations of my thinking about U.S. economic diplomacy. The presidency of John F. Kennedy provided the "Sputnik moment" for reinvigorating the competitiveness of the American economy, while the conflict in Vietnam forced me and others to reflect on the trade-offs between guns and butter. And President Richard Nixon's decision to take the United States off the gold standard made my graduate school program in international economics feel much less abstract and theoretical.

Though I did not know it when Nixon announced his decision in August 1971, I was about to embark on an intellectual and professional adventure that continues to this day. Most of that adventure took place during my 32 years as a State Department Foreign Service officer (1973-2005).

To build a transformed global economy, State will need to revamp the way in which it conducts economic diplomacy.

During that third of a century, the State Department and its diplomats played a vital role in helping create the dynamic global economy of today, with all of its challenges and promise. It has been a fantastic privilege for me to be a part of this history.

As I reflect on the next half-century, I have become convinced that the importance of international economics and of economic diplomacy in U.S. foreign policy will only grow. There will be great opportunities and challenges for the State Department and its diplomats. Stated in its broadest terms, the task will be to help bring about not only a lasting recovery of the global economy, but also its transformation. This transformation will affect every corner of international economic policy, including development, trade, finance, transportation, telecommunications and more.

It is a privilege to serve the United States of America as a diplomat. We represent a great country that will play an indispensable role during a period of transition. Young FSOs with an interest in international economics can look forward to careers full of excitement and opportunities to make a difference. I have no crystal ball, but I expect the future to bring some of the following challenges.

Transformation and Recovery in the Global Economy

For there to be a recovery in the global economy, there must be a transformation of the international financial system. The Great Recession of 2007-2009 was not a normal setback, but rather the end of an economic era.

Accordingly, the traditional tools of policy response — expansionary fiscal and monetary policy — will not by themselves restore economic growth. We cannot go back to where we were. The old global economy has been destroyed, and we are building a new one.

The major stakeholders in the old global economy — including the United States, Europe, China and Japan — fell into lazy economic patterns and habits that now need to be set aside. As stakeholders and trustees of the global economy, the governments of these economies have a responsibility to establish new frameworks that impose discipline and work for the benefit of all.

These new frameworks must:

- discipline the international exchange rate and payments system;
- promote compatibility among national economic strategies;
- ensure national budgetary discipline;
- transform the international energy system;
- strengthen the open international investment and trade regime;
- promote the growth of the developing countries;
- foster innovation, including through the spread of information technology; and
- eradicate international business bribery and corruption.

As an economist, I know market forces can be effective tools in enforcing good government behavior. As a former diplomat, I know that intergovernmental institutional arrangements play a necessary supporting role. As an internationalist, I know that American statesmanship is needed to persuade governments that they can protect their national interests only if they also promote the greater global good. And as a career government official who served in both Republican and Democratic administrations, I know that only a renewed commitment to bipartisanship can foster the necessary changes in U.S. economic policy.

The establishment of a new international system that encourages the major economies to pursue compatible growth strategies, and allows smooth adjustments where

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needed — and the position of the United States within that framework — are issues in which the State Department must play an important role. But State need not — indeed, should not — be involved in decisions Federal Reserve Chairman Ben Bernanke makes to set monetary policy.

Sec. Clinton's QDDR wisely strengthens the economic capabilities of the State Department and puts the focus on economic growth.

George Shultz, who headed both the State Department and the Department of the Treasury (among many other governmental positions), has rightly observed that those are the two Cabinet departments with the strongest interest in, and appreciation for, the importance of a stable international economic framework. Leaders in both departments understand that the Bretton Woods system that grew out of the ashes of World War II needs to be modernized and strengthened.

In today's dynamic global economy, national economies must constantly adjust to far-reaching changes in technologies and competitive situations. Past financial systems — including the fabled gold standard and the Bretton Woods system — were not effective in facilitating such adjustments.

Floating international exchange rates provide a system that can be more effective in accommodating big shifts, such as the rise of the emerging nations (e.g., the BRIC countries: Brazil, Russia, India and China) and major technological advances that drive economic change. A floating exchange rate system only works well, however, if the major economies in the system refrain from manipulating their currencies for competitive advantage. Otherwise, the costs of adjustment will not be shared fairly, and the system will become financially, economically and politically unsustainable.

Today, the international payments system is fundamentally out of balance and unsustainable. China is following a growth strategy based on artificially depressing the value of its currency in order to promote exports. Europe's commitment to the integrity of the euro zone is under challenge because the European Union has not maintained the internal discipline it promised on national budget deficits and financial sector surveillance.

As for the United States, the anchor of the system, we are widely suspected of following a monetary policy designed to depress the value of the dollar and take advantage of its role as a reserve currency to evade budget discipline. The U.S. must rein in its budget deficit to safeguard its economic future and the stability of the global economy, as well as its national security.

For the system to become balanced and sustainable, it needs stronger mechanisms to enforce discipline on the major stakeholders and make them more accountable for the policies they pursue. Members of the Group of 20 and international organizations like the International Monetary Fund must formulate stronger international rules to avoid exchange rate manipulation.

American ambassadors, deputy chiefs of mission and economic ministers in G-20 countries will have detailed interactions with foreign officials and economists on these issues. Thoughtful and knowledgeable State Department officials such as Secretary of State Hillary Rodham Clinton, Under Secretary for Economic Affairs Robert D. Hormats, Assistant Secretary for Economic, Energy and Business Affairs Jose W. Fernandez and their advisers need to be a part of the diplomacy that builds this new international framework.

Peer reviews of national economic policies conducted by organizations such as the IMF and the Organization for Economic Cooperation and Development need to be more searching, more rigorous and more public. In the future, the private sector and international business community will be more vocal about the policy changes that governments need to make.

The Role of State

To build a transformed global economy, the State Department will need to revamp the way in which it conducts economic diplomacy. Sec. Clinton's recently completed Quadrennial Diplomacy and Development Review wisely advocates strengthening the economic capabilities of the State Department and putting the focus on promoting economic growth.

As a result, the State Department and its diplomats have an increasingly important role in reporting foreign thinking about the management of our economy to Washington — which the Obama administration, Congress and

Federal Reserve should seriously consider. Conversely, State must convey U.S. thinking about the management of other countries' economies to their authorities.

The rise of the emerging nations was one of the most significant events of the last 20 years. In my work today as senior international policy adviser at Covington & Burling, I routinely turn for advice and information to the U.S. embassy in Brasilia, New Delhi, Moscow or Beijing if I have a client issue involving one of the so-called BRIC countries. Much of the U.S. private sector does the same.

Resolving the perceived tension between promoting growth and combating climate change will be a key challenge for economic-coned FSOs.

American diplomats in these embassies, and embassies in other G-20 member-states, interact at close range with economic officials who shape perceptions and policies in countries that profoundly shape the global economy. The department rightly has increased staffing for the economic sections of these embassies and for the offices in State that backstop those missions.

The State Department necessarily plays an essential role in the management of bilateral economic relationships with the emerging countries. In relationships like the Strategic & Economic Dialogue with China and comparable dialogues with India, Brazil, Russia and Mexico, U.S. diplomats build personal relationships with the officials who will make policy, leading to greater understanding of the goals each side pursues and the strategies that will make those goals achievable.

Adopting new and more compatible economic growth policies is a political, society-wide issue; fundamentally, it is a learning process. U.S. diplomats, who have daily contact with foreign policymakers and citizens, can reinforce the reality that economic growth is essential and international competition increases productivity and advances living standards. In short, it is a win-win proposition, not a zero-sum game.

China, for instance, can grow in a more sustainable way if it raises consumption and moves away from a policy of depressing the value of its currency. Relying to an unsustainable degree on exports as a source of economic growth is dangerous for Beijing and for the international system. The subsidization of Chinese exports through a variety of mechanisms is a crutch that takes resources away from more urgent national priorities.

The PRC's growth will become more balanced and more sustainable once the country opens its capital market to foreign investments, promotes investment in domestic infrastructure, and encourages somewhat higher levels of household consumption by providing a basic social safety net, among other measures.

Chinese purchases of U.S. Treasury bonds have been welcome at a time when the U.S. government has been borrowing heavily. In the future, however, Chinese purchases of U.S. government paper should gradually give way to increased investments in productive business assets in the United States and Europe — which must welcome those productive investments. Establishing a strong bilateral framework of protection is an important task for the Strategic and Economic Dialogue.

In our various economic dialogues with the European Union and Japan, State and Treasury should encourage each to place more emphasis on achieving growth, including through regulatory reform. The State Department and its diplomats have traditionally taken the lead in our economic cooperation with these strong U.S. allies; we must continue to do so in the future.

It will be a political challenge, of course, for the U.S. and major economic partners to acknowledge that their national economic policies can and must be formulated in full consideration of the interests and policies of others. Already, American families have been reducing their borrowing and the share of their income devoted to consumption. The problem is that the U.S. government has not done the same.

Energy Security

The State Department has played a crucial role in promoting energy security for the last 40 years, including through creating and strengthening the International Energy Agency. State officials understand that "energy independence" is a myth and that security is a collective good that can only be attained through concerted action with other countries.

Today, the threat of global climate change provides a new rationale to undertake concerted policies to move to more efficient patterns of energy use and to develop new and renewable forms of energy. Yet for many countries, including the United States, there is a perceived tension between effective action to promote economic growth and effective action to combat climate change. During the next 50 years, the State Department and American diplomats will be engaged in shaping the international frameworks to reconcile these two vital goals.

Young FSOs with an interest in international economics can look forward to careers full of excitement and opportunities to make a difference.

International Investment and Trade Rules

A strong global economy needs an open trade system and an international investment regime with enforceable rules. In both respects the State Department will continue to be the closest partner of the Office of the United States Trade Representative, which is building this international framework.

For instance, long-term international investments are required for the transformation of the energy economy. These investments can create new renewable energy systems to promote energy security by reducing dependence on imported oil and slowing climate change. These international investments will only occur on the needed scale, however, if investment-receiving countries offer long-run and enforceable guarantees of fair regulatory treatment.

Foreign investors need to know that if they have a dispute with a foreign government, they have the option of seeking a resolution through binding international dispute settlement in arbitration panels.

Development inevitably involves coordination with other agencies, other donors and the private sector.

Doing Its BIT

Toward this end, for more than a year now the Obama administration has been reviewing the Bilateral Investment Treaty framework, mindful that such agreements are a useful tool in creating jobs in the United States and in achieving environmental goals, such as progress against climate change. The administration has been exploring BIT negotiations with China and India, an agenda that should be expanded to include the European Union and Japan. However, the process will move slowly until the White House and Congress reach a meeting of the minds on related issues. In particular, trade and investment agreements should include guarantees that neither party will lower labor and environmental standards in order to attract investment.

The Committee on Foreign Investment in the United States has proved to be a good tool for balancing the benefits of an open investment policy with the need to protect that narrow class of U.S. businesses whose foreign acquisition could threaten national security. The State Department must continue to play a strong leadership role in CFIUS.

Transportation and Telecommunications

The State Department's expertise on international transportation and telecommunications issues is a priceless asset. Through the Open Skies policies of recent decades, the State Department and Transportation Department have totally transformed the international aviation system. Still, new challenges loom on the horizon, including opening up aviation to international investment flows and working out internationally efficient means for that sector to help meet the challenge of global climate change.

Telecommunications and the industries associated with the Internet have been, and will probably continue to be, drivers of the global economy. International governance of telecommunications will undoubtedly expand tremendously during the next half-century. The interests of the United States will be best served by approaches that are industry-friendly, market-oriented and designed to protect our security interests. Increasing flows of investment — both inbound and outbound — will be essential if the United States is to preserve its leadership in this sector.

Eradicating Bribery and Corruption

In order to achieve a transformed international economy that produces a recovery that is balanced and sustainable, the international system must be free of bribery and corruption. Towards the end, the OECD Anti-Bribery Convention provides an international framework loosely modeled on the U.S. Foreign Corrupt Practices Act.

In the United States, enforcement of the FCPA has been vigorous. We cannot rest on our laurels, however. Europe is improving its performance in identifying and prosecuting international bribery, though much needs to be done. (Japan's performance is perceived by Transparency International to be lagging.)

Many emerging economies, such as China, India and Russia, are not parties to the OECD Anti-Bribery Convention. And even if they were, the convention does not make it a prosecutable offense to engage in the bribery of foreign government officials to gain or retain business.

Nonetheless, we should be encouraged by recent reports, that these governments are considering accession to the OECD convention and enactment of such laws. Accordingly, the international business community should lend strong support to the enforcement of the OECD Anti-Bribery Convention and to the accession of China, India and Russia to that agreement.

Promoting Development

I am delighted with the State Department's strong focus on development and Secretary Clinton's initiative in conducting the first Quadrennial Diplomacy and Development Review. Development was a significant part of my own Foreign Service career, and I believe it will be a transformational component of 21st-century economic diplomacy.

Before joining the State Department, I taught middle school students at a self-help school outside Kiambu, Kenya. I continue to believe that development is not only a moral imperative, but also an opportunity for American foreign policy.

During Foreign Service assignments in Sierra Leone, Zaire (now the Democratic Republic of the Congo) and Jamaica, I learned a lot about how development works, and does not work, in practice. My academic training at the University of Iowa, where I earned a Ph.D., collided with the realities I confronted in running the ambassador's self-help program, assisting investors in developing countries, and using the trade incentives of the Caribbean Basin Initiative to spur economic development that might supplant drug production.

As under secretary of State for economic affairs from 1999 to 2005, I worked closely with U.S. Agency for International Development Administrator Andrew Natsios and Agriculture Secretary Ann Veneman to enhance our support for food security, our advocacy for agricultural biotechnology and our active support for the United Nations food agencies. The Obama administration's welcome emphasis on these goals, including the Feed the Future initiative, constitutes a strong platform on which the United States can make food security a central goal of our economic diplomacy.

Development can and should be a bipartisan element of economic diplomacy. I was privileged to help design the Millennium Challenge Corporation launched by the George W. Bush administration. The MCC provides sustained development assistance for those countries that are doing the most to help themselves.

The State Department must continue to play a strong leadership role with the World Bank and regional development banks. During the Clinton administration the United States made a valiant, but ultimately unsuccessful, effort to establish a Middle East Development Bank that could both promote development and support peace. I still believe this idea is sound, so I hope the Obama administration will consider relaunching this effort.

In strategically important countries such as Iraq, Afghanistan and Pakistan, the United States will need to pursue its interests with a larger share of development and diplomacy, and a smaller share of military expenditure, than in the past. State Department officials such as Charlie Ries, Pat Haslach and Tony Wayne have already shown that FSOs have an indispensable role to play in promoting economic development in such countries. Expeditionary diplomacy will be a continuing part of the role of the State Department, and expeditionary economic diplomacy will be a central focus of that role.

Whether or not it occurs in a war zone, development work inevitably involves a great deal of coordination with other agencies, other donors and the private sector. The involvement of other players only enhances the importance of the on-the-ground experience and practical skills of FSOs and the use of economic diplomacy.

The Interagency Process

The formulation of international economic policy will increasingly be done through interagency processes established within the framework of the National Security Council, the National Economic Council and other White House bodies. Yet in my experience, no other agency matches the State Department in looking at international economic policy issues through a broad national interest lens that closely corresponds to the perspective of the president.

Throughout my diplomatic career, I found my closest bureaucratic allies at the NSC and the National Economic Council. I think it will continue to be very important for the State Department and its economic diplomats to embrace the presidential perspective. This is the best way to serve the country and to expand the department's influence.

Training and Recruitment

Having been a beneficiary of State's University Economic Training program, I take a great interest in strengthening economic and commercial training. The department can play its necessary role in economic diplomacy only if officers have the technical skills to interact on an equal footing with experts from other economic departments such as Treasury on technical issues. State needs to fund such programs, and diplomats need to invest the time and effort to take advantage of them.

Commercial and Business Advocacy

As under secretary of State for economic affairs, I had the opportunity to meet with every class of American ambassadors going out to post. I told them that I looked forward to the day when I needed to respond to complaints that an ambassador or an embassy had been *too* zealous in advocating on behalf of U.S. business interests!

Commercial and business advocacy is a critically important role for the State Department. Growing exports are crucial to the success of the U.S. economy, and the expertise of U.S. diplomats can be the crucial difference in the success or failure of a project. Through the generosity of private donors, the State Department is able to provide recognition to officers at all levels who demonstrate dedication and success in business advocacy.

A Rewarding Career

Economic diplomacy was a great adventure throughout my Foreign Service career, and I believe it will remain a stimulating and richly rewarding field for many years to come. So let me extend to the next generation of economic diplomats my best wishes for careers that will be as exciting and as rewarding as mine has been. ■

U.S. BUSINESS INTERESTS: AN FCS OFFICER'S VIEW

WORKING WITH OTHER SECTIONS OF THE MISSION, ECON AND FCS CAN BE MORE THAN THE SUM OF THEIR PARTS.

BY MICHAEL A. LALLY

Given the scale and speed of international business in our "Hot, Flat and Crowded" world (to quote the title of Thomas Friedman's influential book), embassies are increasingly tasked with economic policy engagement and trade promotion in support of U.S. foreign policy interests. The focus on this portfolio is back in the spotlight again with President Barack Obama's National Export Initiative, which aims to double U.S. exports by 2015 and support the millions of U.S. jobs sustained by overseas sales.

Strong coordination between each diplomatic mission's economic section (generally called ECON) and the Commerce Department's Commercial Service ("CS," better known in embassies as FCS) is a sine qua non for success. While this article focuses on that relationship from an FCS perspective, let me also acknowledge that the embassy front office, the public diplomacy section, the Foreign Agricultural Service, the U.S. Agency for International Development and the private sector also play important roles in achieving overall economic and trade objectives in the host country.

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Two Sides of the Same Coin?

The DNA of economic and commercial officers differs significantly. Commercial officers eschew reporting and cable writing in favor of developing business-to-government and business-to-business transactions and contributing to the bottom line: increased U.S. exports and jobs. Economic officers develop niche expertise through analysis of macroeconomic developments, using strong writing skills and timely reporting to feed the policy process in Washington.

Differences in the metrics each section uses also play a role. For example, FCS offices are accountable for a specific number of export success transactions in their markets, with implications for each post's human and fiscal resource levels. In addition to supporting goals as defined by the chief of mission, senior commercial officers tend to be selective about where they spend their limited time and resources to ensure they meet their goals and support the National Export Initiative.

Economic sections generally do not have such hard metrics, but the depth, breadth and timeliness of reporting and analysis are useful measurements of their effectiveness.

It is also the case that commercial officers spend their entire careers in this cone, whereas economic officers may have broader experience through consular, management or other assignments.

Many of my FCS and ECON colleagues concur that personalities play an outsized role in determining the effectiveness of the two sections' interactions. Without doubt, a smooth, collaborative relationship between section chiefs and agency heads and their staffs goes a long way.

The DNA of economic and commercial officers differs significantly, but they can achieve synergy by working together to advance U.S. policy objectives.

A strong and supportive front office further facilitates the process by laying out clear expectations, demanding coordination on key matters, and actively monitoring the process to manage the conflicts that will occasionally arise. In many of my posts, I have gauged the teamwork quotient by a simple measure: the number of phone calls and face-to-face meetings in a given week that advise, assist and augment a given set of issues.

Previously, ECON and FCS could somewhat simplistically draw bright lines between policy analysis and business development. However, the growing speed of international commerce has increasingly blurred this distinction, requiring thoughtful leadership from post management and solid communication and execution from country team members.

Economic officers' work with host-government officials can provide broad context and policy intent with implications for U.S. policy and American private-sector market positions. At the same time, FCS contacts with key business leaders can provide "ground truth" to test the sometimes flowery policy rhetoric that often graces governmental meetings. To put it bluntly, foreign governments will frequently tell us what we want to hear, but informed business opinion can provide a reality check on our policymaking.

As a rule, FCS should be the embassy's primary interlocutor with U.S. and host-country businesses and trade associations, given its mission and expertise, and its U.S. and overseas network. ECON should lead on policy matters, reporting and analysis, given its strengths: institutional focus and mission. But these are not hard-and-fast boundaries, for the day-to-day work of commercial diplomacy and business development requires adaptive, flexible approaches to secure policy goals and best serve American companies.

For example, when engaging the host government on a market entry barrier, a good FCS officer ensures the economic section has input into the process to determine where best to influence the issue at hand. Likewise, ECON's specialized expertise in macroeconomics, intellectual property rights and energy policy often has direct value to American firms. Strong working relationships between ECON and FCS and an engaged front office will ensure that relevant country team members are "firing on all cylinders" to provide valuable information and analysis.

Economic Policy Goals vs. Business Practicality

The nexus of policy imperative and business practicality requires strong collaboration among post leadership, ECON, FCS and the Washington interagency community. While overarching U.S. foreign economic and trade policy objectives such as macroeconomic coordination, free and fair trade, and transparency are broadly in sync with the goals of U.S. business overseas, a careful balance must be maintained to ensure that both long-term U.S. policy goals and business interests are factored into the policymaking process. This is increasingly important given the cutthroat competition seen on major projects around the world, and the emergence of new Asian business competitors who move quickly and adroitly.

A case in point I saw firsthand back in the 1990s was U.S. energy transportation policy in the former Soviet Union. Washington expended an enormous amount of political capital in support of a visionary, well-executed "multiple pipeline" strategy throughout Central Asia and the Caucasus. The region's energy sources and multiple transportation options supported these newly independent states' economic development, while new resources augmented the security of supply — especially important given the huge spike in hydrocarbon demand in the early part of the 21st century.

Given the United States government's unique leverage and its network of high-level relationships across the region, our companies were in a strong position to benefit from American "soft power," getting in on the ground floor of energy development in the region, and winning contracts to create jobs at home. But these two complementary goals were not explicitly joined, for policy necessity (get the pipelines built) largely won out over practicality (pursue an equally well-coordinated, sustained effort to use this leverage to ensure U.S. firms get their share of the business).

> ***With the growing speed of international commerce, the distinction between policy analysis and business development has become increasingly blurred.***

Such advocacy is inherently difficult when bidding on projects tendered by private-sector firms, which make their procurement decisions based largely on commercial and technical criteria. This disconnect became particularly evident when the same firms that lobbied Washington for policy support with host governments in the region rebuffed U.S. government advocacy for greater American content in multibillion dollar tenders. In their view, government advocacy should not interfere with a firm's business decisions.

In the end, U.S. firms received a small portion of contracts in deals that were largely, if not wholly, influenced by Washington. The lesson to be learned: integrate U.S. soft power on the policy side with the real needs of U.S. firms in a hypercompetitive global market place. An astute ambassador and deputy chief of mission can work with the rest of the country team to make that very case to Washington decision-makers.

Indeed, trade advocacy is an area particularly well-suited to country team coordination, for it directly benefits American firms. Commerce's Trade Advocacy Center coordinates assistance for U.S. company bids on major projects through phone calls, letters and meetings at a senior level, from the White House on down. Based on anecdotal evidence, this interagency cooperation is now often seen in foreign military sales and defense advocacy, where State, Commerce and Defense support the foreign policy, commercial and defense dimensions of a given transaction.

As a rule, FCS should be the primary interlocutor with U.S. and host-country businesses and trade associations, while ECON should lead on policy matters, reporting and analysis.

In order to be competitive in a given tender, U.S. firms typically seek the embassy's advice regarding host-government considerations and third-country competition. For example, when a state-owned airline issues a Request for Proposal for purchase of several aircraft, the effort will affect many parts of the host-government bureaucracy and, indirectly, the U.S. embassy country team. An economic section's contacts with the finance ministry can provide insight into the availability of sovereign guarantees for the transaction, while FCS's relationships with American and host-country firms can inform negotiating strategies. In addition, the political section can provide early warning of the arrival of a high-level governmental delegation from a competitor country.

Last but not least, FCS can work with the U.S. Export-Import Bank to develop a project finance proposal that lubricates the transaction, while the U.S. Trade and Development Agency's training grants program can augment the bid. The stakes are high: a well-orchestrated country team that executes well on such a transaction can often influence a successful outcome — securing business for small, medium and large U.S. firms and creating needed jobs at home.

A Standard for Intra-Mission Cooperation

In my experience, the "Holy Grail" of intra-mission cooperation was seen in Kazakhstan in the mid-1990s. Aware that the newly independent states represented markets with major potential, U.S. firms rushed in to scout the prospects. But the initial euphoria soon turned to cynicism, as the weak legal infrastructure stymied efforts to trade and invest.

To respond effectively to increasing expressions of business concern, Embassy Almaty needed a mechanism to fuse the concerns of the private sector with the stated (and largely genuine) interest of the host government to attract American trade and investment. Led by a business-savvy, team-building front office, USAID, ECON and FCS all used their respective strengths to secure a series of policy reforms and improve the business climate.

USAID trade and investment policy advisers, often accomplished attorneys and experts in their own right, helped draft and redraft laws and regulations in cooperation with the host government. FCS used its contacts with American firms and the local business community to identify the specifics of a problem with customs, standards or banking, then shared this real-world perspective with USAID contractors. And ECON ensured that key host-government representatives were informed of our efforts to ensure buy-in to the process at all levels, and provided reporting and analysis to keep Washington informed and prepared for VIP visits where we could push key issues to resolution.

To frame key issues for senior host-government decision-makers, the mission produced a trade and investment non-paper with short descriptions of each business issue and a two- or three-sentence recommendation on how to resolve it. Ambassador Beth Jones used her well-developed relationships with the host government to push for results, creatively weaving in U.S. VIP visits and pushing for movement before their arrival, when leverage was at its peak. This approach was gratefully embraced by American and local firms, which rarely wanted to take on these issues with the host government for fear of reprisal.

Such cooperation led to the rollback of controversial customs pre-shipment verifications; elimination of mandatory temporary warehousing that raised the cost of doing business; and rescission of compulsory oil and gas insurance provisions, among other reforms. Perhaps even more importantly, that initial missionwide team effort spawned the founding of a local chapter of the American Chamber of Commerce, thereby creating a long-term mechanism for trade and investment policy engagement. And the sense of cooperation and camaraderie in working together on a major, successful joint project increased trust between agencies and bolstered mission morale — something not to be overlooked.

Think Globally, Act Locally

With only 80 FCS posts worldwide, nearly half of our embassies do not have full-time FCS staff to work the business portfolio. While some embassies have formal "partnership post" arrangements with FCS offices in a given region, the Commercial Service's severe budget and human resource constraints since 2005 have hampered its ability to support State economic-coned colleagues.

When engaging a host government on a market entry barrier, a good FCS officer ensures the economic section has input into the process.

Partnerships between embassies facilitate virtual support of non-FCS posts by giving advice on advocacy matters, putting together business delegations to the United States and resolving trade disputes affecting American firms in the host country. A strong partnership post arrangement must set clear expectations early on, however. Some non-FCS posts expect more support than is practical, particularly given staffing limitations and travel budget cuts in recent years.

Fortunately, a memorandum of understanding has been created between Commerce and State that lays out clear responsibilities on both sides, including building commercial work into officer work plans at supported partnership posts; elaborating training needs; and delivering FCS-branded services at State ECON posts. However, given likely budget cuts in Fiscal Year 2012, cooperation and creativity will still be needed.

Some economic sections have bridged the funding gap through Business Facilitation Incentive Fund proposals managed by State. For instance, the BFIF can fund travel by economic officers and Locally Engaged Staff to major

The Seven Habits of Highly Effective Trade and Economic Portfolios

• **Meet regularly and discuss substantively.** Chaired by the ambassador or DCM, regular meetings of relevant section chiefs and agency heads with the trade and economic portfolio should focus on key policy developments, business opportunities and upcoming VIP visits to advance mission goals, rather than rote updates of who is doing what (which should be happening daily, anyway).

• **Multiply resources.** Cooperation and communications can ensure cross-pollination of ideas and opportunities to identify allies and detractors on a given policy goal.

• **Consult before you do.** Strategic and operational plans should be shared in draft before finalized to head off overlap and confusion.

• **Share and share alike.** No section of a mission "owns" a particular contact in a ministry or private firm. These are mission contacts to be cultivated as a team, not in competition. Common courtesy and common sense dictate that advance coordination be undertaken to avoid bumping into each other in the minister's anteroom.

• **Play to your strengths.** If one section has more knowledge of or contacts on a given issue, even if outside its normal portfolio, let that office lead the engagement. Business results should guide the resources, not artificial bureaucratic boundaries.

• **Network the interagency community.** In addition to the relevant geographic and functional bureaus, the Commerce Department's Office of Market Access and Compliance, the Foreign Agricultural Service, USAID and the Office of the U.S. Trade Representative may all have a stake in a given issue. As the central execution point, well-led posts should ensure that the entire interagency community is brought into the process.

• **Tell the story.** Posts should tap the public affairs section and the Commerce Department to highlight key trade policy opportunities and business development. This can be done by placing ambassadorial op-eds and using other messaging to highlight bilateral business opportunities and U.S. policy developments affecting the host country.

— Michael A. Lally

trade shows in the United States, to which they can lead a delegation of host-country buyers. Other successful proposals have funded a USA Trade booth in major local trade shows, allowing missions to meet host-country businesses and identify potential importers.

> ***Partnerships between embassies facilitate virtual support of non-FCS posts.***

Resourceful economic officers also work closely with partner posts to use the 108 FCS offices in the United States to spread the word about key tenders, privatizations and investment opportunities in the host country. The U.S. Trade and Development Agency also funds reverse trade missions in selected markets, by which local decision-makers are invited to the United States to meet with American firms in key industry sectors.

First-tour and second-tour ECON and FCS officers would be well advised to take the "Business Council for International Understanding" course at the Foreign Service Institute to learn more about each other's tradecraft and gain a better understanding of the broader trade and economic portfolio. And, despite likely bureaucratic resistance to such an idea, rotations placing FCS officers temporarily in ECON jobs and vice versa will clear up the occasional confusion about what each section contributes to the mission.

In summary, increasing globalization has very practical implications for every mission's trade and economic portfolio. More American companies will ask for embassy support to meet overseas business opportunities and challenges. Washington and host governments will negotiate to lift technical barriers to trade, and use the trade and investment component to build additional pillars for the bilateral relationship.

By working with other sections of the mission, ECON and FCS can be more than the sum of their individual parts — if coordination, cooperation and communication are the rule. ■

THE IMPORTANCE OF PROTECTING INTELLECTUAL PROPERTY RIGHTS

STATE CANNOT GO AFTER IP INFRINGERS ONE DVD AT A TIME, BUT THERE ARE STEPS THAT ALL POSTS CAN TAKE TO RAISE AWARENESS OF THE ISSUE.

BY DAVID DRINKARD

America's first diplomat, Benjamin Franklin, benefited from our nation's early establishment of an intellectual property regime. Our Founding Fathers ensured that Article I, Section 8, of the U.S. Constitution gives Congress explicit authority "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." More than two centuries later, the Department of State plays a key role in protecting those rights.

Toward that end, in 2005 Congress created State's Office of International Intellectual Property Enforcement to strengthen the department's ability to combat counterfeiting and piracy. IPE, which spearheads these efforts, falls under the Trade Policy and Programs Deputate in the Bureau of Economic, Energy and Business Affairs. The office oversees enforcement of American intellectual property rights overseas, represents the State Department in interagency IPR policy discussions, participates actively in bilateral and multilateral negotiations to improve enforcement of those rights, and promotes the benefits of IP protection for innovation and development.

State's actions on intellectual property protection have a direct impact on the U.S. economy. Protection of IP rights gives consumers confidence that the products they buy are legitimate and will work as expected; provides incentives to artists and inventors to create artistic works and much-needed innovations and inventions; and stimulates economic output, creating jobs.

The Organization for Economic Cooperation and Development estimated in 2007 that global cross-border trade in tangible, counterfeit and pirated products was as high as $250 billion. The OECD report does not take into account domestically produced and consumed products or non-tangible pirated digital products, so the impact is almost certainly greater. And these costs are expected to grow exponentially if enforcement is not improved.

The United States' transition to a knowledge-based economy makes the efforts of all agencies involved in IP protection all the more relevant. Rarely do intellectual property infringements occur as isolated events. Recent cases revealed that large-scale counterfeiting operations had ties to organized crime and, in some cases, terrorist organizations.

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The Role of the IPEC

Demonstrating its commitment to this issue, the Obama administration appointed an Intellectual Property Enforcement Coordinator, Victoria Espinel, in December 2009. A key element of the Joint Strategic Plan on IP Enforcement that she released this past June is aimed at uniting the efforts of all federal agencies with a stake in intellectual property to pursue several joint initiatives, both domestically and overseas, through the establishment of various working groups.

State's use of a $4 million fund for IPR criminal enforcement training and technical assistance is a great example of interagency cooperation.

The working group on overseas staffing is chaired by IPE and recently directed 17 key posts to create IPR working groups and develop a yearly IP action plan. At embassies and consulates worldwide, State economic officers are on the front line of the battle to protect U.S. intellectual property rights, responding to complaints raised by U.S. companies and vigorously pressing foreign governments to combat piracy and counterfeiting.

Six posts also are staffed by U.S. Patent and Trademark Office IP attachés, as mandated by the Pro-IP Act of 2008, and two posts have Department of Justice IP Law Enforcement Coordinators to assist in developing cases related to IP infringement. Both USPTO and DOJ are interested in expanding these programs and their presence overseas.

State's Role

A great example of interagency cooperation in combating piracy and counterfeiting is found in State's implementation of a $4 million congressional "soft" earmark for IPR criminal enforcement training and technical assistance. In this program, the Bureau of International Narcotics and Law Enforcement Affairs and the Bureau of Economic, Energy and Business Affairs collaborate to target INL funds for long-term capacity-building programs in less developed nations through cooperation with other agencies.

Examples include a multiyear program in Paraguay, which established new enforcement units and capabilities that did not exist before; regional training for sub-Saharan Africa enforcement units designed to increase cross-border cooperation, with particular emphasis on combating the health and human safety threat of counterfeit medicines; and long-term capacity building for Mexican law enforcement, which led to a World Customs Organization award recognizing substantial progress.

The State Department criminal enforcement training program is designed to complement private-sector training initiatives by addressing gaps that can only be filled by delivery of government-to-government assistance. A strong criminal enforcement deterrent is required to address the increasing involvement of sophisticated trans-national organized crime groups in IPR crimes.

IPE does not go after IP infringers "one DVD at a time," but there are steps that all posts can take to raise awareness of IP protection. Many have implemented an anti-piracy policy explicitly stating that purchasing counterfeit and pirated goods is not allowed. Others have updated the Country-Specific Information pages at http://travel.state.gov to include information for American citizens about the dangers associated with purchasing counterfeit and pirated goods.

Immigration and Customs Enforcement is launching a campaign linking posts to the National IPR Coordination Center, another group that State's office cooperates with, from the embassy Internet page to report IP infringements and infringers all over the world. The center (www.ice.gov/iprcenter) coordinates the efforts of 13 agencies to combat piracy and counterfeiting and ensure that counterfeit products do not find their way into the U.S. government supply chain.

On "Cyber Monday" (the Monday after Thanksgiving — Nov. 29 last year) the National IPR Center announced seizure orders against 82 domain names of commercial Web sites as part of their ongoing investigation, "Operation In Our Sites." These sites were all found to be engaged in the illegal sale and distribution of counterfeit goods and copyrighted works.

Countries that do not offer "adequate and effective" protection of IPR or "fair and equitable market access to United States persons that rely upon intellectual property rights" are "named and shamed" in the annual Special 301 Report prepared by the Office of the U.S. Trade Representative. The preparation of the report relies heavily on analysis from posts around the world and coordination by State's IPE office.

This year's report will follow one from the U.S. International Trade Commission on the nature and scope of intellectual property right infringement in China and the IPEC's updated report on the implementation of the Joint Strategic Plan. Reinforcing the importance of the issue, the Congressional International Anti-Piracy Caucus traditionally issues its own watch list after the publication of each Special 301 Report.

President Obama appointed the first Intellectual Property Enforcement Coordinator, Victoria Espinel, in December 2009.

Success Stories

While piracy affects the entire U.S. economy, counterfeit medicines are a particularly serious global menace. Recognizing that it is vital to our interests at home and abroad to address this challenge, numerous agencies and bureaus within State are cooperating on this issue. One of IPE's contributions is in working with posts and the Bureau of Public Affairs and Public Diplomacy to undertake a global campaign against counterfeit medicines. In 2010, our office worked in various locations to increase public awareness about the dangers of these products.

• Consulate General São Paulo organized awareness seminars bringing together the University of São Paulo and the University of Texas College of Pharmacy, fostering vibrant discussion among approximately 200 pharmacy student participants.

• Embassy Colombo worked with key private-sector and public-sector partners to conduct the first in a series of four workshops across the country under the banner "Protecting Sri Lankan Families from Counterfeit Drugs." This program received nationwide media attention and resulted in public commitments by Sri Lanka's minister of health and local pharmaceutical industry groups to take immediate steps to fight counterfeit drugs.

• Embassy Nairobi partnered with the Kenyan government and the private sector to conduct the first two of four public town hall outreach events in the capital and in Mombasa. The latter meeting garnered a large amount of press coverage, including a radio interview with program speakers broadcast to more than a million listeners.

Other countries where State Department-funded public diplomacy programs to address this problem have been implemented or are planned include Bolivia, Peru, Jordan, Congo (Brazzaville), Bosnia, Ukraine, Paraguay, Sudan, Tanzania and Guinea.

IPE also benefits from public outreach efforts by Secretary of State Hillary Rodham Clinton and other senior department officials, who regularly stress the importance of protecting intellectual property rights. This underscores the fact that for the United States, protection of our intellectual property is a core national economic interest. A recent World Bank study on the impact of patenting, as it relates to economic growth in 92 countries from 1960 to 2000, found that a 20-percent increase in the annual number of patents granted, regardless of where the technologies originated, was associated with an increase of 3.8 percent in output.

Engaging with China on IPR

Understandably, the need to support innovation and protect intellectual property rights is highlighted in the National Export Initiative, and no country receives more scrutiny in this respect than China. U.S. exports to the People's Republic of China have quadrupled since 2000, making it America's fastest-growing export market. But concerns persist regarding Beijing's commitment to the protection and enforcement of intellectual property rights, so we continue to engage with the Chinese at the highest levels on this issue.

Over the past year, U.S. Ambassador to China Jon Huntsman, Under Secretary for Economic, Energy and Agricultural Affairs Robert D. Hormats and Intellectual Property Enforcement Coordinator Victoria Espinel, as well as numerous congressional delegations and other U.S. government officials, have all stressed the importance of IPR enforcement and protection with their Chinese counterparts. They have emphasized that such protection is not just for the benefit of multinationals, but is crucial to promoting innovation within China.

When Under Secretary Hormats addressed a recent Internet Forum in Beijing, he noted that during at least 70 trips to the country he has regularly engaged his Chinese counterparts on the benefits of strengthening the PRC's intellectual property rights regime. Under the direction of Amb. Huntsman, Mission China is building coalitions among U.S. and Chinese government officials, businesses and educators to strengthen IP protection and enforcement, and to highlight how such protections enhance economic development and innovation in both our countries. These alliances — under the banner of "Entrepreneurs Unite" — are a critical component in achieving our IP objectives.

> ***Countries that do not offer adequate protection of intellectual property rights are "named and shamed" in the annual Special 301 Report prepared by the Office of the U.S. Trade Representative.***

The message appears to be taking root. In October 2010 China's State Council announced a six-month campaign of heightened enforcement, called the Program for a Special Campaign on Combating IPR Infringement and Manufacture and Sales of Counterfeit and Shoddy Commodities. While some cynics dismissed this as "just another campaign," it is the first time that anything like it has been announced by the State Council and coordinated across multiple Chinese ministries. The campaign represents an opportunity to press for appropriate structural change so that strengthened enforcement can become sustainable.

The participation of numerous high-level PRC officials in Amb. Huntsman's IPR Dialogue in Beijing last November, and improved access to government offices and business chambers, may also be signs of closer cooperation on the issue. Washington pressed the Chinese government on these issues at the December meeting of the Joint Commission on Commerce and Trade, and built upon those efforts during the state visit of President Hu Jintao to the United States in early 2011.

Progress on both the State Council campaign and these government-to-government dialogues will be highlighted in submissions from industry and Mission China for inclusion in the USTR's Special 301 Report, to be published in April.

While piracy affects the entire U.S. economy, counterfeit medicines pose a particularly serious global public health and safety threat.

The Value of Protecting Innovation

The Founding Fathers' foresight with regard to intellectual property rights laid the foundation for our strong economy by ensuring the freedom to innovate and offering incentives to encourage innovation. More than two centuries later, Pres. Obama launched the U.S. government's Strategy for American Innovation, intended to direct more than $100 billion in American Recovery and Reinvestment Act funds to projects that will spur innovation.

In announcing the program in 2009, the president commented: "History should be our guide. The United States led the world's economies in the 20th century because we led the world in innovation. Today, the competition is keener; the challenge is tougher; and that is why innovation is more important than ever. It is the key to good, new jobs for the 21st century. That's how we will ensure a high quality of life for this generation and future generations."

Everyone wants to live in societies where promoting cultural development, fostering innovation and growth, and protecting public health and safety are goals that are cherished and fostered. So we should be wary of all arguments for weakening intellectual property protections, which would put these values at risk and undermine our future.

With that basic principle in mind, State's Office of Intellectual Property Enforcement is dedicated to protecting the right of 21st-century Benjamin Franklins to benefit from their inventions and creations — not just at home but all over the world. ■

DOING WELL BY DOING GOOD: STATE'S ECONOMIC POLICY EFFORTS

EEB SEEKS TO BE A FORCE MULTIPLIER FOR THE INTEGRATED APPLICATION OF THE DIPLOMATIC AND ECONOMIC INSTRUMENTS OF AMERICAN POWER.

BY JOSE W. FERNANDEZ

The Obama administration recognizes that robust international economic engagement is a critical contributor to our nation's prosperity and security. Led by Under Secretary of State for Economic, Energy and Agricultural Affairs Robert D. Hormats and myself, the Department of State economic team is pursuing the following initiatives to boost global economic growth and development — an approach we call "doing well by doing good."

Promoting Business Advocacy and Entrepreneurship

The Bureau of Economic, Energy and Business Affairs advocates for U.S. companies large and small, all over the world, in order to boost exports and create jobs for Americans. Many overseas missions have established special teams to help U.S. firms successfully enter or expand in foreign markets. Recent beneficiaries of these efforts range from Tennessee-based Jarden Zinc Products Inc., which was awarded a $21 million deal to supply the Philippine Central Bank with 4,600 metric tons of coin metal, to multinational enterprises like Boeing and Engine Alliance (a General Electric/Pratt & Whitney joint venture) which, respectively, won bids to supply Emirates Airlines with 30 aircraft valued at $9.1 billion, and engines and associated services valued at $4.8 billion.

EEB's Global Entrepreneurship Program promotes a business "ecosystem" that nurtures and rewards innovative businesspersons and establishes links with U.S. counterparts. This not only gives U.S. companies new opportunities but also uses existing programs to spread the benefits of economic development and globalization to our trading partners.

A key component of this effort is women's economic empowerment through ongoing programs such as the Global Women's Business Initiative, the African Women's Entrepreneurship Program and the Asia-Pacific Economic Cooperation Women's Leadership Network. Last July the 34 AWEP participants signed a memorandum of understanding with the African Growth and Opportunity Act/African Women Entrepreneurs' Platform, and are also pursuing bilateral trade opportunities. In addition, State has established a community Web site for program participants (https://alumni.state.gov), trainers and U.S. officials,

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and held a regional training program in Abuja in December.

The bureau is also the home for the Award for Corporate Excellence program, which celebrates the important role U.S. businesses play in advancing best practices, good corporate governance and democratic values overseas. In 2010, the winners of the ACE in the multinational category were Cisco, for its programs in Israel enhancing connectivity, education and opportunities for women and youth; and Mars, for its work in Ghana in promoting sustainability of cocoa-growing communities and sensitizing them against child labor. In the small-to-medium-sized enterprise category, the winner was Denimatrix, for its efforts in Guatemala to reduce the environmental impact of its textile and apparel operations and to help disadvantaged youth and the homeless. (See www.state.gov/e/eeb/ace/index.htm for more information.)

Many overseas missions have established special teams to help U.S. firms successfully enter or expand in foreign markets.

Opening Overseas Markets

The Bureau of Economic, Energy and Business Affairs' experienced negotiators are pursuing a full plate of regional, subregional and bilateral free trade agreements, in addition to conducting strategic economic dialogues with such key countries as India, Indonesia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkey, Turkmenistan and Uzbekistan.

Trade success stories in 2010 include the negotiation of outstanding issues related to the U.S.-Korea Free Trade Agreement, led by the Office of the U.S. Trade Representative. The U.S. International Trade Commission estimates that, once passed by Congress, the tariff cuts in the agreement would increase American exports by more than $10 billion. Another success was the completion of the U.S.-Canada Agreement on Government Procurement, which guarantees U.S. firms access to markets worth tens of billions of dollars.

State recently concluded the 100th "Open Skies" agreement, increasing global opportunities for U.S. air carriers and bringing jobs and improved transportation links to the U.S. State also helped reopen pork markets in China, Russia and South Korea after their closure during the 2009 swine flu pandemic. We are also working to liberalize shipping markets, through maritime agreements that eliminate restrictions in foreign shipping markets.

Then there is the Trans-Pacific Partnership, a regional free trade agreement under negotiation among nine Asia-Pacific states: Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the United States and Vietnam. The TPP aims for high standards concerning issues such as labor and the environment.

The protection of U.S. workers' rights, in particular, is at the heart of our global trade enforcement effort. Last July, the United States filed its first-ever labor case against an FTA partner, Guatemala, for violating its labor rights obligations under the Central America-Dominican Republic Free Trade Agreement.

The department also plays a leading role in the fight against the manufacture and sale of counterfeit medicines, a particularly severe public health problem in developing countries. We work with foreign governments, international organizations and the private sector to combat the flow of these dangerous products through education and strengthening regulatory and enforcement systems.

For example, my bureau's international Campaign against Counterfeit Medicines is funding a series of Latin American regional workshops on the subject. The first of these, held in November 2010, resulted in the launch of a new public-private working group that will enhance Guatemala's capacity to combat counterfeit pharmaceuticals. The working group's first task is to develop a streamlined protocol for testing suspect medicines.

EEB also oversees U.S. participation in the Kimberley Process, a multistakeholder organization established in 2003 to restrict the trade in "conflict diamonds" mined illicitly by rebel movements, so that the proceeds they generate cannot be used to overthrow legitimate governments.

Supporting U.S. International Financial Goals

We work closely with the Department of the Treasury, the National Security Council and other agencies to ensure that U.S. foreign policy equities are advanced in the Group of 8 and the Group of 20. EEB played a direct role in crafting the G-20 Framework for Strong, Sustainable and Balanced Growth and is helping to draw up a development agenda for the G-20 that includes a public finance initiative linked to fiscal legitimacy. This aims to boost the capacity of developing countries to collect resources internally for their own development, by combating corruption and improving fiscal transparency. Progress here could reduce dependence on foreign assistance while creating room in donor budgets for new development expenditures.

To ensure the proper use of U.S. aid, our bureau also evaluates the budget processes of all recipient countries. Toward this end we are pursuing a Fiscal Transparency Enhancement Initiative in cooperation with other agencies and exploring options for collaboration with multilateral donors and international financial institutions to improve the quality and accountability of public expenditures.

The Global Entrepreneurship Program promotes a business "ecosystem" that nurtures and rewards innovative businesspersons and establishes links with U.S. counterparts.

EEB also works to relieve poor countries of unsustainable debt burdens. We help ensure that countries undertake economic and policy reforms for prudent debt management through the Paris Club, an informal group of 19 official creditors, and through the Highly Indebted Poor Countries Initiative, a joint World Bank–IMF program begun in 1996 that encourages economic and financial reforms aimed at creating debt sustainability. To date, 32 countries have completed the HIPC program, including Afghanistan, Haiti and Liberia. In total, the U.S. has forgiven over $2 billion in debt owed by these countries.

Putting Remittances to Work.

Shortages of capital remain one of the largest hurdles to sustainable economic growth in emerging economies. In 2010 alone, people from developing nations working abroad sent home more than $325 billion in remittances, according to the latest World Bank–IMF estimates, to support friends and families — compared with approximately $126 billion in official development assistance in 2010, according to the OECD.

Last September, we formalized partnerships with the governments of El Salvador and Honduras to develop and implement financing structures that channel remittance flows to investment. This effort, known as the Building Remittance Investment for Development, Growth and Entrepreneurship Initiative, is led by the State Department in partnership with the U.S. Agency for International Development, the Overseas Private Investment Corporation and the Inter-American Development Bank.

Working with Central American banks and financial institutions already receiving workers' remittances from the United States, BRIDGE enables a financial institution to issue a debt instrument to raise capital, backed by the remittances flowing through it. By utilizing the guarantee and technical assistance tools of each agency, it will enable access to lower-cost, longer-term investment capital. Moreover, the program helps ensure that capital is directed toward investment in critical sectors such as infrastructure and commercial development.

BRIDGE is a great example of the close relationship between EEB and embassies. Foreign Service officers in San Salvador and Tegucigalpa were vital in facilitating needed assessments and securing local cooperation. We hope that these successes will be replicated elsewhere in the region and globally.

Safeguarding Energy and Food Supplies

Both bilaterally and through the G-20 process, State encourages the sharing of country data on oil demand, stocks and investment, and the elimination of economically distorting fossil fuel subsidies. EEB also promotes energy diversification by assisting other countries to adopt low-carbon futures, through the promotion of renewable energy, sustainable biofuels and sound energy policies. For example, in April 2010 we collaborated with the U.S. Trade Development Agency to organize a Clean Energy Trade, Technology and Investment Forum in Manila. This forum, co-sponsored by the Association for Southeast Asian Nations, promoted U.S. technology in a region that is increasingly eager to adopt it.

EEB is also active in implementing the U.S.-Brazil biofuels initiative, which is advancing research, development and the use of biofuels in the hemisphere. Through this cooperation, the bureau is currently supporting activities in five countries in the Caribbean and Central America, as well as two countries in Africa. And at the November 2010 Americas Competitiveness Forum in Atlanta, I established the U.S.–Central American Renewable Energy Forum to advance clean energy use in this oil import-dependent region. EEB also plays a key role in adjudicating applications for liquids pipelines crossing the U.S. borders to and from Canada and Mexico.

In addition, EEB plays a key role in the Global Hunger and Food Security Initiative to reduce poverty and hunger through agricultural growth and food security. The key aims are to accelerate inclusive agriculture sector growth through improved agricultural productivity and expanded markets for small holders' produce, as well as to improve nutrition.

The BRIDGE Initiative is a great illustration of the close relationship between EEB and embassies.

We work with missions in Africa, Asia and Latin America to develop country-led plans that comprehensively address the underlying causes of hunger and undernutrition and promote longer-term, sustainable agricultural development. The United States has also pledged at least $3.5 billion to improve food security, agricultural production and nutrition in approximately 20 countries as part of the "Feed the Future" program. State economic officers in Washington and overseas are key players in ensuring a policy environment favorable for these vital assistance programs.

The bureau is also pursuing biotechnology to promote U.S. agricultural exports and meet the needs of a growing global population, while mitigating the environmental challenges of climate change. Since 2002, EEB has invested between $350,000 and $500,000 a year in outreach to promote acceptance of biotechnology. This program has lowered barriers to biotech grain in China, ended piracy of biotech soybeans in Brazil, facilitated the commercialization of biotech maize in the Philippines and Egypt, and opened access for U.S. agricultural biotechnology to eastern and southern Africa via the Common Market for Eastern and Southern Africa. These efforts collectively represent billions of dollars in sales of U.S. agricultural products.

Promoting Telecommunications and Cybersecurity

Research conducted by the International Telecommunication Union indicates that a 10-percent increase in the number of fixed telephone lines increases a country's gross domestic product by around 0.5 percent, while the same increase in mobile phone lines increases it by 0.7 percent. Even more remarkably, a 10-percent increase in broadband penetration can boost GDP by an average of 1.3 percent.

Aware of this great potential, the department is working to help developing countries realize the benefits of new communications technologies. For instance, we recently completed a nine-year undersea fiber optic cable project that included Micronesia and the Marshall Islands, and are currently leading an interagency effort to support the development of Iraq's communications technology sector.

While championing an open, global Internet, we have also consistently stressed the importance of keeping its infrastructure secure in dealings with such multilateral organizations as the ITU, the Organization for Economic Cooperation and Development, and the Asia-Pacific Economic Cooperation forum. We are making the same pitch for cybersecurity to bilateral partners. With Mexico, for instance, we are negotiating the development of an extensive cross-border communications network that will bring together federal, state, local and tribal law enforcement and public safety organizations.

The department's economic team is also working to address critical telecommunications needs related to disaster response, recovery and rebuilding — particularly in developing nations overwhelmed by crises — through engagement with private-sector technology leaders and interagency colleagues. Last July we hosted a telecommunications industry round table on Haiti relief and reconstruction to share information about U.S. efforts and facilitate coordination among private stakeholders and with Washington in future disaster recovery efforts.

The Importance of Economic Diplomacy

America's leadership has long stood on a foundation of economic strength, but our dominance can no longer be taken for granted. More than ever before, economic and commercial issues are reshaping the global landscape and new, dynamic financial and population centers are driving change.

With those trends in mind, the Bureau of Economic, Energy and Business Affairs seeks to be a force multiplier for the integrated application of the diplomatic and economic instruments of American power. All our outreach is intended to preserve the United States's role as a steward of an open international system that encourages trade and investment and promotes good governance. ■

Focus on the Economic/Commercial Function

The Top 14 Economic Wonkisms

Who says economics is a dismal science? Here is a tongue-in-cheek guide to help you keep up with the current policy discussion.

By Stephan Thurman

Every profession has its own unique lexicon, and economics is no exception. The use of specialist shorthand increases markedly during periods of high economic uncertainty. Economists and journalists use jargon they expect their readers to know, or they fail to give context, because they imagine readers have been assiduously following previous explanations. This article attempts to decode some concepts and terms lay people encounter but seldom see defined. To quote the late, great Anna Russell, many of these wonkisms should have the caveat, "I am *not* making this up."

1. China hits its **Lewis Turning Point** *when it runs out of people.* A challenge facing Beijing's medium-term growth prospects is the so-called Lewis Turning Point, which occurs when the supply of surplus rural labor starts to diminish. At that point the work force that has migrated to the cities and industrial centers from the villages will begin to have greater bargaining power to demand larger wage increases, and China's labor-intensive competitive advantage on world markets will erode.

Today employment is still larger in the agricultural sector, but current trends suggest it might be overtaken by employment in the industrial sector by 2015. However, given the country's population, it would not take much of a change in demographic and social attitudes for an increase in births to postpone this turning point far into the future.

2. Developing economies fear the dreaded **Trilemma Paradigm**. According to the Trilemma Paradigm of open-economy macroeconomics, a country may face a situation where policymakers are able to select only two out of three choices: (1) a pegged or managed exchange rate, (2) free flows of capital and (3) independence of monetary policy. (Some economists prefer to call the Trilemma the "impossible trinity.") It has troubled policymakers for the better part of a century, and is exasperating them again now.

Just think what several of the troubled euro area countries could do if they had a floating exchange rate and managed their own monetary policy. If the tensions

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caused by the trade-offs above continue to worsen, however, there is a potential risk that policymakers could become aggressive and retaliatory enough to engage in yet another option, a currency war. That possibility prompted one commentator to rename the Trilemma a "Quadlemma."

Moral hazard ***occurs when a party insulated from risk behaves differently than it would if it were fully exposed to the risk.***

3. What/who exactly needs a dose of **global rebalancing***?* In a global context, countries with large and persistent current account surpluses and high domestic savings rates should undertake policies that rely less on foreign demand as a driver of their economic growth and more on ways to encourage domestic spending as a source of growth. Conversely, countries with large and persistent current account deficits need to focus on decreasing consumer spending overall, and encourage domestic savings to support investment and, hence, long-term growth. Thus, global rebalancing is diplo-speak for complaints about the adverse effects of spending habits by one country on another country.

4. The **Triffin Dilemma** *is a conflict many would wish to have.* This term refers to the fundamental conflict between short-term domestic and long-term international economic objectives faced by a country whose national currency also serves as an international reserve currency (as the U.S. dollar does today). Such a dual role leads to a tension between national monetary policy and global monetary policy.

The country issuing the global reserve currency must be willing to run large trade deficits in order to supply the world with enough of its currency to fulfill world demand for foreign exchange. This is reflected in fundamental imbalances in the balance of payments, specifically the current account: some goals require an overall flow of dollars out of the United States, while others require an overall flow of dollars into the United States.

While there are certainly drawbacks to reserve currency status, many countries would not mind all that much being able to run persistent current account deficits while other countries purchase their assets because they want the reserve currency.

5. **Negative growth** *is an oxymoron only economists could love.* Economists are fond of describing economic events in terms of growth rates, noting which growth rate is larger (and hence better) than another, and determining what economic part of the aggregate contributed most to the overall growth rate. If the period-to-period change is negative, economists refer to that as negative growth because that's how they store the numbers in their computers. This term tends to drive editors and the literati at large crazy, for reasons that escape economists (who are, by contrast, generally counted among the "numerati" — masters at math but not so good at writing).

6. An **optimum currency area** *is rarely optimum.* As the euro area countries are discovering, adherence to common monetary and fiscal policies is required for a single currency regime to exist. If these policies have ill effects on one part of the proscribed currency area, or if policy discipline is ignored (flouted) or not enforced in some places, then one of the key equilibrating mechanisms that might help an afflicted area recover, namely currency depreciation, is missing.

Many have forgotten episodes in relatively recent U.S. economic history — the near collapse of the aerospace industry in the Northwest in the 1970s or the plunge in oil prices in the early 1980s that depressed the Southwest, to name just two — when economic policy was being set in Washington for all 50 states, even though some had healthy economies while others were depressed.

7. **Moral hazard** *applies only if you're not allowed to sink.* This phenomenon occurs when a party insulated from risk behaves differently than it would if it were fully exposed to the risk. It arises when an individual or institution does not accept the full consequences of its actions, and therefore has a tendency to act less carefully than it otherwise would.

Many worry that one likely outcome of policy measures taken during the global financial crisis, during which many financial institutions and manufacturing companies were kept afloat by government bailouts, would be that financial and business CEOs would take extraordinary risks in their future deals in the belief that the government would bail them out. Some financial institutions were not bailed out during the financial crisis, however, and didn't have to worry about moral hazard.

8. **Fiscal consolidation as an exit strategy***: when* *and how much are the questions.* When governments run up large fiscal deficits in relation to gross domestic product, they usually do so in an attempt to stimulate the economy as it slides into recession and the automatic stabilizers of social safety nets can no longer protect its citizens. But once the recovery begins, governments need to consolidate and trim these stimulative measures to control the growth in government debt.

Fiscal consolidation is econ-speak for cutting back the stimulus. An exit strategy is a plan for when, exactly, to do this retrenchment, how rapidly to carry it out, and in what magnitude. It has been a topic of considerable debate in international policy circles for several years now.

9. Whether cyclically or structurally unemployed, you are still out of a job. **Cyclical unemployment** is a term for job loss that is tied to the frequent shifts in the business cycle that periodically reduce aggregate demand in the economy. In this situation, the number of unemployed workers exceeds the number of job vacancies, so that even if full employment is attained and all open jobs are filled, some workers would still remain unemployed. **Structural unemployment** occurs when a labor market is unable to provide jobs for everyone who wants one because there is a mismatch between the skills of the unemployed workers and the skills needed for the available jobs. It lasts longer, and simple demand-side stimulus will not readily abolish it.

Structural unemployment may also rise due to persistent cyclical unemployment: if an economy suffers from low aggregate demand that is long-lasting, many of the unemployed become disheartened, their skills (including job-searching ability) become "rusty" and obsolete, and they may not fit the vacancies that are created when the economy recovers. Persistence in structural unemployment is commonly referred to as "hysteresis."

10. **Quantitative easing** *is, simply, printing money.* When a central bank enters financial markets to buy government and private financial instruments, it must pay for these purchases with credit or checks drawn on its own balance sheet. Some refer to this as printing money; while the government printing presses may not physically produce currency, the money supply — defined as cash plus credit plus demand deposits — is still increased. The QE policy has now temporarily reversed the significant change in monetary policy operations that occurred in 1979, when the Fed decided to stop attempting to target the money supply and instead adjust its price, the key interest rates.

Global rebalancing *is diplo-speak for complaints about the adverse effects of spending habits by one country on another.*

The Fed and other major central banks turned to quantitative easing to address current economic conditions, where recovery from the global financial crisis is weaker than expected or needed. Because interest rates — the major monetary policy tool — are at or near zero and fiscal policy is tapped out (at least from a political standpoint), QE is the only option left. Still, critics are concerned that, especially with some purchases of private financial instruments of questionable value, the quality of the central bank's balance sheet will diminish, and faith in the country's currency will plummet.

11. QE introduces a **Hegelian dialectic** *with no synthesis.* In present-day economics, commentators describe the tension building between the U.S. Federal Reserve's apparent intent to engage in further quantitative easing and the intent of the Chinese central bank (and others) to resist appreciation to stay competitive with the dollar in Hegelian terms. The Fed has one "thesis" of how monetary policy should proceed; China and other governments stand by the "antithesis" of maintaining their currency values (while faced with the Trilemma — see Wonkism #2). The trouble is that instead of a "synthesis" — which can't really happen in this case unless one thesis overpowers the other — the result tends to be stalemate, if not conflict.

12. **Deflation** *is dangerous to the health of the U.S. and global economies.* Deflation describes an economy whose growth is so depressed that the drawdown in aggregate demand actually decreases prices and asset values, prompting businesses to drop prices further in a desperate attempt to get people to buy their products. This may initially seem like a great thing for consumers, except that the cause of deflation is a long-term drop in demand, which means that a recession is already under way — with job losses, declining wages, and an ongoing decline in the value of homes and stock portfolios.

Like inflation, deflation is very difficult to combat once it becomes entrenched. The most pernicious feature of the phenomenon is that monetary and fiscal policy become nearly impotent. Any attempt to stimulate the economy instead encourages consumers and businesses to hoard the funds instead of spending or investing them. For that reason, such measures are often described as being as futile as "pushing on a string."

Negative growth *is an oxymoron only economists could love.*

13. The **paradox of thrift** *is no paradox when you're in a* **liquidity trap**. This is a twofer of related wonkisms that are, in turn, related to conditions for deflation. The paradox of thrift holds that collective thrift may be bad for the economy. If everyone tries to save more money, aggregate demand will fall — but total savings will be lower because consumption and economic growth will also decrease. A liquidity trap exists when neither monetary policy nor fiscal policy is able to stimulate an economy, perpetuating the paradox of thrift. The proceeds from lower interest rates, increased money supply, lower taxes or stimulative government spending will simply be squirreled away by consumers and businesses, especially if they are in a mood to reduce debt and build up reserves.

Under the present economic circumstances, U.S. fiscal policy is fairly well tapped out (at least from a political will point of view), interest rates are at their zero bound, and the efficacy of further and extraordinary quantitative easing by central banks is in question precisely because of this phenomenon.

14. Alphabet soup is needed to describe your recession. A **double-dip recession** is when an economy briefly recovers only to slip back into recession again. A typical recession, including the one just past, resembles the letter "**V**," with a sharp drop in growth followed by a rebound — so far, at any rate. A double-dip recession more resembles a "**W**," where growth drops sharply, returns to near normal rates, and then plunges again, eventually to recover.

Nor does the alphabet soup for describing the Great Recession just past (hopefully) stop there. Some economists worried that it would turn out to be an **"L" recession**, where growth rates drop sharply and stay depressed; or a **"U" recession**, where growth rates remain depressed for quite a while before recovery. Neither of those shapes appear likely now. Some economists, however, still suspect that the present recession will end with a "**square root**" recovery, so named for the mathematical symbol that would trace a sharp decline in growth rates followed by a weak recovery to a flat line well below recent growth rate performance.

This list is by no means exhaustive. Moreover, it changes over time, depending on what is happening in the global economy. Just when you think you've mastered the meaning of current wonkisms, some fool will invent a new one you've never heard of (see the 'Quadlemma' above). For as long as this list is relevant, however, the reader can demonstrate that he/she is among the most informed guests at the next Georgetown cocktail party.

Just imagine the admiring glances you will garner when the topic of a "V"- or "W"-shaped economic recovery is raised, and you knowingly respond that, in your opinion, it will no doubt be a "square root" recovery, due to the questionable efficacy of the Fed's QE2 in the face of the economy's liquidity trap that is likely to lead us into dangerous deflationary circumstances. ■

The Grand Syli's Funeral

A retired FSO recalls his part in the chaotic burial of an African president many years ago.

By Mark G. Wentling

I clasped Vice President George H.W. Bush's shoes tightly as we were being shoved into the dense crowd of dignitaries in a sweltering room inside Conakry's Grand Mosque. The day before, I had joined White House Secret Service agents to inspect the mosque and verify with the grand imam that "infidels" would be allowed to enter the mosque to observe the funeral of independent Guinea's first president, Ahmed Sékou Touré. One of modern Africa's founding fathers, Sékou Touré was known to his people as the Grand Syli (Great Elephant).

Everything checked out, so we thought the U.S. delegation was finally ready to participate in the daylong funeral ceremonies planned for March 30, 1984. But as it happened, despite our best efforts, we were still not prepared for the chaos that engulfed us.

To start with, so many VIPs had come from around the world that there was not enough room for all their planes at Conakry's dilapidated, pre-independence airport. Just finding space for Air Force One and the cargo plane (carrying a couple of limousines) used by Vice President Bush and his party had been a real challenge, especially in the absence of any certainty about who was in control of the host government following Touré's death.

Mark G. Wentling spent nine years with the Peace Corps before joining USAID in 1977. As an FSO, he served in Niamey, Conakry, Lome, Mogadishu, Dar es Salaam and Washington, D.C., before retiring from the Senior Foreign Service in 1996. He is currently the USAID country program manager for Burkina Faso.

That problem solved, we still had to get the vice president's entourage to the first ceremony at the national stadium, where heat exhaustion became a concern as the temperatures and humidity both approached the 100-degree mark. The scene was total disorder, with people milling about in all directions. It looked like one of Africa's big open markets.

A Wrong Turn

I was struck that nobody (except the Secret Service agents) seemed to notice the pandemonium. We didn't even realize the ceremonies in the stadium were over until the agent from the Guinean Foreign Ministry assigned to the U.S. delegation told us we could leave.

The Secret Service agents did their best to open a path for Vice President Bush to enter his limousine but, to their horror, he somehow got into the bus waiting for African presidents. This unexpected development obliged the agents to run alongside the bus in congested streets for the couple of kilometers separating the stadium from the mosque. The weather and the attire of the day, black suits and ties, soon took a heavy toll on them.

Meanwhile, I was in my assigned position at the mosque, ready to welcome the vice president and the U.S. ambassador to Guinea, James Rosenthal. When they arrived, we joined other Christian presidents and prime ministers headed for the side room that had been designated the day before as our entry point into the mosque. The room was so small that we immediately felt like a can of sardines in a sauna.

As we stood cheek-to-jowl, with perspiration flowing, I began to panic when I became aware that all the pushing and shoving had trapped Ambassador Rosenthal on the opposite side of the room from us. At that point, we were told to take off our shoes. I helped the vice president do so, but when I bent over to remove mine, I bumped heads with Benin's president, Mathieu Kérékou.

Next, we waited for what seemed an excruciatingly long time for the inner doors of the mosque to open so we could take our places in the main hall. As we waited and gasped for air, I could see that the elderly and very frail Félix Houphoüet-Boigny, president of Coté d'Ivoire, was suffering greatly and being held up by his aides.

Perhaps the most remarkable impression from that day for me was the way Vice President Bush stood, so poised, cool and calm, without a drop of sweat on his brow. Just when we thought we could take no more, one of the head imam's assistants announced that the leader had changed his mind and non-Christians would not be allowed to enter the mosque. The complaints were many and loud, but escaping the small room to the fresh air of the outside helped calm the group.

The Burial

Once outside, we put our shoes back on and walked around to the other side of this huge mosque (Africa's fourth-largest). There we sat down on metal folding chairs that had been placed under some trees near the kiosk where Pres. Touré was to be buried.

Huge crowds gathered around us and the Secret Service agents went bonkers as the crowds surged toward us. I was called to help push people away. (I learned that the best way to do that is to push at waist level, not the shoulders.)

Crowd control was getting very dicey when the mosque doors opened and pallbearers carried a casket toward the kiosk. We thought key dignitaries would be called at that point to observe the burial, but that did not happen. Because the Moroccans gathered around the casket, no one would see anything as it was placed in the grave and quickly covered with concrete.

More than a quarter-century after Sékou Touré's death, I am still waiting for Guinea to find its way.

As we wondered what in the world the Moroccan imams who were in charge of the funeral were doing, we were shocked when our Foreign Ministry handler told us the service was over and we could leave.

President Houphoüet-Boigny became indignant at this news and said he would not leave until he had signed the condolence book. A book was quickly found and placed on a stand near the kiosk burial site. A number of other presidents also signed it as they briskly passed by the fresh cement that covered the grave of the Grand Syli. Then the races were on, as all the VIPs got into their cars and headed for the airport at top speed.

As the sun set, more chaos ensued. Planes that had been hovering overhead waiting for space to land at the overcrowded airport blocked those already on the ground waiting impatiently to take off. We were lucky, for the big planes that had brought Vice President Bush and his party were among the first to take off. It was a relief to see him safely on his way.

Pres. Touré will always be remembered as the man who said "no" to French President Charles de Gaulle's 1958 offer of continued association with France, instead opting for independence. The French promptly bailed out of Guinea, even taking all the light bulbs with them.

But Sékou Touré will also be remembered for the ruthless bloody dictatorship he presided over until his death on March 26, 1984, in a Cleveland clinic following an emergency evacuation on an ARAMCO plane from Saudi Arabia. Such a strange ending to his life!

Portents and Hard Lessons

This story would not be complete without noting that shortly before Touré's death, there had been a lunar eclipse and a rare earthquake in northwest Guinea. For many Guineans, these events were signs that something important was about to happen. And, lo and behold, within a few days a rumor spread like wildfire that the Grand Syli was dead.

At first, nobody believed this could be true; people thought it was just another ruse to maintain power and keep everyone off balance. But after a few days people began to believe it, and large groups began to assemble throughout the capital.

These groups went to work destroying the many images of the late president and his much-hated political party and building huge bonfires out of Touré's numerous books, which had been required reading for all literate Guineans and the core curriculum in all schools.

The popular and spontaneous celebration that occurred in the streets reminded me of the scene in "The Wizard of Oz" where the death of the wicked witch was joyously celebrated. Overnight, all signs of Touré and his party's 26-year rule were erased. I was so encouraged by the turn of events that I bid on a second Foreign Service tour, thinking that, at long last, West Africa's potentially richest country would get on track.

Instead, I am sorry to say, I learned a hard lesson: once an African country is driven in the wrong direction for a generation, the possibility of a quick recovery is slim. Just four days after the funeral, the military seized power under the dictatorial leadership of Lansana Conté, who clung to power until his death in 2009. Sadly, 26 years after Touré's death, I am still waiting for Guinea to find its way.

Perhaps the most bizarre aspect of this chaotic funeral was the strong belief that the casket was empty because Sékou Touré's body had been secretly spirited off to Morocco for burial. Given the fact that Moroccan imams controlled the funeral from start to finish, and did not allow anyone else to see Touré's corpse, this is a distinct possibility.

When I bent over to remove my shoes, I bumped heads with Beninese President Mathieu Kérékou.

Sékou Touré's grave site is adjacent to that of his great-grandfather, Samory Touré, the famous pre-colonial warrior chief who battled invading French troops for years before being captured and exiled to Gabon. But to this day, most Guineans do not believe their first president is buried there. ■

SELDEN CHAPIN: FATHER OF THE 1946 FOREIGN SERVICE ACT

THE FIRST DIRECTOR GENERAL OF THE FOREIGN SERVICE HAD MANY OTHER ACCOMPLISHMENTS TO HIS CREDIT, AS WELL.

BY JACK R. BINNS

Most *Foreign Service Journal* readers are quite familiar with the Foreign Service Act of 1980, which codifies the mechanisms that regulate our Service and guide our careers. But how many recognize the name Selden Chapin? Those for whom it rings a bell may connect it with the annual AFSA memorial scholarship in his name, but be unaware of his many contributions during a distinguished 35-year Foreign Service career.

In fact, Selden Chapin (1899-1963) was the first director general of the Foreign Service and later served as chief of mission in five countries. However, his most enduring achievement antedated those accomplishments: his leadership in the preparation, enactment and implementation of the Foreign Service Act of 1946, a feat that earned him the richly deserved title of "Father of the Modern Foreign Service."

Jack R. Binns, a retired Senior Foreign Service officer, spent his 25-year diplomatic career dealing with Latin American and Western European affairs. A graduate of the U.S. Naval Academy (like Selden Chapin), he is the author of The United States in Honduras, 1980-1981: An Ambassador's Memoir *(McFarland & Company, 2000).*

Ambassador Binns, who resides in Tucson, Ariz., has based this profile largely on a detailed case study, "The Foreign Service Act of 1946," written by Harold Stein and published, inter alia, in Public Administration and Policy Development, A Case Book *(Harcourt, Brace and Co., 1952). Any errors of fact or inference are the author's sole responsibility, however.*

A Heritage of Service

The future diplomat's father was a pre-eminent naval officer, Captain Frederic L. Chapin, who graduated from the U.S. Naval Academy in the class of 1888. (Theodore Roosevelt considered him the "finest naval officer" he had known.) Capt. Chapin served as naval attaché in Paris (1908-1911) and was the youngest captain in the Navy when he assumed command of the newly commissioned dreadnaught, USS *Wyoming*, in 1912. But his promising naval career was cut short by death in December 1913, shortly after he returned from a European deployment.

It is worth noting that Capt. Chapin produced a Foreign Service dynasty. Not only did son Selden become a respected Foreign Service officer, but his grandson, Ambassador Frederic L. Chapin, pursued the same career. Another of his grandsons, Ambassador Roger Kirk, son of Capt. Chapin's daughter, Lydia Chapin Kirk, and Admiral Alan G. Kirk, trod the same path. Adm. Kirk also served as ambassador to both Belgium and the Soviet Union following service in World War II.

Born in Erie, Pa., on Sept. 19, 1899, Selden Chapin finished St. Paul's School in 1916 and followed his father to the Naval Academy, graduating in 1919. According to his informal graduation biography, Chapin's ambition was to become a naval attaché, perhaps foreshadowing his later interest in a diplomatic career.

He left the Navy in 1925, joining the first group of Foreign Service officers appointed pursuant to the Rogers Act of 1924, which merged the previously separate (and patronage-ridden) Diplomatic and Consular Services and established a formal entry examination process. His initial post was Hancow, China. Positions of increasing responsibility followed in

Peking, Rome, Quito, San Salvador and Port-au-Prince.

Chapin returned to Washington, D.C., in 1936 to serve as assistant chief of the American Republics Division. After a tour in Montevideo, he was named executive secretary of the Committee on Political Planning in the Department of State in 1943. Because re-establishing diplomatic relations in Europe following Allied victory was a priority, this assignment led directly to his 1943 assignment to Allied headquarters in Algiers and, later, as chargé d'affaires, first in Algiers and then Paris. In January 1945 Chapin returned to Washington as deputy director of the Office of the Foreign Service, assuming the directorship in May.

As the war wound down, it became apparent that both State and the Foreign Service were ill-prepared to meet the demands of the postwar world. Both institutions were seriously understaffed and lacked the professional skills needed to meet the challenges emerging from the new international order.

Moreover, as wartime agencies — e.g., the Office of War Information, Office of Strategic Services and Office for Inter-American Affairs — were phased out in 1945 and 1946, many of their functions and personnel were transferred to State.

Chapin was among the first group of officers appointed pursuant to the Rogers Act of 1924, which created the modern Foreign Service.

At the same time, more than 12,000 employees, mostly serving overseas, were added to State's rolls, posing new budgetary, operational and managerial burdens. These numbers dwarfed the department's Foreign and Civil Service staffs. A May 1946 State Department report lists 55 chiefs of mission, 818 Foreign Service officers, 640 auxiliary (temporary) FSOs, 3,800 non-career vice consuls and other staff; and 2,500 alien employees. (Civil Service data for State at that time are not available.)

Integration of these functions and personnel coincided with a transition in the department's leadership. Secretary of State James F. Byrnes, a Truman confidant and a former South Carolina senator, replaced Edward R. Stettinius in July 1945, bringing in a new group of senior officials who joined those already added to manage the new responsibilities. This, in turn, delayed a planned effort to enact new Foreign Service legislation during the first session of the 79th Congress in 1945.

Creating the Foreign Service Act

As director of the Office of the Foreign Service, Chapin was charged with developing the reform legislation. Because President Harry Truman had approved the department's legislative concept and plans in June, preliminary work on the legislation continued at a slow pace in the summer and fall.

There was no shortage of ideas about how to shape the bill. The department had carried out several studies, including one with input from the Bureau of the Budget (the precursor of today's Office of Management and Budget). In addition, AFSA had earlier held an essay contest in the *Foreign Service Journal*, eliciting contributions from throughout the Service that were turned over to his office. Chapin met regularly with the AFSA Executive Committee and department division chiefs throughout the process.

Perhaps most important, however, were his own concepts of the structure and administration the new act should prescribe. These were based on the Navy personnel system, and the Navy's DNA remains evident to this day.

In December 1945, the new assistant secretary for administration, Donald S. Russell, a close associate of Sec. Byrnes, instructed Chapin to prepare a complete draft of a new Foreign Service Act. Four critical decisions were made at this juncture. The legislation would codify in law key elements of the system intended to:

- Restrict political influence and patronage;
- Establish a Foreign Service Reserve officer element;
- Permit limited lateral entry from the newly added personnel; and
- Defer to a later date the larger question of amalgamating the existing Foreign and Civil Service elements into a single unit.

As if that task were not daunting enough, enactment would be sought during the congressional session ending July 31, 1946, just seven months away. Chapin and his six-person drafting committee were under the gun.

They finished a first draft of the bill on Jan. 3, 1946. After review and revision within State's Administrative Division, Chapin circulated a summary of its principal features to senior department officials. Their responses in hand, a second draft was completed on Feb. 1 and circulated for formal departmental clearance. It established a framework consisting of the following elements:

- A Director General of the Foreign Service position, with enhanced authority;
- General executive oversight of all personnel actions resting with the Board of Foreign Service Personnel, giving it greater authority and a larger State Department majority;

• An enhanced role for the Board of FS Examiners in designing and conducting entry exams;

• The FS officer corps structure, comprised of eight ranks including a newly established minister level, an FS Reserve system, three staff officer levels, and American and alien clerk/employee ranks, all with fixed salary ranges (apart from alien workers);

• Updated personnel practices, adding promotion-up, selection-out rules for Foreign Service officers;

• Criteria for Foreign Service Reserve officers and FS lateral entry procedures; and

• The Foreign Service Institute, to be headed by a presidential appointee (later amended) under the general supervision of the director general.

When this draft was circulated to all divisions (today's bureaus) on Feb. 2, 1946, it ran into immediate opposition, threatening Chapin's March 15 deadline for moving the final version to the Bureau of the Budget for review. The newly arrived assistant secretary for information and cultural activities (largely inherited from wartime agencies), William Benton, led the charge.

Formerly principal partner in the Benton and Bowles advertising firm, publisher of the *Encyclopedia Britannica* and, later, a senator from Connecticut, Benton was a heavy hitter. Two other senior officials, Assistant Secretary for Economic Affairs William L. Clayton and Special Assistant for Intelligence Alfred McCormack, joined him in voicing objections. Chapin and Russell were taken aback by the scope and tenor of their opposition.

Although most of their objections were procedural, four issues required extended negotiations to resolve. The most significant of these, echoed later by the budget office, was the detailed nature of the bill, which was correctly seen as limiting the executive discretion of the Secretary of State and the president.

The Administration Division stood firm on this issue, however, and prevailed with the support of Sec. Byrnes. Chapin, however, negotiated several compromises, including provisions regarding the FSR group; the name and authority of the Board of Foreign Service Personnel (which would soon change to the Board of the Foreign Service); and removal of the Foreign Service criterion for the deputy director general position. None were gamechangers, meaning that Chapin had preserved the core of the bill. On April 16, 1946, Sec. Byrnes signed and forwarded the cleared draft to BOB, after which an initial congressional hearing was set for May 6.

The House Weighs In

On April 8 a routine House Foreign Affairs Committee hearing on the State Department Point of Order bill (a housekeeping procedure designed to reconcile certain approved appropriations that lacked statutory bases) led to a larger discussion of the proposed Foreign Service Act revisions. Committee members suspected the bill might include specific issues already incorporated in the draft revision.

Accordingly, Committee Chairman Sol Bloom, D-N.Y., suspended its consideration and directed the department to provide details of the new legislation. He also named a special subcommittee to review the department's proposals and report back to the full committee. This proved a pivotal point in the enactment process.

Apprised of this development, Chapin was uncertain about the propriety of sending draft legislation to Congress without BOB clearance and held back, despite repeated requests from the subcommittee. The May 6 hearing had shown that the clearance process would be protracted and problematic, almost certainly precluding approval of the bill during the current session.

After internal discussions, Chapin decided to explain the situation to the budget office and request its permission to forward the draft legislation to the Hill; unable to prevent the House action, the bureau reluctantly granted his request. The draft then went to the subcommittee.

Chapin anticipated that the subcommittee would share some of the BOB's concerns. Again, he was surprised, this time pleasantly. The subcommittee not only supported all of the department's central positions, but in some cases it even went further (e.g., authorizing FSOs to accept presidential appointments without losing their Foreign Service status).

Its enthusiasm stemmed in large part from the subcommittee's belief that Congress had for too long abdicated its authority to the executive branch. Patronage was seen not only as corrosive to professionalism, but a source of growing concern about alleged communist infiltration of the department. (Another factor in the subcommittee's support was personal affinity with Sec. Byrne: two subcommittee members were close friends.)

Chapin not only developed the legislation that would become the Foreign Service Act of 1946 but shepherded it through Congress.

In the course of eight hearings between May 9 and May 28, 1946, the subcommittee steadily assumed ownership of the bill. None of the many technical amendments adopted undercut the bill's central thrust. The evolving situation, however, raised a flag for Chapin and others in the department. How would BOB, despite having authorized the department to deal directly with the subcommittee, respond to a fait accompli?

More Hurdles

In a word, poorly. Although the department had kept the Bureau of the Budget broadly apprised of the hearings, events were rapidly moving toward a collision. Having prepared a final draft of the bill with the subcommittee's input, Chapin again consulted his superiors.

It was decided to have Sec. Byrnes request the budget office's approval of this draft before sending it to the subcommittee. The Secretary's June 12, 1946, request for approval was met with silence. Finally, on June 26, BOB advised both the department and subcommittee that it would oppose the bill in its currrent form.

Time was running out. On July 12 the House Foreign Affairs Committee, ignoring BOB, reported the bill out as H.R. 6967. A rule restricting debate followed, and it went to the floor on July 20, 1946. After minor last-minute amendments requested by the departments of Commerce, Labor and Interior, the bill was approved unanimously.

The next hurdle — a high one given the legislative clock — was the Senate, which had not yet been directly engaged in the process. Sec. Byrnes again intervened. He cabled Senate Foreign Relations Committee Chairman Tom Connally, D-Texas, from Paris, urging him to expedite the process, and phoned other committee members to urge action. Connally quickly convened the committee in executive session, and it reported the bill out as S. 2451.

At this point the only chance of passing the act lay in obtaining the Senate's unanimous consent on July 29, the last business day before adjournment prior to the midterm elections. But when the clerk reading the consent calendar came to S. 2451, Senator Chapman Revercomb, R-W. Va., objected due to the lack of debate on the bill. Senators Connally, Warren Austin, R-Vt., William Fulbright, D-Ark., and Robert Taft, R-Ohio, all intervened, urging him to withdraw his objection, but to no avail. S. 2451 was dead.

Or so it seemed.

Chapin and his deputy, Julian Harrington, were crushed. But as they walked away from Capitol Hill, a department liaison officer told them there was still hope. Returning to the Senate just as the clerk finished reading the calendar, they saw Senator Arthur Vandenberg, R-Ohio, rise and, speaking for Revercomb, withdraw the objection. The Foreign Service Act then passed unanimously.

Selden Chapin went on to a distinguished career, serving as chief of mission in five countries.

The President Disposes

Although Chapin and associates thought a veto unlikely, there was still uncertainty regarding the legislation's enactment. The White House received the bill on Aug. 3, 1946, and it had to be signed by President Harry Truman within 10 working days to become law.

Although the BOB staff was smarting from State's perceived duplicity (its initial draft identified four major objections), the office nonetheless recommended that the president sign the bill and instruct the Secretary to seek remedial legislation in the next session to overcome the four problematic provisions.

Newly installed Budget Director James E. Webb had other ideas, however. Coming to BOB from a senior post at Treasury, he believed that the bureau's position had eroded during Pres. Truman's tenure, and wished to reverse that situation. He leaned toward a veto and rejected the draft memo.

In addition to its general reservations about the level of detail contained in the act, BOB found several major mandates objectionable because they statutorily restricted the authority of the president and Secretary of State to manage foreign policy — a legislative intrusion on executive powers. These provisions were: the criteria regarding the Foreign Service director general position; creation of the Board of the Foreign Service; establishment of the Board of Examiners; and exemption of its director from Civil Service legislation.

Ultimately, BOB took a somewhat schizophrenic position. Its Aug. 7 memorandum detailed its objections and cited the department's perceived lack of good faith, but concluded that BOB felt "obliged to recommend approval."

The principal factor in this anomalous posture was an unstated fear that a veto would undermine Sec. Byrnes, who was then engaged in postwar treaty negotiations with the Allied powers and the so-called "Axis satellite" nations. But Pres. Truman did not seem to share this concern. After reading the BOB memorandum and accompanying file, he forwarded both to his special counsel for an opinion, together with a handwritten note saying he was inclined to veto the bill.

When news of this reached the department the afternoon of Aug. 9, 1946, a Friday, it galvanized Assistant Secretary Russell and Chapin. Russell immediately dictated a memorandum to Webb and, as it was being prepared, went to the White House for a personal meeting with him.

Russell accused Webb of sabotaging the legislation; in the acrimonious exchange that followed, Webb refused to withdraw or modify the BOB position. The following day Russell sent a further memo to the special counsel, refuting in detail the assertions in BOB's memorandum to the president.

But Russell wasn't done. He cabled Sec. Byrnes, still in Paris, outlining the situation and urging that he intervene directly with Pres. Truman. Byrnes responded immediately and effectively, basing his appeal on the embarrassment he would suffer if the president vetoed the bill. So on Aug. 13, 1946, the president duly signed H.R. 6967, making the Foreign Service Act of 1946 the law of the land.

A Distinguished Diplomatic Career

In November 1946 Chapin was named the first director general of the Foreign Service; later that month he was promoted to Career Minister, a rank created by the act. He had been a member of the first group of FSOs hired under the Rogers Act of 1924, and was now a member of the first group of chiefs of mission under the 1946 Act.

In the 14 years that followed, Chapin went on to an even more notable career, serving as deputy commandant of the National War College, as well as chief of mission in five countries. His overseas missions were sometimes difficult. Serving as minister in Hungary (1947-1949) while the most repressive regime in Eastern Europe was consolidating its power, he was declared persona non grata based on false accusations that he had inspired Cardinal Jozsef Mindszenty's resistance.

All Foreign Service personnel to this day are in Selden Chapin's debt.

At other times he played key roles in critical strategic achievements. While ambassador to The Netherlands (1949-1953), he was involved in the formation of NATO and the European Council. Later in Iran (1955-1958) he oversaw large economic and security assistance programs, and secured Iranian membership in the star-crossed Central Treaty Organization military alliance.

His assignment as ambassador to Panama (1953-1955) was less dramatic, while his tenure as chief of mission in Lima (May-August 1960) was cut short by personal factors. Chapin retired shortly thereafter, returning to his home (Running Point), in Seal Harbor, Maine.

Selden Chapin died on March 26, 1963, age 64, and was interred in Arlington Cemetery. His gravestone is inscribed simply with his naval rank: lieutenant junior grade, U.S. Navy. Notwithstanding Chapin's outstanding contributions to the conduct of American policy over an extended career, his most lasting achievement was the Foreign Service Act of 1946.

We are in his debt, and should continue to honor him as the "Father of the Modern Foreign Service." ■

AFSANEWS

American Foreign Service Association • February 2011

2010 TAX GUIDE

Federal and State Tax Provisions for the Foreign Service

The annual AFSA Tax Guide is designed as an informational and reference tool. Although we try to be accurate, many of the new provisions of the tax code and the implications of Internal Revenue Service regulations have not been fully tested. Therefore, use caution and consult with a tax adviser as soon as possible if you have specific questions or an unusual or complex situation.

Foreign Service employees most frequently ask AFSA about home ownership, tax liability upon sale of a residence and state of domicile. We have devoted special sections to these issues.

James Yorke (yorkej@state.gov), who compiles the tax guide, would like to thank M. Bruce Hirshorn, Foreign Service tax counsel, for his help in its preparation.

Federal Tax Provisions

The Military Families Tax Relief Act of 2003 continues to provide a significant benefit for Foreign Service families who sell their homes at a profit, but would have been unable to avail themselves of the capital gains exclusion (up to $250,000 for an individual/ $500,000 for a couple) from the sale of a principal residence because they did not meet the Internal Revenue Service's "two-year occupancy within the five years preceding the date of sale" requirement due to postings outside the U.S. In relation to the sale of a principal residence after May 6, 1997, the 2003 law provides that the calculation of the five-year period for measuring ownership is suspended during any period that the eligible individual or his or her spouse is serving away from the area on qualified official extended duty as a member of the uniformed services, the Foreign Service or the intelligence community.

The five-year period cannot be extended by more than 10 years. In other words, Foreign Service employees who are overseas on assignment can extend the five-year period up to 15 years, depending on the number of years they are posted away from their home. Note that the provision is retroactive, so that anyone who has already paid the tax on the sale of a residence that would have qualified under the new law may file an amended return to get the benefit of the new rule. There is, however, a three-year statute of limitations on this provision, after which one cannot obtain a refund.

For 2010, the six tax rates for individuals remain at 10, 15, 25, 28, 33 and 35 percent. The 10-percent rate is for taxable income up to $16,751 for married couples, $8,376 for singles. The 15-percent rate is for income up to $68,001 for married couples, $34,001 for singles. The 25-percent rate is for income up to $137,301 for married couples, $82,401 for singles. The 28-percent rate is for income up to $209,251 for married couples and up to $171,851 for singles. The 33-percent rate is

New for 2009 and 2010

Congress has extended the first-time homebuyer tax credit and added special provisions for members of the uniformed services, members of the Foreign Service and employees of the intelligence community. These groups have an extra year to buy a principal residence in the U.S. and still qualify for the credit. An eligible taxpayer must buy or enter into a binding contract to buy a home by April 30, 2011, and settle on the purchase by June 30, 2011. In addition, these employees are not subject to the recapture provisions if the property ceases to be their principal residence because they have been assigned out of the area on U.S. government orders.

Congress has also added a limitation on the $500,000 exclusion of capital gain resulting from the sale of a taxpayer's principal residence. For properties purchased after Jan. 1, 2009, and not initially occupied as a principal residence, taxpayers must reduce the capital-gain exclusion in proportion to the rental period's ratio to the residence period.

AFSANEWSBRIEFS

Last Call for Dissent and Performance Award Nominations

It's not too late to nominate an outstanding member of the Foreign Service for one of AFSA's awards for constructive dissent and exemplary performance. If you have witnessed someone challenging the system or making an extraordinary difference in the lives of others while overseas, please take a few minutes to fill out a nomination form.

The constructive dissent awards are unique in the U.S. government, as no other agency recognizes the role of dissent in changing and formulating policy. All the winners receive a $2,500 cash prize and are honored at a ceremony in late June each year at the State Department.

Anyone may send in a nomination, and the nominee may be a Foreign Service employee of any of the five foreign affairs agencies. The final deadline for nominations is Feb. 28.

For forms and more information about these prestigious awards, please visit www.afsa.org/awards, or contact Perri Green, Coordinator for Special Awards and Outreach, at green@afsa.org or (202) 719-9700.

Mark Your Calendars for Upcoming AFSA Events

AFSA's calendar adds new events weekly, and we want to draw your attention to some upcoming ones that you might find interesting.

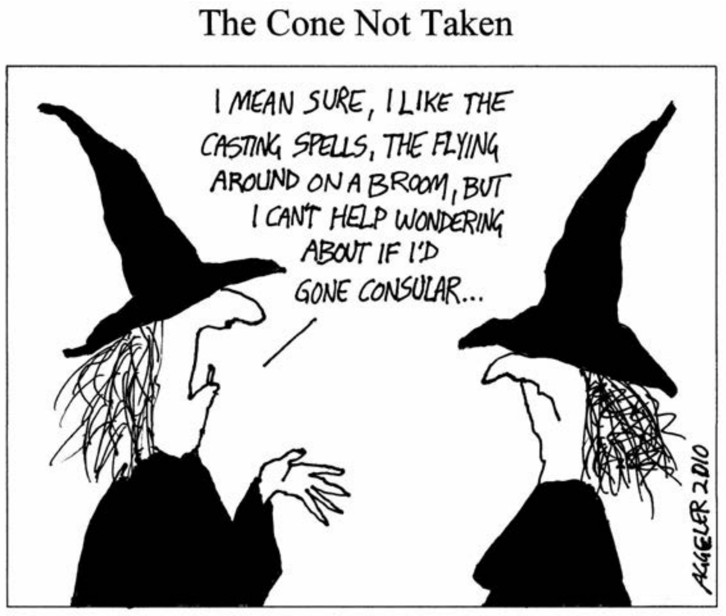
The AFSA Road Scholar programs continue to be among our most popular and well-received. We will be offering two in the coming months: One focusing on the Western Hemisphere from Feb. 8-11 and another with a Middle East focus from March 27-31. Both will take place at Washington's Savoy Suites hotel. You may learn more about these programs at www.afsa.org/roadscholar.

Another upcoming event to note is our May 16 program featuring Ambassador Edmund Hull discussing his new book, *High-Value Target: Countering al-Qaida in Yemen.* A former U.S. ambassador to Yemen, Hull is a noted expert on this increasingly important country.

We hope you can join us for one or more of these events. Our calendar is available online at www.afsa.org/events.cfm and is frequently updated.

Life in the Foreign Service

BY BRIAN AGGELER



for income up to $373,651 for married couples and singles. Annual income above $373,651 is taxed at 35 percent. Long-term capital gains are taxed at a maximum rate of 15 percent and are reported on Schedule D. This rate is effective for all sales in 2010, except for those people who fall within the 10- or 15-percent tax bracket: their rate is either 0 or 5 percent. Long-term capital gain is defined as gain from the sale of property held for 12 months or longer.

Personal Exemption

For each taxpayer, spouse and dependent the personal exemption remains at $3,650. There is no personal exemption phase-out for 2010.

Foreign Earned Income Exclusion

Many Foreign Service spouses and dependents work in the private sector overseas and thus are eligible for the Foreign Earned Income Exclusion. American citizens and residents living and working overseas are eligible for the income exclusion, unless they are employees of the United States government. The first $91,500 earned overseas as an employee or as self-employed may be exempt from income taxes.

To receive the exemption, the taxpayer must meet one of two tests: 1) the Physical Presence Test, which requires that the taxpayer be present in a foreign country for at least 330 full (12 midnight to 12 midnight) days during any 12-month period (the period may be different from the tax year); or 2) the Bona Fide Residence Test, which requires that the taxpayer has been a bona fide resident of a foreign country for an uninterrupted period that includes an entire tax year. Most Foreign Service spouses and dependents qualify under the bona fide residence test, but they must wait until they have been overseas for a full calendar year before claiming it. Keep in mind that self-employed taxpayers must still pay self-employment (Social Security and Medicare) tax on their income. Only the income tax is excluded.

Note: The method for calculating the tax on non-excluded income in tax returns that include both excluded and non-excluded income was changed, beginning in 2006, so as to result in higher tax on the non-excluded portion. (See the box on this page for a full explanation.)

Extension for Taxpayers Abroad

Taxpayers whose tax home is outside the U.S. on April 15 are entitled to an automatic extension until June 15 to file their returns. When filing the return, these taxpayers should write "Taxpayer Abroad" at the top of the first page and attach a statement of explanation. There are no late filing or late payment penalties for returns filed and taxes paid by June 15, but the IRS does charge interest on any amount owed from April 15 until the date it receives payment.

Standard Deduction

The standard deduction is given to non-itemizers. For couples, the deduction is now $11,400, and for singles, $5,700. Married couples filing separately get a standard deduction of $5,700 each, and head-of-household filers receive an $8,400 deduction. An additional amount is allowed for taxpayers over age 65 and for those who are blind.

Most unreimbursed employee business expenses must be reported as miscellaneous itemized deductions, which are subject to a threshold of 2 percent of Adjusted Gross Income. These include professional dues and subscriptions to publications; employment and educational expenses; home office, legal, accounting, custodial and tax preparation fees; home leave, representational and other employee business expenses; and contributions to AFSA's Legislative Action Fund. Unreimbursed moving expenses are an adjustment to income, which means that you may deduct them even if you are taking the standard deduction. However, the deduction includes only the unreimbursed costs of moving your possessions and yourself and your family to the new location; it does not include meals.

Medical expenses (including health and long-term care insurance, but not health insurance premiums deducted from government salaries) are subject to a threshold of 7.5 percent of Adjusted Gross Income. This means that to be deductible, the medical cost would have to exceed $2,250 for a taxpayer with a $30,000 AGI. There is no reduction of itemized deductions for higher income taxpayers for 2010.

State and local income taxes and real estate and personal property taxes remain fully deductible for itemizers, as are charitable contributions to U.S.-based charities for most taxpayers. Donations to the AFSA Scholarship Fund are fully deductible as charitable contributions, as are donations to AFSA via the Combined Federal Campaign. Individuals may also dispose of any profit from the sale of personal property abroad in this manner.

For 2010 tax returns, any interest paid on auto or personal loans, credit cards, department stores and other personal interest will not be allowed as itemized deductions. If such debts are consolidated, however, and paid with a home equity loan, interest on the home equity loan is allowable. Interest on educational loans will be allowed as an ad-

Foreign Earned Income — Important Note

The Foreign Earned Income Exclusion allows U.S. citizens who are not United States government employees and are living outside the U.S. to exclude up to $91,400 of their 2010 foreign-source income if they meet certain requirements.

Beginning in 2006, the IRS changed how the excluded amount must be calculated. This affects the tax liability for couples with one member employed on the local economy overseas. Previously, you subtracted your excluded income from your total income and paid tax on the remainder. The change now requires that you take your total income and figure what your tax would be, then deduct the tax that you would have paid on the excludable income.

For example:

A Foreign Service employee earns $80,000.

Teacher spouse earns $30,000.

Before 2006: Tax on $110,000 minus $30,000 = tax on $80,000 = tax bill of $13,121.

Now (2006 and later): Tax on $110,000 = $20,615; tax on $30,000 = $3,749; total tax = $20,615 minus $3,749 = tax bill of $16,866.

justment to gross income. Mortgage interest is still, for the most part, fully deductible. Interest on loans intended to finance investments is deductible up to the amount of net income from investments. Interest on loans intended to finance a business is 100-percent deductible. Passive-investment interest on investments in which the taxpayer is an inactive participant (i.e., a limited partnership) can be deducted only from the income produced by other "passive income." Interest on loans that do not fall into the above categories, such as money borrowed to buy tax-exempt securities, is not deductible.

Home Leave Expenses

Employee business expenses, such as home leave and representation, may be listed as miscellaneous itemized deductions and claimed on Form 2106. In addition to the 2-percent floor, only 50 percent for meals and entertainment may be claimed (100 percent for unreimbursed travel and lodging). Only the employee's (not family members') home leave expenses are deductible. AFSA recommends maintaining a travel log and retaining a copy of home leave orders, which will help if the IRS ever questions claimed expenses.

It is important to save receipts: without receipts for food, a taxpayer may deduct only $45 to $58 a day (depending upon the federal meals-and-incidentals per diem rate at the home leave address), no matter how large the grocery or restaurant bill. Lodging is deductible, as long as it is not with friends or relatives, or in one's own home. The IRS will disallow use of per diem rates and any expenses claimed for family members. If a hotel bill indicates double rates, the single-room rate should be claimed; and, if possible, the hotel's rate sheet should be saved for IRS scrutiny.

Car rental, mileage and other unreimbursed travel expenses, including parking fees and tolls, may be deducted. The rate for business miles driven is 51 cents per mile for 2010. Those who use this optional mileage method need not keep detailed records of actual vehicle expenses. They must, however, keep a detailed odometer log to justify the business use of the vehicle and track the percentage of business use. This optional mileage method applies to leased vehicles, as well.

Official Residence Expenses

Since Oct. 1, 1990, employees who receive official residence expenses have not been allowed to reduce their reportable income by 3.5 percent. The IRS ruling regarding ORE states that "usual expenses," defined as 3.5 percent of salary, are not deductible. Therefore the only expenses that are deductible are those above the 3.5 percent paid out of pocket. Employees should save receipts for any out-of-pocket expenses associated with their representational duties. These expenses can be deducted as miscellaneous business expenses.

Home Ownership

Individuals may deduct interest on up to $1 million of acquisition debt for loans secured by a first and/or second home. This also includes loans taken out for major home improvements. On home equity loans, interest is deductible on up to $100,000, no matter how much the home cost, unless the loan is used for home improvements. The $100,000 ceiling applies to the total of all home equity loans you may have. The same generally applies to refinancing a mortgage. Points paid to obtain a refinanced loan cannot be fully deducted the same year, but must be deducted over the life of the loan. It is advisable to save the settlement sheet (HUD-1 Form) for documentation in the event your tax return is selected by the IRS for audit.

Qualified residences are defined as the taxpayer's principal residence and one other residence. The second home can be a house, condo, co-op, mobile home or boat, as long as the structure includes basic living accommodations, including sleeping, bathroom and cooking facilities. If the second home is a vacation property that you rent out for fewer than 15 days during the year, the income need not be reported. Rental expenses cannot be claimed either, but all property taxes and mortgage interest may be deducted.

Rental of Home

Taxpayers who are overseas and rented their homes in 2010 can continue to deduct mortgage interest as a rental expense. Also deductible are property management fees, condo fees, depreciation costs, taxes and all other rental expenses. Losses up to $25,000 may be offset against other income, as long as the Adjusted Gross Income does not exceed $100,000 to $150,000 and the taxpayer is actively managing the property. Note: A taxpayer who retains a property manager does not lose this benefit, as this is still considered active management of the property. All passive losses that cannot be deducted currently are carried forward and deducted in the year the property is sold.

Sale of a Principal Residence

Current tax laws allow an exclusion of up to $500,000 for couples filing jointly and up to $250,000 for single taxpayers on the long-term gain from the sale of their principal residence. One need not purchase another residence to claim this exclusion. All depre-

Vehicle and Energy Provisions

Motor Vehicle Tax

If you bought a motor vehicle in 2009 after Feb. 16, and did not pay the sales tax until 2010, you may be able to deduct state or local sales tax.

Credit for Energy-Saving Home Improvements

If you installed new windows, outside doors, insulation or other energy-saving measures in your home in 2009 or 2010, you may be able to take a credit.

For more information on these and other provisions, go to www.irs.gov.

ciation taken after May 7, 1997, will, however, be recaptured (added to income) at the time of sale, and taxed at 25 percent.

As we note, however, under "New for 2009 and 2010" on p. 55, after January 2009 gain from the sale of a home can no longer be excluded from gross income for periods when it was rented out before you occupied it as a principal residence. The only qualification for the capital-gains exclusion is that the house sold must have been owned and occupied by the taxpayer as his or her principal residence for at least two of the last five years prior to the date of the sale. For the Foreign Service, the five-year period may be extended by any period during which the taxpayer has been away from the area on a Foreign Service assignment, up to a maximum of 15 years (including the five years). There are some exceptions to the two-year occupancy requirement, including a sale due to a "change in place of employment" (this would include foreign transfers). This exclusion is not limited to a once-in-a-lifetime sale, but may be taken once every two years.

When a principal residence is sold, capital gains realized above the exclusion amounts are subject to taxation. This exclusion replaces the earlier tax-law provision that allowed both the deferral of gain and a one-time exclusion of a principal residence sale.

Temporary rental of the home does not disqualify one from claiming the exclusion. The new tax law requires only that you have occupied the house as your principal residence for the required period (two years out of five, extended). However, the 2009 legislation requires that the "two years out of five (extended)" cannot start until the date the home is occupied as a principal residence for the first time.

Under Internal Revenue Code Section 1031, taxpayers whose U.S. home may no longer qualify for the principal residence exclusion may be eligible to replace the property through a "tax-free exchange" (the so-called Starker Exchange). In essence, one property being rented out may be exchanged for another, as long as that one is also rented. In exchanging the properties, capital gains tax may be deferred. Technically, a simultaneous trade of investments occurs. Actually, owners first sign a contract with an intermediary to sell their property, hold the cash proceeds in escrow, identify in writing within 45 days the property they intend to acquire, and settle on the new property within 180 days, using the money held in escrow as part of the payment.

It is important to emphasize that the exchange is from one investment property to another investment property — the key factor in the IRS evaluation of an exchange transaction is the intent of the investor at the time the exchange was consummated. The IRS rules for these exchanges are complex and specific, with a number of pitfalls that can nullify the transaction. An exchange should never be attempted without assistance from a tax lawyer specializing in this field.

Calculating Your Adjusted Basis

Many Foreign Service employees ask what items can be added to the cost basis of their homes when they are ready to sell. Money spent on fixing up the home for sale may be added to the basis. To qualify as legitimate fixing-up costs, the following conditions must be met: 1) the expenses must be for work performed during the 90-day period ending on the day on which the contract to sell the old residence was signed; 2) the expenses must be paid on or before the 30th day after sale of the house; and 3) the expenses must not be capital expenditures for permanent improvements or replacements (these can be added to the basis of the property, the original purchase price, thereby reducing the amount of profit). A new roof and kitchen counters are not "fix-up" items. But painting the house, cleaning up the garden and making minor repairs qualify.

State Tax Provisions

Most Foreign Service employees have questions about their liability to pay state income taxes during periods when they are posted overseas or assigned to Washington.

Members of the Foreign Service are not treated as domiciled in their countries of assignment abroad. Every active-duty Foreign Service employee serving abroad must maintain a state of domicile in the United States, and the tax liability that the employee faces varies greatly from state to state. In addition, there are numerous regulations concerning the taxability of Foreign Service pensions and annuities that vary by state.

This state guide briefly reviews the laws regarding income tax and tax on annuities and pensions as they affect Foreign Service personnel. Please note that while AFSA makes every attempt to provide the most up-to-date information, readers with specific questions should consult a tax expert in the state in question at the addresses given. We also encourage readers to visit the state's tax Web site (also listed).

There are many criteria used in determining which state is a citizen's domicile. One of the strongest determinants is prolonged physical presence, a standard that Foreign Service personnel frequently cannot meet due to overseas service.

In such cases, the states will make a determination of the individual's income-tax status based on other factors, including where the individual has family ties, where he or she has been filing resident tax returns, where he or she is registered to vote or has a driver's license, where he or she owns property, or where the person has bank accounts or other financial holdings.

In the case of Foreign Service employees, the domicile might be the state from which the person joined the Service, where his or her home leave address is, or where he or she intends to return upon separation.

For purposes of this article, the term "domicile" refers to legal residence; some states also define it as permanent residence. Residence refers to physical presence in the state. Foreign Service personnel must continue to pay taxes to the state of domicile (or to the District of Columbia) while residing outside of the state, including during assignments abroad, unless the state of residence does not require it.

A non-resident, according to most states' definitions, is an individual who earns income sourced within the specific state but does not live there or is living there for only part of the year (usually fewer than six months). Individuals are generally considered residents, and are thus fully liable for taxes, if they are domiciled in the state or if they are living in the state (usually at least six months of the year) but are not domiciled there.

Foreign Service employees residing in the metropolitan Washington, D.C., area are required to pay income tax to the District of Columbia, Maryland or Virginia, in addition to paying tax to the state of their domicile. Most states allow a credit, however, so that the taxpayer pays the higher tax rate of the two states, with each state receiving a share.

There are currently seven states with no state income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming. In addition, New Hampshire and Tennessee have no tax on personal income but do tax profits from the sale of bonds and property.

There are 10 states that, under certain conditions, do not tax income earned while the taxpayer is outside of the state: California, Connecticut, Idaho, Minnesota, Missouri, New Jersey, New York, Oregon, Pennsylvania and West Virginia. The requirements for all except California, Idaho, Minnesota and Oregon are that the individual not have a permanent "place of abode" in the state, have a permanent "place of abode" outside the state, and not be physically present for more than 30 days during the tax year. California allows up to 45 days in the state during a tax year. These 10 states require the filing of non-resident returns for all income earned from in-state sources.

Foreign Service employees should keep in mind that states could challenge the status of government housing in the future.

The following list gives a state-by-state overview of the latest information available on tax liability, with addresses provided to get further information or tax forms. Tax rates are provided where possible. For further information, please contact AFSA's Labor Management Office or the individual state tax authorities. As always, members are advised to double-check with their state's tax authorities.

To assist you in connecting with your state tax office, we provide the Web site address for each in the state-by-state guide, and an e-mail address or link where available. Some states do not offer e-mail customer service. The Federation of Tax Administrators' Web site, www.taxadmin.org, also provides much useful information on individual state income taxes.

State Overviews

ALABAMA: Individuals domiciled in Alabama are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Alabama's individual income tax rates range from 2 to 5 percent on gross income over $4,000 for single taxpayers or $10,500 for married filing jointly. Write: Alabama Department of Revenue, 50 N. Ripley, Montgomery AL 36132.
Phone: (334) 242-1170.
E-mail: Link through the Web site, "About Us" then "Contacts."
Web site: www.ador.state.al.us

ALASKA: Alaska does not tax individual income or intangible or personal property. It has no sales and use, franchise or fiduciary tax. Some municipalities levy sales, property and use taxes. Write: State Office Building, 333 West Willoughby Ave., 11th Floor, P.O. Box 110420, Juneau AK 99811-0420.
Phone: (907) 465-2320.
Web site: www.tax.state.ak.us

ARIZONA: Individuals domiciled in Arizona are considered residents and are taxed on any income that is included in the Federal Adjusted Gross Income, regardless of their physical presence in the state. Arizona's tax rate ranges in five brackets from a minimum of 2.59 percent to a maximum of 4.54 percent of taxable income over $300,000 for married filing jointly or $150,000 for single filers. Write: Arizona Department of Revenue, Taxpayer Information & Assistance, P.O. Box 29086, Phoenix AZ 85038-9086.
Phone: (602) 255-3381.
E-mail: taxpayerassistance@azdor.gov
Web site: www.azdor.gov

ARKANSAS: Individuals domiciled in Arkansas are considered residents and are taxed on their entire income regardless of their physical presence in the state. The Arkansas tax rate ranges in six brackets from a minimum of 1 percent of net taxable income to a maximum of $2,623 plus 7 percent of net taxable income over $49,999. Write: Department of Finance and Administration, Income Tax Section, P.O. Box 3628, Little Rock AR 72203-3628.
Phone: (501) 682-1100.
E-mail: Individual.Income@dfa.arkansas.gov
Web site: www.arkansas.gov/dfa/

CALIFORNIA: Foreign Service employees domiciled in California must establish non-residency to avoid liability for California taxes (see FTB Publication 1031). However, a "safe harbor" provision allows anyone who is domiciled in state but is out of the state on an employment-related contract for at least 546 consecutive days to be considered a non-resident. This applies to most FS employees and their spouses, but members domiciled in California are advised to study FTB Publication 1031 for exceptions and exemptions. The California tax rate for 2010 ranges in six brackets from 1.25 percent to a maximum of $4,351.84 plus 9.55 percent of the excess over $93,532 for married filing jointly or $46,766 for singles. Non-resident domiciliaries are advised to file on Form 540NR. Write: Personal Income Taxes, Franchise Tax Board, P.O. Box 1468, Sacramento CA 95812-1468.
Phone: toll-free 1 (800) 852-5711 (inside the U.S.); (916) 845-6500 (outside the U.S.).
E-mail: Link through the Web site's "Contact Us" tab.
Web site: www.ftb.ca.gov

COLORADO: Individuals domiciled in Colorado are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Colorado's tax rate is a flat 4.63 percent of federal taxable income plus or minus allowable modifications. Write: Department of Revenue, Taxpayer Service Division, State Capitol Annex, 1375 Sherman St., Denver CO 80261-0005.
Phone: (303) 238-7378.
E-mail: Link through "Contact Us" tab on "Taxes" page, then click on "E-Mail and Telephone" for subject matter options.
Web site: www.colorado.gov/revenue

CONNECTICUT: Connecticut domiciliaries may qualify for non-resident tax treatment under either of two exceptions as follows: Group A — the domiciliary 1) did not maintain a permanent place of abode inside Connecticut for the entire tax year; and 2) maintains a permanent place of abode outside the state for the entire tax year; and 3) spends not more than 30 days in the aggregate in the state during the tax year. Group B — the domiciliary 1) In any period of 548 consecutive days, is present in a foreign country for at least 450 days; and 2) during the 548-day period, is not present in Connecticut for more than 90 days; and 3) does not maintain a permanent place of abode in the state at which the domiciliary's spouse or minor children are present for more than 90 days. Connecticut's tax rate for married filing jointly ranges from 3 percent of income less than $10,000, to 5 percent of income over $20,000, and 6.5 percent of income over $1 million. Write: Department of Revenue Services, Taxpayer Services Division, 25 Sigourney St., Suite 2, Hartford CT 06106-5032.
Phone: (860) 297-5962.
E-mail: drs@po.state.ct.us
Web site: www.ct.gov/drs

DELAWARE: Individuals domiciled in Delaware are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Delaware's graduated tax rate ranges from 2.2 percent to 5.55 percent for income under $60,000, to a maximum of $2,943.50 plus 5.95 percent of any taxable income over $60,000. Write: Division of Revenue, Taxpayers Assistance Section, State Office Building, 820 N. French St., Wilmington DE 19801.
Phone (302) 577-8200.
E-mail: personaltax@state.de.us
Web site: www.revenue.delaware.gov/

DISTRICT OF COLUMBIA: Individuals domiciled in the District of Columbia are considered residents and are subject to tax on their entire income regardless of their physical presence there. Individuals domiciled elsewhere are also considered residents for tax purposes for the portion of any calendar year in which they are physically present in the District for 183 days or more. The District's tax rate is 4 percent if income is less than $10,000; $400 plus 6 percent of excess over $10,000 if between $10,000 and $40,000; and $2,200 plus 8.5 percent of excess over $40,000. Write: Office of Tax and Revenue, 941 N. Capitol St. NE, 1st Floor, Washington DC 20002.
Phone: (202) 727-4TAX (4829).
E-mail: otr.ocfo@dc.gov
Web site: www.cfo.dc.gov/cfo

FLORIDA: Florida does not impose personal income, inheritance or gift taxes. Beginning in Tax Year 2007, individuals, married couples, personal representatives of estates, and businesses were no longer required to file an annual intangible personal property tax return reporting their stocks, bonds, mutual funds, money market funds, shares of business trusts and unsecured notes. Write: Taxpayer Services, Florida Department of Revenue, 5050 W. Tennessee St., Bldg. L, Tallahassee FL 32399-0112.
Phone: toll-free 1 (800) 352-3671, or (850) 488-6800.
E-mail: Link through Web site. Go to "Taxes," then "Tax Information," then "Questions?"
Web site: http://dor.myflorida.com/dor/

GEORGIA: Individuals domiciled in Georgia are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Georgia has a graduated tax rate rising to a maximum of 6 percent of taxable income of $10,000 and above for joint married filers and $7,000 for single filers. Write: Georgia Department of Revenue, Taxpayer Services Division, 1800 Century Blvd. NE, Atlanta GA 30345-3205.
Phone: (404) 417-4480.
E-mail for questions:
taxpayer.services@dor.ga.gov
E-mail for forms: taxforms@dor.ga.gov
Web site: https://etax.dor.ga.gov/

HAWAII: Individuals domiciled in Hawaii are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. For 2010, Hawaii's tax rate ranges in eight steps from 1.4 percent to a maximum of $16,379 plus 11 percent of taxable income over $200,000 for single filers and $32,757 plus 11 percent of taxable income over $400,000 for married filing jointly. Write: Oahu District Office, Taxpayer Services Branch, P.O. Box 259, Honolulu HI 96809-0259.
Phone: toll-free 1 (800) 222-3229, or (808) 587-4242.
E-mail: Taxpayer.Services@hawaii.gov
Web site: www.state.hi.us/tax

IDAHO: Individuals domiciled in Idaho for an entire tax year are considered residents and are subject to tax on their entire income. Idaho's tax rate rises in eight steps from a minimum of 1.6 percent to a maximum of $7,465 plus 7.8 percent on the amount of Idaho taxable income over $100,000. However, you are considered a non-resident if: 1) you are an Idaho resident who lived outside of Idaho for at least 445 days in a 15-month period; and 2) after satisfying the 15-month period, you spent fewer than 60 days in Idaho during the year; and 3) you did not have a personal residence in Idaho for yourself or your family during any part of the calendar year; and 4) you did not claim Idaho as your federal tax home for deducting away-from-home expenses on your federal return; and 5) you were not employed on the staff of a U.S. senator; and 6) you did not hold an elective or appointive office of the U.S. government other than the armed forces or a career appointment in the U.S. Foreign Service (see Idaho Code Sections 63-3013 and 63-3030). A non-resident must file an Idaho income tax return if his or her gross income from Idaho sources is $2,500 or more. Write: Idaho State Tax Commission, P.O. Box 36, Boise ID 83722-0410.
Phone: toll-free 1 (800) 972-7660.
E-mail: taxrep@tax.idaho.gov
Web site: www.tax.idaho.gov

ILLINOIS: Individuals domiciled in Illinois are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. It appears that under some circumstances, however, domiciliaries absent from the state throughout the year may not be subject to tax, so they should check with the Illinois Department of Revenue in advance. The Illinois tax rate remains a flat 3 percent for 2010. Write: Illinois Department of Revenue, P.O. Box 19001, Springfield IL 62794-9001.
Phone: toll-free 1 (800) 732-8866, or (217) 782-3336.
E-mail: Link through "Contact Us," then "Taxpayer Answer Center."
Web site: www.revenue.state.il.us

INDIANA: Individuals domiciled in Indiana are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Indiana's

tax rate remains a flat 3.4 percent for 2010. Some counties also charge a county income tax. Write: Department of Revenue, 100 N. Senate Ave., Indianapolis IN 46204.
Phone: (317) 232-2240.
E-mail: Link through the Web site's "Contact Us" tab.
Web site: www.in.gov/dor

IOWA: Individuals domiciled in Iowa are considered residents and are subject to tax on their entire income to the extent that income is taxable on the person's federal income tax returns. Iowa's 2010 tax rate rises in nine steps from 0.36 percent to a maximum of $4,060.65 plus 8.98 percent of taxable income over $64,260, depending on income and filing status. Write: Taxpayer Services, Iowa Department of Revenue, P.O. Box 10457, Des Moines IA 50306-0457.
Phone: (515) 281-3114.
E-mail: idr@iowa.gov
Web site: www.iowa.gov/tax

KANSAS: Individuals domiciled in Kansas are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. The Kansas tax rate rises from a minimum of 3.5 percent on Kansas taxable income under $15,000 to a maximum of $2,925 plus 6.45 percent of excess over $60,000 for joint filers, or $1,462.50 plus 6.45 percent of excess over $30,000 for single filers. Write: Kansas Taxpayer Assistance Center, Room 150, 915 SW Harrison, Topeka KS 66612.
Phone: (785) 368-8222.
E-mail: Bob Clelland at taxpayer_advocate@kdor.state.ks.us
Web site: www.ksrevenue.org

KENTUCKY: Individuals domiciled in Kentucky are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Kentucky's tax rate ranges from 2 percent on the first $3,000 of taxable income to $4,166 plus 6 percent on all taxable income over $75,000. Write: Kentucky Department of Revenue, 501 High St., Frankfort KY 40601-2103.
Phone: (502) 564-4581.
E-mail: Link through the Web site's "Contact Us" tab.
Web site: revenue.ky.gov

LOUISIANA: Individuals domiciled in Louisiana are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Louisiana's tax rate for 2010 starts at 2 percent for the first $12,500 for single filers or $25,000 for joint filers, rising to 6 percent for over $50,000 for single filers or $100,000 for joint filers. Write: Taxpayer Services Division, Personal Income Tax Section, Louisiana Department of Revenue, P.O. Box 201, Baton Rouge LA 70821-0201.
Phone: (225) 219-0102.
E-mail: Link through the Web site's "Contact Us" tab.
Web site: www.revenue.louisiana.gov

MAINE: Individuals domiciled in Maine are considered residents and are subject to tax on their entire income. Since Jan. 1, 2007, however, there have been "safe harbor" provisions. Under the General Safe Harbor provision, Maine domiciliaries are treated as non-residents if they satisfy all three of the following conditions: 1) they did not maintain a permanent place of abode in Maine for the entire taxable year; 2) they main-

tained a permanent place of abode outside Maine for the entire taxable year; and 3) they spent no more than 30 days in the aggregate in Maine during the taxable year. Under the Foreign Safe Harbor provision, Maine domiciliaries are treated as non-residents if they are present in a foreign country for 450 days in a 548-day period and do not spend more than 90 days in Maine during that period. Maine's tax rate in 2010 rises in three steps from a minimum of 2 percent to a maximum of $1,013 plus 8.5 percent of Maine taxable income over $19,750 for single filers or $2,026 plus 8.5 percent over $39,550 for married filing jointly. Write: Maine Revenue Services, Income Tax Assistance, 24 State House Station, Augusta ME 04333-0024.
Phone: (207) 626-8475.
E-mail: income.tax@maine.gov
Web site: www.maine.gov/revenue

MARYLAND: Individuals domiciled in Maryland are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Individuals domiciled elsewhere are also considered residents for tax purposes for the portion of any calendar year in which they are physically present in the state for an aggregated total of 183 days or more. For Tax Years 2007, 2008 and 2009 only, U.S. government employees can deduct up to $3,500 of any income earned overseas, including federal pay, if physically present in a foreign country (or countries) for 330 days in the 12-month period. Maryland's tax rate is $90 plus 4.75 percent of taxable income over $3,000 up to $150,000 if filing singly and $200,000 if filing jointly; it then rises steeply to $52,322.50 plus 6.25 percent on taxable income over $1,000,000. In addition, Baltimore City and the 23 Maryland counties impose a local income tax, which is a percentage of the Maryland taxable income, using Line 31 of Form 502 or Line 9 of Form 503. The local factor varies from 1.25 percent in Worcester County to 3.2 percent in Montgomery, Prince George's and Howard counties (see Web site for details for all counties). Write: Comptroller of Maryland, Revenue Administration Center, Taxpayer Service Section, Annapolis MD 21411.
Phone: toll-free 1 (800) MD-TAXES, or (410) 260-7980.
E-mail: taxhelp@comp.state.md.us
Web site: www.marylandtaxes.com

MASSACHUSETTS: Individuals domiciled in Massachusetts are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Salaries and most interest and dividend income are taxed at a flat rate of 5.3 percent. Some income (e.g., short-term capital gains) is taxed at 12 percent. Write: Massachusetts Department of Revenue, Taxpayer Services Division, P.O. Box 7010, Boston MA 02204.
Phone: (617) 887-6367.
E-mail: Link through the Web site's "Contact Us" tab.
Web site: www.dor.state.ma.us

MICHIGAN: Individuals domiciled in Michigan are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Michigan's tax rate is 4.35 percent. Some Michigan cities impose an additional 1- or 2-percent income tax. Detroit imposes an additional 2.5-percent tax. Write: Michigan Department of Treasury, Lansing MI 48922.
Phone: toll-free (517) 636-4580.
E-mail: treasIndTax@michigan.gov
Web site: www.michigan.gov/treasury

MINNESOTA: Individuals domiciled in Minnesota are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Minnesota's tax rate is either 5.35 percent, 7.05 percent, or a maximum of 7.85 percent on taxable income over $74,781 for single filers or $132,221 for married filing jointly in 2010. Write: Minnesota Department of Revenue, 600 N. Robert St., Saint Paul MN 55101.
Phone: (651) 296-3781.
E-mail: indinctax@state.mn.us
Web site: www.taxes.state.mn.us

MISSISSIPPI: Individuals domiciled in Mississippi are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Mississippi's tax rate is 3 percent on the first $5,000 of taxable income, 4 percent on the next $5,000 and 5 percent on taxable income over $10,000 for all taxpayers, whether filing singly or jointly. Write: Department of Revenue, P.O. Box 1033, Jackson MS 39215-1033.
Phone: (601) 923-7089.
E-mail: Link through the Web site's "Contact Us" tab.
Web site: www.dor.ms.gov

MISSOURI: An individual domiciled in Missouri is considered a non-resident, and is not liable for tax on Missouri income if the individual has no permanent residence in Missouri, has a permanent residence elsewhere and is not physically present in the state for more than 30 days during the tax year. Missouri calculates tax on a graduated scale up to $9,000 of taxable income. Any taxable income over $9,000 is taxed at a rate of $315 plus 6 percent of the excess over $9,000. File a return yearly with Form MO-NRI. Write: Individual Income Tax, P.O. Box 2200, Jefferson City MO 65105-2200.
Phone: (573) 751-3505.
E-mail: income@dor.mo.gov
Web site: www.dor.mo.gov

MONTANA: Individuals domiciled in Montana are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Montana's tax rate for 2010 rises in six steps from 1 percent of taxable income under $2,600 to a maximum of 6.9 percent of taxable income over $15,600. See the Web site for various deductions and exemptions. Write: Montana Department of Revenue, P.O. Box 5805, Helena MT 59604.
Phone: (406) 444-6900.
E-mail: Link through the Web site's "Contact Us" tab at the bottom of the page.
Web site: mt.gov/revenue

NEBRASKA: Individuals domiciled in Nebraska are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. The 2010 individual income tax rates range in four steps from a minimum of 2.56 percent to a maximum of $1,086.91 plus 6.84 percent of the excess over $27,000 for single filers, and $2,173.82 plus 6.84 percent of the excess over $54,000 for joint filers. If AGI is over $167,100 (both single and joint filers), an additional tax rate of between 0.172 and 0.428 percent is imposed. Write: Department of Revenue, 301 Centennial Mall South, P.O. Box 94818, Lincoln NE 68509-4818.
Phone: (402) 471-5729.
E-mail: Link through the Web site "Contact Us" page.
Web site: www.revenue.state.ne.us

NEVADA: Nevada does not tax personal income. There is a sales-and-use tax that varies from 6.85 percent to 8.1 percent depending on local jurisdiction. Additional ad

valorem personal and real property taxes are also levied. Write: Nevada Department of Taxation, 1550 College Pkwy., Suite 115, Carson City NV 89706.
Phone: (775) 684-2000.
Web site: www.tax.state.nv.us

NEW HAMPSHIRE: The state imposes no personal income tax on earned income and no general sales tax. The state does levy, among other taxes, a 5-percent tax on interest and dividend income of more than $2,400 annually for single filers ($4,800 annually for joint filers) and an 8.5-percent tax on business profits, including sale of rental property. The inheritance tax was repealed in 2003. Applicable taxes apply to part-year residents. Write: Central Taxpayer Services, 109 Pleasant St., Concord NH 03301.
Phone: (603) 271-2191.
Web site: www.nh.gov/revenue

NEW JERSEY: A New Jersey domiciliary is considered a non-resident for New Jersey tax purposes if the individual has no permanent residence in New Jersey, has a permanent residence elsewhere and is not physically in the state for more than 30 days during the tax year. Filing a return is not required (unless the non-resident has New Jersey-source income), but it is recommended in order to preserve domicile status. Filing is required on Form 1040-NR for revenue derived from in-state sources. Tax liability is calculated as a variable lump sum plus a percentage from a minimum of 1.4 percent of taxable gross income up to $20,000, to a maximum of 8.97 percent on taxable gross income over $500,000. Write: State of New Jersey, New Jersey Division of Taxation, Office of Information and Publications, P.O. Box 281, Trenton NJ 08695-0281.
Phone: (609) 292-6400.
E-mail: Link through the Web site's "Contact Us" page.
Web site: www.state.nj.us/treasury/taxation

NEW MEXICO: Individuals domiciled in New Mexico are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. The basis for New Mexico's calculation is the Federal Adjusted Gross Income figure. For the 2010 tax year, the state has a graduated rate table with seven brackets, ranging from 1.7 percent to a maximum of 4.9 percent on New Mexico taxable income over $16,000 for single filers and $24,000 for married filing jointly. Write: New Mexico Taxation and Revenue Department, Tax Information and Policy Office, 1100 St. Francis Dr., P.O. Box 630, Santa Fe NM 87504-0630.
Phone: (505) 827-0908.
E-mail: Link through "E-mail Us" tab at bottom of home page.
Web site: www.tax.state.nm.us/

NEW YORK: There is no tax liability for out-of-state income if the individual has no permanent residence in New York, has a permanent residence elsewhere and is not present in the state more than 30 days during the tax year. Filing a return is not required, but it is recommended to preserve domicile status. The tax rate rises in four steps from a minimum of 4 percent to a maximum of 6.85 percent of taxable income over $20,000 for single filers and $40,000 for married filing jointly. For the 2010 tax year, however, taxable income over $200,000 (singles) or $300,000 (joint filers) will be taxed at 7.85 percent; over $500,000 (single and joint filers) will be taxed at 8.97 percent. In New York City the maximum rate is 3.648 percent over $90,000 and 3.876 percent over $500,000. Filing is required on Form IT-203 for revenue derived from New York sources.

A 2001 opinion from the New York tax authorities stated that Foreign Service employees not domiciled in New York state but assigned to the U.S. United Nations office for a normal tour of duty would not be considered to be maintaining a permanent place of abode in New York state. Therefore, such individuals are not treated as resident individuals and are taxed as non-residents in New York state. Write: New York State Department of Taxation and Finance, Personal Income Tax Information, W.A. Harriman Campus, Albany NY 12227.
Phone: (518) 457-5181.
E-Mail: Link through Web site's "Answer Center" tab.
Web site: www.nystax.gov

NORTH CAROLINA: Individuals domiciled in North Carolina are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. For 2010, the tax rate rises in three steps from 6 percent of taxable income up to $12,750 for single or $21,250 for joint filers, to 7.75 percent of North Carolina taxable income over $60,000 for single filers and over $100,000 for joint filers. In addition, for 2010, there is a surtax of 2 percent for singles with North Carolina taxable income over $60,000 and 3 percent over $150,000; for joint filers it is 2 percent over $100,000 and 3 percent over $200,000. Residents must also report and pay a "use tax" on purchases made outside the state for use in North Carolina. Write: Department of Revenue, P.O. Box 27431, Raleigh NC 27611.
Phone: toll-free 1 (877) 252-3052. From overseas, call 1 (252) 467-9000.
Web site: www.dor.state.nc.us

NORTH DAKOTA: Individuals domiciled in North Dakota and serving outside the state are considered residents and are subject to tax on their entire income. For 2010 the tax rate ranges from 1.84 percent on North Dakota taxable income up to $34,000 for singles and $56,850 for joint filers, to a maximum of 4.86 percent on taxable income over $373,650 for singles and joint filers. Write: Office of State Tax Commissioner, State Capitol, 600 E. Boulevard Ave., Dept. 127, Bismarck ND 58505-0599.
Phone: (701) 328-1247.
E-mail: individualtax@nd.gov
Web site: www.nd.gov/tax

OHIO: Individuals domiciled in Ohio are considered residents and their income is subject to tax, using the Federal Adjusted Gross Income figure as a starting base. For 2010 Ohio's tax rate remains at a minimum of 0.618 percent on taxable income under $5,000, rising in nine steps to a maximum of $9,573.30 plus 6.24 percent on taxable income over $200,000. Write: Ohio Department of Taxation, Taxpayer Services Center, P.O. Box 530, Columbus OH 43216-0530.
Phone: toll-free 1 (800) 282-1780 or (614) 387-0224.
E-mail: Link through Web site's "Contact Us" tab.
Web site: www.tax.ohio.gov

OKLAHOMA: Individuals domiciled in Oklahoma are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. The 2010 tax rate rises in eight stages to a maximum of 5.5 percent on taxable income over $8,700 for single filers and $15,000 for married filing jointly. Write: Oklahoma Tax Commission, Income Tax, P.O. Box 26800, Oklahoma City OK 73126-0800.
Phone: (405) 521-3160.
E-mail: otcmaster@tax.ok.gov
Web site: www.oktax.state.ok.us

OREGON: Individuals domiciled in Oregon are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Under a 1999 law, however, Oregon exempts domiciliaries who meet the foreign residence requirement for the Foreign Earned Income Exclusion, even though they may be federal employees. Oregon's tax rate is 9 percent on taxable income over $7,600 for single filers and over $15,200 for married filing jointly. For 2010, however, taxable income above $125,000 (single filers) and $250,000 (joint filers), is taxed at a new rate of 10.8 percent. For taxable income above $250,000 (single filers) and $500,000 (joint filers), the new rate is 11 percent. Contact the Oregon Department of Revenue for up-to-date information. Oregon has no sales tax. Write: Oregon Department of Revenue, 955 Center St. NE, Salem OR 97301-2555.
Phone: (503) 378-4988.
E-mail: questions.dor@state.or.us
Web site: www.oregon.gov/DOR

PENNSYLVANIA: Pennsylvania tax authorities have ruled that Pennsylvania residents in the U.S. Foreign Service are not on federal active duty for state tax purposes, and thus their income is taxable compensation. For non-Foreign Service state residents, there is no tax liability for out-of-state income if the individual has no permanent residence in the state, has a permanent residence elsewhere, and spends no more than 30 days in the state during the tax year. However, Pennsylvania does not consider government quarters overseas to be a "permanent residence elsewhere." Filing a return is not required, but it is recommended to preserve domicile status. File Form PA-40 for all income derived from Pennsylvania sources. Pennsylvania's tax rate is a flat 3.07 percent. Write: Commonwealth of Pennsylvania, Department of Revenue, Taxpayer Services Department, Harrisburg PA 17128-1061.
Phone: (717) 787-8201.
E-mail: Link through the Web site's "Contact Us" tab.
Web site: www.revenue.state.pa.us

PUERTO RICO: Individuals who are domiciled in Puerto Rico are considered residents and are subject to tax on their entire income regardless of their physical presence in the commonwealth. Normally, they may claim a credit with certain limitations for income taxes paid to the United States on income from sources outside Puerto Rico, and for any federal taxes paid. Taxes range from 7 percent of taxable income up to $17,000 to 33 percent of the taxable income over $50,000 for all taxpayers. Write: Departamento de Hacienda, P.O. Box 9024140, San Juan PR 00902-4140.
Phone: toll-free 1 (800) 981-9236, or (787) 721-2020, ext. 3611.
E-mail: infoserv@hacienda.gobierno.pr
Web site: www.hacienda.gobierno.pr

RHODE ISLAND: Individuals domiciled in Rhode Island are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. The 2010 Rhode Island tax rate ranges from 3.75 percent of taxable income up to $34,000 for single filers and $56,800 for joint filers up to 9.9 percent of taxable income over $373,650 for all filers. A 2010 change treats capital gains as ordinary taxable income.

Refer to the tax division's Web site for current information and handy filing hints, as well as for forms and regulations. Write: Rhode Island Division of Taxation, Taxpayer Assistance Section, One Capitol Hill, Providence RI 02908-5801.
Phone (401) 574-8829.
E-mail: txassist@tax.state.ri.us
Web site: www.tax.state.ri.us

SOUTH CAROLINA: Individuals domiciled in South Carolina are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. South Carolina imposes a graduated tax rising in six steps from 3 percent on the first $5,480 to a maximum of 7 percent of taxable income over $13,700. Write: South Carolina Tax Commission, 301 Gervais St., P.O. Box 125, Columbia SC 29214.
Phone: (803) 898-5709.
E-mail: iitax@sctax.org
Web site: www.sctax.org

SOUTH DAKOTA: There is no state income tax and no state inheritance tax. State sales and use tax is 4 percent; municipalities may add up to an additional 2 percent. Write: South Dakota Department of Revenue, 445 E. Capitol Ave., Pierre SD 57501-3185.
Phone: (605) 773-3311.
E-mail: Link through the Web site's "Contact Us" tab.
Web site: www.state.sd.us/drr2/revenue.html

TENNESSEE: Salaries and wages are not subject to state income tax, but Tennessee imposes a 6-percent tax on most dividends and interest income of more than $1,250 (single filers) or $2,500 (joint filers) in the tax year. Write: Tennessee Department of Revenue (Attention: Taxpayer Services), 500 Deaderick St., Nashville TN 37242.
Phone: (615) 253-0600.
E-mail: TN.Revenue@tn.gov
Web site: www.state.tn.us/revenue

TEXAS: There is no state personal income tax. Write: Texas Comptroller, P.O. Box 13528, Capitol Station, Austin TX 78711-3528.
Phone: toll-free 1 (877) 622-8375.
E-mail: comptroller.help@cpa.state.tx.us
Web site: www.window.state.tx.us

UTAH: Individuals domiciled in Utah are considered residents and are subject to Utah state tax. Utah requires that all Federal Adjusted Gross Income reported on the federal return be reported on the state return regardless of the taxpayer's physical presence in the state. Utah abolished variable tax rates in 2008 and now levies a flat tax of 5 percent on all income. Some taxpayers will be able to claim either a taxpayer tax credit or a retirement tax credit, or both (see Web site for explanation). Write: Utah State Tax Commission, Taxpayer Services Division, 210 North 1950 West, Salt Lake City UT 84134.
Phone: toll-free 1 (800) 662-4335, or (801) 297-2200.
E-mail: Link through the Web site's "Contact Us" tab.
Web site: tax.utah.gov

VERMONT: Individuals domiciled in Vermont are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. The 2010 tax rate ranges from 3.55 percent on taxable income under $34,000 for singles and $56,800 for joint filers to a maximum of 8.95 percent on taxable income over $373,650 for singles and joint filers. Write: Vermont Department of Taxes, Taxpayer Services Division, 133 State St., Montpelier VT 05633-1401.
Phone: (802) 828-2865.
E-mail: Link through the Web site's "Contact Us" tab.
Web site: www.state.vt.us/tax

VIRGINIA: Individuals domiciled in Virginia are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Individuals domiciled elsewhere are also considered residents for tax purposes for the portion of any calendar year in which they are physically present in the state for 183 days or more. These individuals should file using Form 760. In addition, Virginia requires non-residents to file Form 763 if their Virginia Adjusted Gross Income (which includes any federal salary paid during time they are residing in Virginia) exceeds $11,650 for single filers and married filing separately, or $23,300 for married filing jointly in tax years 2010 and 2011. (These amounts will increase to $11,950 and $23,900 for Tax Year 2012 and beyond.) Individual tax rates are: 2 percent if taxable income is less than $3,000; $60 plus 3 percent of excess over $3,000 if taxable income is between $3,000 and $5,000; $120 plus 5 percent of excess over $5,000 if taxable income is between $5,000 and $17,000; and $720 plus 5.75 percent if taxable income is over $17,000. In addition, for the 2009 and subsequent tax years, Virginia allows employers of household help to elect, using Form R-1H, to pay state unemployment tax annually instead of quarterly. Write: Virginia Department of Taxation, Office of Customer Services, P.O. Box 1115, Richmond, VA 23218-1115.
Phone: (804) 367-8031.
E-mail: Link through the Web site's "Contact Us" tab.
Web site: www.tax.virginia.gov

WASHINGTON: There is no state income tax and no tax on intangibles such as bank accounts, stocks and bonds. Residents may deduct Washington sales tax on their federal tax returns if they itemize deductions. Write: Washington State Department of Revenue, Taxpayer Services, P.O. Box 47478, Olympia WA 98504-7478.
Phone: toll-free 1 (800) 647-7706.
E-mail: Link through the Web site's "Contact Us" tab.
Web site: www.dor.wa.gov

WEST VIRGINIA: There is no tax liability for out-of-state income if the individual has no permanent residence in West Virginia, has a permanent residence elsewhere and spends no more than 30 days of the tax year in West Virginia. However, non-resident domiciliaries are required to file a return on Form IT-140 for all income derived from West Virginia sources. Tax rates rise in four steps from $150 plus 4 percent of income over $5,000 for single filers and $300 plus 4 percent of income over $10,000 for joint filers, to $1,387.50 plus 6.5 percent of income over $30,000 for single filers and $2,775 plus 6.5 percent of income over $60,000 for joint filers. Write: Department of Tax and Revenue, Taxpayer Services Division, P.O. Box 3784, Charleston WV 25337-3784.
Phone: toll-free 1 (800) 982-8297, or (304) 558-3333.
E-mail: taxwvtaxaid@wv.gov or through the "Contact Us" page on the Web site.
Web site: www.wvtax.gov

WISCONSIN: Individuals domiciled in Wisconsin are considered residents and are subject to tax on their entire income regardless of where the income is earned. Wisconsin's current tax rate ranges from 4.6 percent on income up to $10,020 for single filers or

$13,420 for joint filers, to a maximum of 7.75 percent on income over $221,600 for single filers or $295,550 for joint filers. Write: Wisconsin Department of Revenue, Individual Income Tax Assistance, P.O. Box 8906, Madison WI 53708-8906.
Phone: (608) 266-2772.
E-mail: income@revenue.wi.gov
Web site: www.dor.state.wi.us

WYOMING: There is no state income tax and no tax on intangibles such as bank accounts, stocks or bonds. Write: Wyoming Department of Revenue, Herschler Building, 122 West 25th St., Cheyenne WY 82002-0110.
Phone: (307) 777-7961.
E-mail: DirectorOfRevenue@wy.gov
Web site: revenue.state.wy.us

State Pension & Annuity Tax

The laws regarding the taxation of Foreign Service annuities vary greatly from state to state. In addition to those states that have no income tax or no tax on personal income, there are several states that do not tax income derived from pensions and annuities. Idaho taxes Foreign Service annuities while exempting certain categories of Civil Service employees. Several Web sites provide more information on individual state taxes for retirees, but the Retirement Living Information Center at www.retirementliving.com/RL-taxes.html is one of the more comprehensive.

ALABAMA: Social Security and federal pensions are not taxable. The combined state, county and city sales tax rates average from 7 to 11 percent.

ALASKA: No personal income tax. Some municipalities levy sales, property and/or use taxes.

ARIZONA: Up to $2,500 of U.S. government pension income may be excluded for each taxpayer. There is also a $2,100 exemption for each taxpayer age 65 or over. Arizona does not tax Social Security. Arizona state sales and use tax is 5.6 percent with additions depending on county and/or city.

ARKANSAS: The first $6,000 of income from any retirement plan or IRA is exempt. Social Security is not taxed. There is no estate or inheritance tax. State sales tax is 6 percent; the local addition may be up to 2 percent.

CALIFORNIA: Fully taxable. The sales and use tax rate varies from 7.25 percent (the statewide rate) to 9.75 percent in some areas.

COLORADO: Up to $24,000 of pension income is exempt if individual is age 65 or over. Up to $20,000 is exempt if age 55 to 64. State sales tax is 2.9 percent with additions up to 5 percent in some jurisdictions.

CONNECTICUT: Fully taxable for residents. Social Security is exempt if Federal Adjusted Gross Income is less than $50,000 for singles or $60,000 for joint filers. Statewide sales tax is 6 percent. No local additions.

DELAWARE: Pension exclusions per person: $2,000 is exempt under age 60; $12,500 if age 60 or over. There is an additional standard deduction of $2,500 if age 65 or over if you do not itemize. Social Security income is excluded from taxable income. Delaware does not impose a sales tax.

DISTRICT OF COLUMBIA: Pension or annuity exclusion of $3,000 is applicable if 62 years or older. Social Security is excluded from taxable income. Sales tax is 6 percent, with higher rates for some commodities.

FLORIDA: There is no personal income, inheritance or gift tax. Florida repealed the "intangibles tax" in 2007. Florida imposes a state sales tax and a use tax of 6 percent. Counties impose further taxes from 0.5 to 2.5 percent.

GEORGIA: $35,000 of retirement income is excluded for those who are 62 years or older, or totally disabled. Social Security is excluded from taxable income. Sales tax is 4 percent statewide, with additions of up to 5 percent depending on jurisdiction.

HAWAII: Pension and annuity distributions from a government pension plan are not taxed in Hawaii. Social Security is not taxed. Hawaii charges a general excise tax of 4 percent instead of sales tax.

IDAHO: If the individual is age 65 or older, or age 62 and disabled, Civil Service Retirement System and Foreign Service Retirement and Disability System pensions only qualify for a deduction in 2010 of up to $27,876 for a single return and up to $41,814 for a joint return. Up to $27,876 may be deducted by the unmarried survivor of the annuitant. The deduction is not available if married filing separately; nor do Federal Employees' Retirement System or Foreign Service Pension System pensions qualify for this deduction. The deduction is reduced dollar for dollar by Social Security benefits. Social Security itself is not taxed. Idaho state sales tax is 6 percent.

ILLINOIS: Illinois does not tax U.S. government pensions or Social Security. Sales tax is 6.25 percent to 8 percent depending on local jurisdiction.

INDIANA: If the individual is over age 62, the Adjusted Gross Income may be reduced by the first $2,000 of any pension, reduced dollar for dollar by Social Security benefits. There is also a $1,000 exemption if over 65, or $1,500 if Federal Adjusted Gross Income is less than $40,000. There is no pension exclusion for survivor annuitants of federal annuities. Social Security is not taxed in Indiana. Both sales tax and use tax in Indiana are 7 percent.

IOWA: Generally taxable. For 2009 and later tax years, however, a married couple with an income for the year of less than $32,000 may file for exemption, if at least one spouse or the head of household is 65 years or older on Dec. 31, and single persons who are 65 years or older on Dec. 31 may file for an exemption if their income is $24,000 or less. Over age 55, there is a pension/retirement income exclusion of up to $6,000 for single, head of household or qualifying widower filers and up to $12,000 for married filing jointly. The same income tax rates apply to annuities as to other incomes. Iowa is phasing out taxation of Social Security benefits, but a portion is still subject to tax in 2010. Statewide sales tax is 6 percent, with no more than 1 percent added in local jurisdictions.

KANSAS: U.S. government pensions are not taxed. Social Security is exempt if Federal Adjusted Gross Income is under $75,000. State sales tax is 5.3 percent, with additions of between 1 and 3 percent depending on jurisdiction.

KENTUCKY: Government pension income is exempt if retired before Jan. 1, 1998. If retired after Dec. 31, 1997, pension/annuity income up to $41,110 remains fully excludable for 2010. Social Security is exempt. Sales tax is 6 percent statewide, with no local sales or use taxes.

LOUISIANA: Federal retirement benefits are exempt from Louisiana state income tax. There is an exemption of $6,000 of other annual retirement income received by any person age 65 or over. Married filing jointly may exclude $12,000. State sales tax is 4 percent with local additions. Use tax is 8 percent regardless of the purchaser's location.

MAINE: Recipients of a government-sponsored pension or annuity who are filing singly may deduct up to $6,000 ($12,000 for married filing jointly) on income that is included in their Federal Adjusted Gross Income, reduced by all Social Security and railroad benefits. For those age 65 and over, there is an additional standard deduction of $1,400 (single), $1,100 (married filing singly) or $2,200 (married filing jointly). General sales tax is 5 percent.

MARYLAND: Those over 65 or permanently disabled, or who have a spouse who is permanently disabled, may under certain conditions be eligible for Maryland's maximum pension exclusion of $24,500. Also, all individuals 65 years or older are entitled to an extra $1,000 personal exemption in addition to the regular $3,200 personal exemption available to all taxpayers. Social Security is exempt. See the worksheet and instructions for Maryland Form 502. Maryland sales tax is 6 percent.

MASSACHUSETTS: Distributions made to a retiree from a federal employee contributory plan are excluded from Massachusetts gross income. Social Security is not included in Massachusetts gross income. Each taxpayer over age 65 is allowed a $700 exemption on other income. Sales tax is 6.5 percent.

MICHIGAN: Federal government pensions are exempt from taxation in Michigan. For Tax Year 2010, pension benefits included in Adjusted Gross Income from a private pension system or an IRA are deductible to a maximum of $45,120 for a single filer, or $90,240 for joint filers. This maximum is reduced by the deduction taken for the government pension. Those age 65 or over may also be able to deduct part of their interest, dividends or capital gains included in the AGI up to $10,058 for single filers and to $20,115 for joint filers for 2010. Michigan has no city, local, or county sales tax. The state sales tax rate is 6 percent.

MINNESOTA: Generally all pensions are taxable, but single taxpayers who are over 65 or disabled may exclude some income if Federal Adjusted Gross Income is under $33,700 and non-taxable Social Security is under $9,600. For a couple, the limits are $42,000 for Adjusted Gross Income and $12,000 for non-taxable Social Security. Statewide sales and use tax is 6.875 percent with additions of up to 1 percent in local areas — more for lodging.

MISSISSIPPI: Social Security and qualified retirement income from federal, state and private retirement systems are exempt from Mississippi tax. There is an additional exemption of $1,500 on other income if over 65. Statewide sales tax is 7 percent.

MISSOURI: $6,000 or 65 percent for 2010, whichever is greater, of public pension income may be deducted if Missouri Adjusted Gross Income is less than $100,000 when married filing jointly or $85,000 for single filers, up to a limit of the maximum Social Security benefit of each spouse. This $6,000 is reduced dollar for dollar by the amount the income exceeds these income limitations. In 2010 you may also deduct 65 percent of Social Security income if over age 62 and Federal Adjusted Gross Income is less than the limits above. Sales tax is from 5.1 to 8.8 percent, depending on location.

MONTANA: There is a $3,640 pension-income exclusion if Federal Adjusted Gross Income is less than $30,320. This exclusion can be claimed by each spouse if both have retirement income, and it is reduced by $2 for every $1 over $30,320. Those over 65 can exempt an additional $800 of interest income for single taxpayers and $1,600 for married joint filers. Social Security is subject to tax. Montana has no general sales tax, but tax is levied on the sale of various commodities.

NEBRASKA: U.S. government pensions and annuities are fully taxable. State sales tax is 5.5 percent, with local additions of up to 1.5 percent.

NEVADA: No personal income tax. Sales and use tax varies from 6.85 to 8.1 percent, depending on local jurisdiction.

NEW HAMPSHIRE: No personal income tax. The inheritance tax was repealed in 2003. There is a 5-percent tax on interest/dividend income over $2,400 for singles ($4,800 married filing jointly). A $1,200 exemption is available for those 65 or over. No general sales tax.

NEW JERSEY: Pensions and annuities from civilian government service are subject to state income tax, with exemptions for those who are age 62 or older or totally and permanently disabled. Singles and heads of households can exclude up to $15,000; those married filing jointly up to $20,000; those married filing separately up to $10,000 each. These exclusions are eliminated for New Jersey gross incomes over $100,000. Residents over 65 may be eligible for an additional $1,000 personal exemption. Social Security is not taxed. State sales tax is 7 percent.

NEW MEXICO: All pensions and annuities are taxed as part of Federal Adjusted Gross Income. Taxpayers 65 and older may exempt up to $8,000 (single) or $16,000 (joint) from any income source if their income is under $28,500 (individual filers) or $51,000 (married filing jointly). The exemption is reduced as income increases, disappearing altogether at $51,000. New Mexico has a gross receipts tax, instead of a sales tax, of 5.375 percent; county and city taxes may raise this to 8.6875 percent in some jurisdictions.

NEW YORK: Social Security, U.S. government pensions and annuities are not taxed. For those over age 59½, up to $20,000 of other annuity income (e.g., Thrift Savings Plan) may be excluded. See N.Y. Tax Publication 36 for details. Sales tax is 4 percent statewide. Other local taxes may add up to 5 percent.

NORTH CAROLINA: Pursuant to the "Bailey" decision, government retirement benefits received by federal retirees who had five years of creditable service in a federal retirement system on Aug. 12, 1989, are exempt from North Carolina income tax. Those who do not have five years of creditable service on Aug. 12, 1989, must pay North Carolina tax on their federal annuities. In this case, up to $4,000 ($8,000 if filing jointly) of any federal annuity income is exempt. For those over 65, an extra $750 (single) or $1,200 (couple) may be deducted. Social Security is exempt. State sales tax is 5.75 percent; local taxes may increase this by up to 2.5 percent.

NORTH DAKOTA: All pensions and annuities are fully taxed, except for the first $5,000, which is exempt minus any Social Security payments. Sales tax is 5 percent. Local jurisdictions impose up to 2 percent more.

OHIO: Taxpayers 65 and over may take a $50 credit per return. In addition, Ohio gives a tax credit based on the amount of the retirement income included in Ohio Adjusted

Gross Income, reaching a maximum of $200 for any retirement income over $8,000. Social Security is exempt. State sales tax is 5.5 percent. Counties and regional transit authorities may add to this, but the total must not exceed 8.5 percent.

OKLAHOMA: Individuals receiving FERS/FSPS or private pensions may exempt up to $10,000 if the Federal Adjusted Gross Income is under $100,000 for single filers or $200,000 for married filing jointly. Alternatively, in 2010, 80 percent of a federal pension paid in lieu of Social Security (i.e., CSRS and FSRDS — "old system" — including the CSRS/FSRDS portion of an annuity paid under both systems) is exempt. This figure will rise to 100 percent in 2011. Social Security included in FAGI is exempt. State sales tax is 4.5 percent. Local and other additions may bring the total up to 9.5 percent.

OREGON: Generally, all retirement income is subject to Oregon tax when received by an Oregon resident. However, federal retirees who retired on or before Oct. 1, 1991, may exempt their entire federal pension; those who worked both before and after Oct. 1, 1991, must prorate their exemption using the instructions in the tax booklet. A tax credit of up to 9 percent of taxable pension income is available to recipients of pension income, including most private pension income, whose household income was less than $22,500 (single) and $45,000 (joint), and who received less than $7,500 (single)/ $15,000 (joint) in Social Security benefits. The credit is the lesser of the tax liability or 9 percent of taxable pension income. Oregon does not tax Social Security benefits. Oregon has no sales tax.

PENNSYLVANIA: Government pensions and Social Security are not subject to personal income tax. Pennsylvania sales tax is 6 percent. Other taxing entities may add up to 2 percent.

PUERTO RICO: For 2009, the first $11,000 of income received from a federal pension could be excluded for individuals under 60. For those over 60 the exclusion was $15,000. Figures for 2010 were not yet available at press time. If the individual receives more than one federal pension, the exclusion applies to each pension or annuity separately. Social Security is not taxed.

RHODE ISLAND: U.S. government pensions and annuities are fully taxable. Sales tax is 7 percent.

SOUTH CAROLINA: Individuals under age 65 can claim a $3,000 deduction on qualified retirement income; those 65 years of age or over can claim a $10,000 deduction on qualified retirement income. A resident of South Carolina who is 65 years or older may claim a $15,000 deduction against any type of income ($30,000 if both spouses are over 65), but must reduce this figure by any retirement deduction claimed. Social Security is not taxed. Sales tax is 6 percent plus 2 percent in some counties. Seniors 85 and over pay 4 percent.

SOUTH DAKOTA: No personal income tax or inheritance tax. State sales and use tax is 4 percent; municipalities may add up to an additional 2 percent.

TENNESSEE: Social Security, pension income and income from IRAs and TSP are not subject to personal income tax. Most interest and dividend income is taxed at 6 percent if over $1,250 (single filers) or $2,500 (married filing jointly). However, those over 65 with total income of less than $16,200 for a single filer and $27,000 for joint filers are exempt. State sales tax is 7 percent with between 1.5 and 2.75 percent added, depending on jurisdiction.

TEXAS: No personal income tax or inheritance tax. State sales tax is 6.25 percent. Local options can raise the rate to 8.25 percent.

UTAH: In 2008, Utah instituted a flat tax rate of 5 percent of all income. The previous retirement income exclusion has been replaced for taxpayers over 65, by a retirement tax credit of $450 for single filers and $900 for joint filers. This is reduced by 2.5 percent of income exceeding $25,000 for single filers and $32,000 for joint filers. See the state Web site for details. State sales tax is 4.7 percent; local option taxes may raise the total to 7.95 percent.

VERMONT: U.S. government pensions and annuities are fully taxable. State general sales tax is 6 percent; local option taxes may raise the total to 7 percent (higher on some commodities).

VIRGINIA: Individuals over age 65 can take a $12,000 deduction. The $12,000 deduction is reduced by one dollar for each dollar by which Adjusted Gross Income exceeds $50,000 for single, and $75,000 for married, taxpayers. All taxpayers over 65 receive an additional personal exemption of $800. Social Security income is exempt. The estate tax was repealed for all deaths after July 1, 2007. The general sales tax rate is 5 percent (4 percent state tax and 1 percent local tax).

WASHINGTON: No personal income tax. State sales tax was 6.5 percent in the last quarter of 2009; rates are updated quarterly. Local taxes may increase the total to 9.5 percent.

WEST VIRGINIA: $2,000 of any civil or state pension is exempt. Social Security income is taxable only to the extent that the income is includable in Federal Adjusted Gross Income. Taxpayers 65 and older or surviving spouses of any age may exclude the first $8,000 (individual filers) or $16,000 (married filing jointly) of any retirement income. Out-of-state government pensions qualify for the $8,000 exemption.

WISCONSIN: Pensions and annuities are fully taxable. Those age 65 or over may take two personal deductions totaling $950. Benefits received from a federal retirement system account established before Dec. 31, 1963, are not taxable. Since Tax Year 2008, Wisconsin has not taxed Social Security benefits included in Federal Adjusted Gross Income. For tax years after 2009, those over 65 and with an FAGI of less than $15,000 (single filers) or $30,000 (joint filers) may take a $5,000 deduction on income from federal retirement systems or IRAs. State sales tax is 5 percent; most counties charge an extra 0.5 percent.

WYOMING: No personal income tax. State sales tax is 4 percent. Local taxes may increase the total to 6 percent.

The AFSA Tax Guide is also available online at www.afsa.org/news.

AFSANEWSBRIEFS

Donate your Diplomatic Memorabilia to the U.S. Diplomacy Center

BY GREG NAARDEN

I'm sure you have often thought about the historical effect of the work that we do at home and abroad. State has plans to construct a U.S. Diplomacy Center, which will be a museum of diplomatic history and visitor's center. The USDC will be located at Main State (in the form of an addition to the 21st Street entrance), and there are plans for Secretary Hillary Rodham Clinton to dedicate the site in 2012. You can find more information on the USDC at its Web site: http://diplomacy.state.gov.

The Friends of the USDC, a group of current and former Foreign and Civil Service employees, is helping the USDC staff collect items for the museum and special exhibits. While the USDC's holdings are extraordinary, staff members have told us that they lack a strong collection of objects from the rank-and-file that illustrate what diplomats do, where diplomats work, how diplomacy works and why diplomacy is important. The collection contains plenty of gifts that have been given to the Secretary of State, but very little representing the things that we use on a daily basis.

Please consider donating something that you may have accumulated during your work.

Whether you are Foreign Service, Civil Service, currently employed at State or retired, you have something that the USDC wants. This is an opportunity for us to help preserve the work we have done for posterity and to tell future generations about our role in American diplomatic history. An artifact may not be eye-catching on its own, but the people, places, stories and events attached to it will bring it to life for museum visitors.

The USDC is looking for objects of any size, shape or material.

What makes an artifact unique is that it contains characteristics worthy of preservation — there is something about the object that tells part of a larger story, project, person, place or event in history. The USDC is looking for the mundane, the controversial, and everything in between:

- Consular services equipment like an old visa printing machine, handheld stamps, old or canceled passports or visas, traveler's advisory or warning statements
- Anything related to elections or election monitoring
- Flags; summit/meeting ID badges; event brochures, posters, flyers
- Items linked to transportation and diplomacy, including bicycles, skis and even diving equipment
- Items associated with diplomatic protocol or ceremonies (especially hats worn for presenting credentials) or with diplomatic security and embassy Marine guards
- Items associated with cultural/sports/educational exchange, such as hats, T-shirts, school binders, communications
- Articles of clothing and/or accessories associated with a significant person or event, such as presenting credentials, special receptions, an evacuation or rescuing a U.S. citizen abroad

- Photographs of embassy activities, day-to-day or special events (all photographs must have labels)
- Anything related to foreign/humanitarian assistance, including USAID food containers, health supplies, tools and equipment
- Artifacts linked to family life while at post

Get in touch with the USDC

Send an e-mail to Katie Speckart at speckartkg@state.gov, and Priscilla Linn at linnpr@state.gov, with the following information:

- Digital photograph of the artifact where possible
- Specifics about the artifact(s), such as the basic who, what, when, etc., information
- Your name, post and contact information

USDC will review the image and information, and may follow up with additional questions. Once the artifacts are approved for acquisition, USDC will contact you to arrange shipment to Washington, D.C.

Help us tell our story to future generations

Donating your diplomatic artifacts to the USDC is a great way to contribute to the cause of bringing diplomacy to life for future museum visitors, generations of Civil and Foreign Service officers, and members of Congress.

If you're interested in joining the Friends of the USDC, send an e-mail to Greg Naarden at NaardenGL2@state.gov.

Greg Naarden is a Foreign Service officer who has watched his share of "Antiques Roadshow" episodes. He has spent a lot of his free time while posted in Frankfurt, Dushanbe and Kabul pointing at things around him and saying, "That belongs in a museum." He is married to another Foreign Service officer who has patiently put up with all of this.

TRANSITION CENTER SCHEDULE OF COURSES for February-March 2011

Jan. 31-Feb. 1	MQ911	Security Overseas Seminar
Feb. 2	MQ302	Transition to Washington for Foreign-Born Spouses
Feb. 4	MQ950	High-Stress Assignment Outbrief
Feb. 7-8	MQ911	Security Overseas Seminar
Feb. 9	MQ220	Going Overseas Logistics for Adults
Feb. 23	MQ117	Tax Seminar
Feb. 26	MQ116	Protocol
Feb. 28-March 1	MQ911	Security Overseas Seminar
March 3-4	MQ104	Regulations, Allowances and Finances
March 4	MQ950	High-Stress Assignment Outbrief
March 5	MQ802	Communicating Across Cultures
March 7-8	MQ911	Security Overseas Seminar
March 15	MQ115	Explaining America
March 16	MQ854	Legal Considerations in the Foreign Service
March 21-22	MQ911	Security Overseas Seminar
March 24	MQ803	Realities of Foreign Service Life
March 26	MQ200	Going Overseas for Singles/Couples Without Kids
March 26	MQ210	Going Overseas for Families
March 26	MQ220	Going Overseas Logistics for Adults
March 26	MQ230	Going Overseas Logistics for Kids
March 30	MQ801	Maintaining Long-Distance Relationships

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In Memory

Jane Cooke Brynn, 69, a retired Foreign Service specialist and the wife of retired FSO Edward Brynn, died of brain cancer on Dec. 5, 2010, at her home in Charlotte, N.C.

Born Jane Cooke in Brooklyn, N.Y., in 1942, Mrs. Brynn was raised in the Park Slope section of Brooklyn and in Garden City, N.Y. She received her B.A. degree from Rosemont College in Philadelphia in 1964 and later earned advanced degrees from Stanford University and the University of Denver. After marrying Edward Brynn in 1967, she worked in banking in Dublin while he pursued his doctoral studies there.

Starting in 1972, when her husband joined the Foreign Service, Mrs. Brynn accompanied him to posts in Colombo, Bamako, Nouakchott, Moroni (where they opened a new embassy) and Yaounde. The Brynns were twice posted to the United States Air Force Academy, where three of their five children were born.

Mrs. Brynn entered the Foreign Service as a financial and budget specialist in 1989, after 17 years of employment on contract or on a Part-Time Intermittent basis. She served in Conakry, Banjul, Bonn, Accra and Paris, where she was the chief of financial and budget operations. She retired on Jan. 1, 2000, and thereafter assisted several embassies (Kinshasa, Asmara, Abidjan, Ouagadougou and Dar es Salaam among them) in upgrading their financial services operations. She received numerous awards during her Foreign Service career.

An avid bridge player, Mrs. Brynn was also a devotee of Italian and French opera. In retirement, she served on the board of Davidson College's classical music station, WDAV, for seven years. In her honor, WDAV has established a fund to promote wider appreciation of classical music in area schools. She was also a docent at the Levine Museum of the New South in Charlotte for several years.

Mrs. Brynn is survived by her husband, now serving as acting historian for the Department of State; five children and their spouses, Sarah Reichert of Louisville, Colo., Edward Cooke Brynn of Okemos, Mich., Kiernan Flynn of Burlington, Vt., Anne Brynn of Chicago, Ill., and Justin Oliver Brynn of Charlotte, N.C.; and eight grandchildren.

There will be commemorations of Jane Brynn's life and work in Washington, D.C., and Charlotte, N.C., in the early spring.

Elisha Greifer, 85, a retired FSO and professor emeritus of Northern Michigan University, died at his home in Marquette, Mich., on Sept. 29, 2010, in the loving care of his longtime companion, Beverly Evans.

Dr. Greifer was born in New York City on Dec. 27, 1924, and moved to Ishpeming, Mich., in third grade. After graduating as valedictorian of the Ishpeming High School class of 1942, he attended Harvard University, where he was awarded a full scholarship.

He suspended his studies at the age of 19 to serve on the USS *Winged Arrow* during World War II. After the war, he returned to Harvard to complete his undergraduate degree in 1946, with a major in philosophy and a minor in mathematics.

With a love of foreign languages and having had a taste of travel in the Pacific during the war, Dr. Greifer accepted a job in the Foreign Service with the State Department in Berlin. After a five-year stint there, he returned to Harvard to complete a Ph.D. in political science in 1958. This was followed by faculty positions at Wheaton College in Norton, Mass., and Vassar College in Poughkeepsie, N.Y.

In 1961 Dr. Greifer re-entered the Foreign Service, serving in Argentina and Ecuador. In 1967, he returned to his roots in Upper Michigan, where he taught political science at NMU until his retirement in 1997. Former students and colleagues, and friends on the tennis courts and ski slopes and among local chamber musicians, recall his intelligence and wit.

Dr. Greifer, or "Greif," as he was known to many friends, was preceded in death by his sister Naomi Rubin. He is survived by five children from his former marriage to Helen Kyndberg Greifer: Maggie Mosley, John Greifer, Andrew Greifer, Timothy Greifer and Nicholas Greifer; eight grandchildren: Lauren and Jacqueline Mosley, Maya and Sari Greifer, Natalie and Jacob Greifer, and Raina and Sten Greifer. He was "Uncle Elisha" to Jennifer, Steven and Lydia Rubin of Naperville, Ill. He leaves behind his loving partner, Beverly Jo Evans; her children Steve (Amy) Evans, Holly (Harley) Wallen, and Brandon (Amie) Evans; and five grandchildren, Dylan, Logan, Madison, Meredith and Zachary.

Contributions in his memory may be made to the Adult Amateur Arts, Music & Culture Fund of The Marquette Community Foundation, the Peter White Library, the Political Science Endowment of the NMU Foundation (www.nmu.edu/foundation) or SASI in Evanston, Ill. (www.sasiathome.org).

Richard Holbrooke, 69, a former FSO, ambassador and the U.S. special envoy to Afghanistan and Pakistan, died on Dec. 13, 2010, in Washington, D.C., of complications from surgery to repair a torn aorta.

Mr. Holbrooke was born on April 24, 1941, in New York City, to Jewish immigrants from Germany and Poland. When he was 16, his father, a physician, died. The young Holbrooke was looked after by the family of Dean Rusk, whose son was his friend in Scarsdale, N.Y.

In 1962, he graduated with a history degree from Brown University, where he had been editor of the *Brown Daily Herald*. According to the *Washington Post*, Mr. Holbrooke wanted to be a newspaper reporter but, after being refused a job by the *New York Times*, he joined the Foreign Service.

His first assignment as an FSO in 1963 was to Vietnam, where he served as a field officer for USAID in the lower Mekong Delta. He then moved to Saigon to serve as a staff assistant to Ambassadors Maxwell D. Taylor and Henry Cabot Lodge Jr. In 1966, he joined the Vietnam staff in the Johnson White House. He was a junior member of the U.S. delegation to the Paris peace talks, and he wrote a chapter of the *Pentagon Papers*, the government's secret history of the conflict.

In 1970, Mr. Holbrooke joined Princeton University's Woodrow Wilson School as a fellow, and then moved on to become Peace Corps country director in Morocco. In 1972, he helped found *Foreign Policy* magazine and was its managing editor for almost five years. After serving as a campaign adviser to Jimmy Carter, the 35-year-old Holbrooke was appointed assistant secretary of State for East Asian and Pacific affairs, making him the youngest assistant secretary in history. At the start of the Reagan administration, he left government to become a senior adviser to Lehman Brothers and help form the consulting firm Public Strategies.

In 1993, President Bill Clinton named Mr. Holbrooke ambassador to Germany. He returned to Washington a year later to become assistant secretary of State for European affairs, and in that capacity brokered the 1995 Dayton peace accords ending the war in Bosnia. In early 1996, Ambassador Holbrooke returned to the private sector but continued to serve the Clinton administration as special envoy to Cyprus and the Balkans. In 1999, Pres. Clinton appointed him ambassador to the United Nations.

Amb. Holbrooke was a foreign policy adviser to the presidential campaign of Senator John Kerry, D-Mass., in 2004, and supported Hillary Rodham Clinton's presidential bid in 2008. After becoming Secretary of State the next year, Hillary Clinton turned to him for help with the Obama administration's toughest foreign policy problem, naming him U.S. special envoy to Afghanistan and Pakistan.

Richard Holbrooke's marriages to lawyer Larrine Sullivan and television producer Blythe Babyak ended in divorce. In 1995, he married author Kati Marton. Besides Ms. Marton, he is survived by two sons from his first marriage, David and Anthony Holbrooke; two stepchildren, Elizabeth and Chris Jennings; a brother, Andrew Holbrooke; and four grandchildren.

William Laurence Krieg, 97, a retired Foreign Service officer, died on Nov. 20, 2010, at his home in Sarasota, Fla.

Born on Oct. 11, 1913, to Laurence Montgomery Krieg and Helen Crane Krieg, in Newark, Ohio, Mr. Krieg graduated at the top of his class from Newark High School. He was inducted into Phi Beta Kappa at Dartmouth College, and went on to earn his M.A. in international relations from the Fletcher School of Law and Diplomacy at Tufts University. Later Mr. Krieg also completed the yearlong advanced course at the National War College.

After joining the Foreign Service in

1938, Mr. Krieg served as a consular officer in Stuttgart, Milan, Lisbon, Lagos and Caracas. He was later deputy chief of mission in Guatemala City and Santiago, in addition to several assignments in Washington, D.C., including heading the Office of Argentine, Paraguayan and Uruguayan Affairs. Throughout his career, Mr. Krieg strove to bring peace through trust and understanding between the countries in which he served.

In 1943, his bride-to-be, Laura Philinda Campbell, braved the U-boat–infested waters of the Atlantic to join him in Lagos, where they were married. Together they had three children: Laurence John Krieg, Laura Krieg Morris, and Helen Middleton Krieg Came.

After retirement, Mr. Krieg taught as a visiting lecturer at Georgetown University and the Foreign Service Institute. He also produced two lengthy historical studies of boundary disputes in Latin America for the Department of State. His analysis of the 1983 U.S.-led invasion of Grenada earned a compliment from President Ronald Reagan.

Mr. Krieg was a member of Faith Lutheran Church in Sarasota.

Mr. Krieg's wife of 66 years predeceased him in 2009. He is survived by his three children; eight grandchildren; three great-grandchildren; and a sister, Jeannette Krieg Drake, of Granville, Ohio.

Roman Leo Lotsberg, 84, a retired FSO with the U.S. Information Agency, died of multiple organ failure on Oct. 27, 2010, at Virginia Hospital Center in Arlington County, Va.

Mr. Lotsberg was born in Minneapolis, Minn., and served in the Army Air Forces in the Pacific during World War II. Attending the University of Minnesota on the GI Bill, he graduated in 1949 with a bachelor's degree in international relations.

Mr. Lotsberg joined the State Department in 1950. His first overseas postings were to Saigon (1950-1952), Tangier (1953-1954) and Calcutta (1955-1958). He also served in Paris twice (1958-1962 and 1972-1976), Cairo (1965-1967), Tehran (1968-1972) and Madrid (1977-1980).

In Cairo, he was evacuated to Athens with the outbreak of the 1967 Arab-Israeli War, and worked on refugee problems there for several months before returning to Cairo to complete the tour. He was the recipient of a USIA Meritorious Honor Award.

Following retirement from the Foreign Service in 1981, Mr. Lotsberg joined Radio Free Europe/Radio Liberty, where he retired in 1991 as director of administration in Munich.

His memoir, *Always a Foreigner*, self-published in 1998, includes many memorable anecdotes about his Foreign Service career. During one of his earliest assignments, in Saigon, for instance, he played a role in shipping a baby elephant from the king of Cambodia to President Harry S. Truman. While awaiting shipment, Mr. Lotsberg arranged for the elephant to be kept in the walled garden of an embassy colleague. He spoke French, German and Spanish, and also studied Arabic, Farsi, Hindi and Vietnamese.

In retirement, Mr. Lotsberg settled in McLean, Va., later moving to Alexandria, Va. He served as foreign affairs course coordinator for what is now the Osher Lifelong Learning Institute at George Mason University from 1998 to 2004. He was a member of the Unitarian Universalist Church of Arlington, Diplomats and Consular Officers, Retired, and the Public Diplomacy Alumni Association.

He was also a member of AFSA, and active in Foreign Affairs Retirees of Northern Virginia. His hobbies included skiing, playing guitar, singing and dancing.

Mr. Lotsberg's first wife, Catherine Stough, whom he married in 1956, died in 1992.

Survivors include his wife of 11 years, Priscilla Griffing Lotsberg of Alexandria, Va.; a daughter from his first marriage, Carolyn "Lyn" Lotsberg of Madrid; his brother Allan (Jackie) Lotsberg of Minneapolis, Minn.; two stepchildren, Angela Locke of Frederick, Md., and Thomas (Fawn) Krebs of Livermore, Calif.; two step-grandsons; and a brother-in-law, James Griffing.

Stephen Low, 82, a distinguished retired FSO and former chief of mission to Zambia and Nigeria, died of congestive heart failure on Nov. 5, 2010, at his home in Bethesda, Md.

Ambassador Low was born and raised in Cincinnati. He graduated from Yale University and, after a Fulbright fellowship in Paris, received his M.A. and Ph.D. from the Fletcher School of Law and Diplomacy at Tufts University. He was a veteran of the U.S. Army. In his early career he was a teacher of English in Bogotá and of American government at Tufts.

He joined the Foreign Service in 1956 and served for 31 years. After early tours in Uganda and Senegal, he later served as counselor in Brasilia, as country director for Brazil and, in the National Security Council, as special assistant to the president for Latin

American affairs.

In Zambia, Amb. Low led the Anglo-American Contact Group, mobilizing neighboring African countries in the cause of independence for Southern Rhodesia (Zimbabwe). He was instrumental in attaining that goal. As director of the Foreign Service Institute, he worked closely with Secretary of State George Shultz, the Defense Department and Congress to secure Arlington Hall as the campus for FSI in what became the George P. Shultz National Foreign Affairs Training Center.

After his retirement, Amb. Low served as director of the Johns Hopkins University School of Advanced International Studies Center in Bologna, Italy, for five years. He was founder and president of the Association for Diplomatic Studies and Training, an organization devoted to improving the professional development and competence of American diplomats.

In 2000, Amb. Low created the Foreign Affairs Museum Council to promote a Museum of American Diplomacy at the Department of State. He raised $1.2 million for this cause, enlisting the support of senior senators and members of Congress, and persuading all living former Secretaries of State to become honorary members of the FAMC Board of Directors. Space has been reserved in the State Department building and, under the leadership of Secretary of State Hillary Rodham Clinton, Amb. Low's vision is nearing realization.

Amb. Low was also a former governor and trustee of DACOR and the DACOR Bacon House Foundation, from which he received the Foreign Service Cup in 2004. The citation in his honor reads:

"For distinguished service and leadership as a statesman and scholar in strengthening programs for American diplomats, educating students of international affairs, and bringing to fruition the museum of American diplomacy, which will enlighten future generations about the successful efforts of American diplomats to safeguard our nation's interests abroad and bolster international institutions that promote and preserve peace. His dedication to a life of public service is in the finest tradition of the Foreign Service of the United States of America. It is with great pride and appreciation that DACOR awards the Foreign Service Cup to Ambassador Stephen Low."

An enthusiastic amateur ornithologist, Amb. Low also took pleasure in his hobby of cabinetmaking. A music lover, he constructed a harpsichord, which was played at his memorial service, and also played the cello. He particularly enjoyed chamber music.

He is survived by his wife of 56 years, Helen (Sue) of Bethesda, Md.; their three sons, Diego of Holliston, Mass., Rodman of Honolulu, Hawaii, and Jesse of Cairns, Australia; and several grandchildren.

(See the Appreciation by Ken Brown on p. 39 of the January *FSJ*.)

Sam Eugene Lesher, 81, a former Foreign Service officer, died on Oct. 18, 2010, at home in Portland, Ore., attended by his wife and children.

Born on April 14, 1929, in Akron,

Colo., Mr. Lesher served in the U.S. Army and then joined the Foreign Service. His postings included the Netherlands (where he met his wife), Cameroon and Canada.

He left the Foreign Service to join the Department of Housing and Urban Development. There, as a senior officer, he helped create thousands of homes for low-income families. In retirement, he succeeded in real estate investment.

Mr. Lesher is survived by his wife of 51 years, Helena "Lillan" Buisma Lesher; a son, Carl; a daughter, Elisabeth Lesher Miles; a son-in-law, David Miles; granddaughters, Laura and Claire Miles; and four siblings.

David Anthony Macuk, 79, a retired Foreign Service officer, died on Nov. 6, 2010, at his home in Bethesda, Md., after a long illness with multiple sclerosis.

Mr. Macuk was born in Paterson, N.J., in 1931 to Ukrainian and German immigrant parents. He was proud of his heritage and of working as "a ditchdigger, busboy and baker" to help fund his studies at New York University and, later, the Georgetown School of Foreign Service, where he earned degrees in political science and economics. Beginning in 1952, he served in the U.S. Army in Japan and then joined the Foreign Service in 1956.

During a 30-year career as an FSO, Mr. Macuk served at sensitive posts in Europe, South Asia, Canada and Africa. His first post was as a visa-issuing officer in Germany. There he met and married Ute Ilg Macuk. After continuing language and area training at the University of California, Berkeley, he served as assistant commercial attaché in Karachi and as American consul in Peshawar during a particularly difficult period in the Tribal Frontier area of Pakistan. As a political officer in Ottawa he reported on the relationships between the Canadian Parliament and the U.S. Congress. His love of nature prompted him to take the initiative on cleanup ideas for the Great Lakes region, for which he was commended by the ambassador.

He then served as special assistant to the ambassador in Bonn for narcotic affairs. Following this, he was the State Department representative at the NATO Defense College in Rome. In Nairobi, Mr. Macuk was the chief of mission for the United Nations Environmental and Habitat Program. His final post, as a political officer in Geneva, brought him full circle, working again on critical Afghan-Pakistani issues. It was during this posting that he was diagnosed with multiple sclerosis.

In l983, Mr. Macuk left the Foreign Service to, as he put it at the time, "spend more time in the continental United States." He began a new career in the U.S. Civil Service, starting with a year at the Federal Communications Commission. For the next decade, he enjoyed service with the National Telecommunications & Information Administration in the Department of Commerce, until the progression of his MS required his final retirement from government service in 1993.

With a rich variety of duties and senior responsibilities throughout his career, Mr. Macuk gained high-level recognition within the U.S. government and in other countries. In May l991, the Federal Republic of Germany honored him with its "Verdienstkreuz am Bande," an award signed by the German president, for his "tireless engagement with the German Embassy in Washington and its government in Bonn, in furthering American/German relations" — especially on telecommunication issues and, above all, in critical trade negotiations then of high concern to both governments.

Friends and family recall Mr. Macuk's commitment to serving his country, his devotion to his family and his love and pride in his children, each with careers of their own that were enriched by their parents' distinguished accomplishments in public service. He took great delight in his grandchildren and continued his storytelling tradition by writing and illustrating historical fiction books for them.

Mr. Macuk is survived by his wife Ute of Bethesda, Md.; two sons, Steve Macuk of Olympia, Wash., and John Macuk of Norwood, Mass.; three daughters, Carolyn Ibici of Silver Spring, Md., Suzanne Macuk of Durham, N.C., and Christina Macuk of Los Angeles, Calif.; and six grandchildren.

Joan Louise Gross McCusker, 86, the wife of retired FSO Paul D. McCusker, died on Sept. 5 in Durham, N.C., after a brief illness.

Mrs. McCusker was born on July 22, 1924, in Denver, Colo. She was the youngest of three daughters of Frances Morris Gross and Eli Mann Gross, a labor union organizer on behalf of coal-miners who went on to become commissioner of parks for the city and county of Denver and, later, general manager of Elitches Gardens amusement park.

A graduate of East Denver High School, Mrs. McCusker attended Mills College in Oakland, Calif. In 1948, after three years, she graduated Phi Beta Kappa with a degree in botany. She then worked at the U.S. embassy in Mexico City and in Germany. She married Paul Donald McCusker, whom she had met at a dance in 1944 in San Francisco, in 1948.

After her husband obtained his first law degree from Cornell University, a Fulbright scholarship took the couple to Rome for his second law degree (in Constitutional Law) from the University of Rome. There he subsequently joined the Foreign Service. This career took them from Rome to Washington (1954-1959), to Hamburg (1959-1964) and to a tumultuous time in Jakarta (1964-1969), where Mr. McCusker served as counselor for economic affairs and the family was evacuated twice.

Mrs. McCusker raised four children, who were born in three different countries. Whenever possible, she tried to become acclimated to the local environment — whether it was engaging with household gods in Indonesia or "kaffee und kuchen" in Hamburg — and had the children educated in local schools. Her gift for languages stood her in good stead in all of their overseas postings.

In 1969, when Mr. McCusker joined the United Nations, the family became long-time residents of Pelham, N.Y., their stay there interrupted only by several years in Vienna from 1973 to 1976. In addition to being an asset in her husband's career, Mrs. McCuskey also worked in real estate while in Pelham. The couple moved to Durham in 1999.

Friends and family members recall Mr. McCusker's boundless energy and charm, her extraordinary intellectual curiosity and her unending generosity of spirit. She made friends wherever she went, participating in clubs and language circles. Her highly organized and outgoing personality enabled her to connect with people from all walks of life.

Mrs. McCusker was predeceased by her youngest son, Ian Francis McCusker, who died on Sept. 16, 1985.

She is survived by her husband, Paul, of Durham, N.C.; her daughters, Karen McCusker of Chevry, France, and Mary McLoughney of Chapel Hill, N.C.; her son Paul Alexander McCusker of Maconnex, France; five grandchildren: Claire McCusker, Tessa and Rory McLoughney, and Daniel and Samuel McCusker Alvarez; and two step-grandchildren, Daragh and Niamh McLoughney of Dublin, Ireland.

Paul K. Stahnke, 87, a retired Foreign Service officer, died on Nov. 19, 2010, at Inova Fairfax Hospital, in Fairfax, Va., of respiratory failure.

Mr. Stahnke was born in Forest Park, Ill. He studied at the University of Colorado, received his master's degree in international relations at the University of Chicago, and did further postgraduate work in advanced economic studies at the University of California at Berkeley. He also studied at the University of Florence (Italy) and attended the U.S. Naval War College in Newport, R.I. He served in the U.S. Air Force during World War II, mostly in the Mediterranean theater.

In 1951, he entered the United States Foreign Service, assigned as vice consul to Hamburg. From 1952 to 1954, he was political officer in residence in Kiel. Following two brief consular assignments in Palermo and Venice, he returned to Washington in 1957 where he was assistant Italian desk officer until 1960.

After a year at the University of California, he was assigned to Tokyo as second secretary in the economic section, serving there until 1965, when he returned to Washington as deputy country director for Japan. In 1969, he was assigned to Mogadishu as first secretary in charge of the economic section and coordinator of USAID activities. In 1971, he was transferred to Copenhagen, where he was counselor for economic and commercial affairs.

From 1975 to 1979, he was State Department liaison officer with the U.S. Congress on economic and trade legislative matters. He then served as counselor at the U.S. Mission to the OECD in Paris from 1978 to 1982.

His last assignment in the Foreign Service was in Bangkok, where he served concurrently as counselor for economic affairs and U.S. permanent representative to the United Nations Economic and Social Commission for Asia and Pacific from 1982 to 1987.

Mr. Stahnke retired from the Foreign Service in April 1988 with the personal rank of minister counselor. Subsequently, he worked on special projects for the Department of State and as an associate with Business Environment Risk Intelligence, a firm providing investment risk analyses, specializing in the United Kingdom, Germany and Thailand. He was also an associate with Global Business Access, Ltd., a consulting group.

In 2002, he retired from these activities and put together a daily newsletter. He also wrote a series of columns on money management for Foreign Service members that were published in the *Foreign Service Journal*.

Mr. Stahnke's wife, Bruna Maria Lucrezia Franceschi, died in 1988. He is survived by three children, Christopher Stahnke of McLean, Va., Elizabeth Cunningham of Watch Hill, R.I., and Barbara Franceschi of New York, N.Y.; a brother; six grandchildren; and two great-granddaughters.

Eric Denton Tunis, 66, a retired Foreign Service officer, died unexpectedly on Oct. 10, 2010, in Honolulu, Hawaii.

Mr. Tunis was born May 12, 1944, in Springfield, Mass., to Emily and Edward Tunis. After a brief residency in Longmeadow and South Egremont, Mass., he moved with his family to California. He graduated from Menlo School and Middlebury College in Vermont, majoring in geography, which became a lifelong interest. In 1967 he joined the Peace Corps, serving two years in eastern Iran.

Mr. Tunis then began his career as a Foreign Service officer with the State Department. His postings included Afghanistan, Indonesia, Cyprus, Nepal, Western Samoa, India and Pakistan, where he served as consul general in Lahore. He spoke French, Farsi and Indonesian. After retiring in 1999 to Carmel Valley, Calif., he continued to do contract work for the State Department, mostly in Pakistan.

Family members recall that Mr. Tunis's great passions were travel, gardening, language, humor and collecting art. He had friends in many parts of the world.

He is survived by a sister, Leila Hall, and brother-in-law Samuel Hall, of Los Ranchos, N.M.; two nephews, Douglas Van Cott Niven (and wife Saowalak) of Santa Cruz, Calif., and Edward Bradford Niven of Oakland, Calif.; and a niece, Laura Niven of Leipzig, Germany.

Richard William Utecht, 85, a retired FSO with USAID, died on Sept. 19, 2010, at his home in La Crescent, Minn.

Mr. Utecht was born in La Crosse, Wisc., on Sept. 21, 1924, and grew up in the Pine Creek area of La Crescent. He worked on his father's farm until joining the Army at age 17, beginning a 25-year military career that took him to several countries. He retired from the military in 1965 and joined the Foreign Service.

While working with USAID in Vietnam, Mr. Utecht was captured by the Viet Cong on Feb. 4, 1968, just days before his tour was scheduled to end. He spent the next five years as a prisoner of war — caged, chained and under constant guard in the jungles of South Vietnam. Released on Feb. 12, 1973, he returned home with a determination to live each day to the fullest.

Mr. Utecht continued to work for the Department of State until his retirement in 1985. Upon returning to La Crescent, he served on town and township boards and as a fire marshal for 20 years. He was also a member of the American Legion, Veterans of Foreign Wars and the Masonic Lodge.

Mr. Utecht's wife, Luana, whom he married in France in 1953, and several brothers and sisters preceded him in death. He is survived by two sons, Gene (and his wife, Debbie) of La Crescent, and Michael (and his wife, Faye) of Spring Grove, Minn.; a stepdaughter, Joyce Jorstad-Johnson (and her husband, Sam) of California; a brother, Erich Utecht of Minneapolis; a special cousin, Peggy Wansley (and her husband, Bubba); and his best friend, "Pierre." ■

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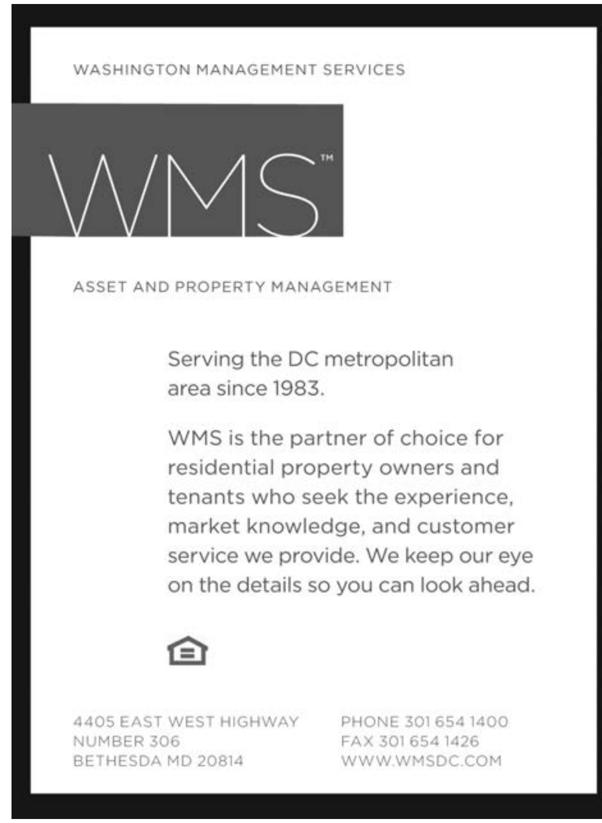

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Reflections

The Russians Are Coming

By Ginny Young

When news of the 1984 U.S. invasion of Grenada came out, I was on a pouch run in Mexico City. I was principal officer in Merida, our smallest consulate in Mexico, and had stopped at the commissary to pick up butter and other items not available there. I heard only snatches of information before rushing to the communications section, grabbing the orange canvas bag (full of secrets) and heading for the airport.

Shortly after 5:00 a.m. the next morning, a cryptic call from the embassy ordered me to proceed immediately to Merida's airport. An Air Force plane was due to arrive within the hour. The caller couldn't say anything more on an open line, but the pilot would fill me in. An American plane was taking off as I arrived.

Inside the airport, an aide to Yucatan Governor Graciano Alpuche Pinzon explained that because U.S. forces were now in full control of Grenada, it was imperative to get non-combatant foreigners, largely from Eastern Europe, out of the country. American planes were allowed to pick them up in St. George's, but only Aeroflot could travel to Moscow via Cuba. Accordingly, a neutral location was required for the transfer of passengers: Merida.

Passengers from the now-departed American plane crowded the airport — Cubans, North Koreans, Russians, East Germans and Bulgarians. Aeroflot had not yet arrived.

"War is war, but peace is peace."

The governor's aide pointed to a high-level Mexican diplomat who was, he said, the secretary for Soviet affairs in the Mexican Foreign Ministry and his country's designated observer. The Soviet ambassador to Mexico had also come. The governor was due shortly. Journalists and photographers from Merida's two daily newspapers and all seven of the local television stations were there.

The governor's aide asked if I'd like to meet the Soviet ambassador. Startled, I said, "Sure." Followed by reporters and cameras, he walked me over to the Russian envoy.

The ambassador was not at all interested in talking to me — but with the press surrounding us, he could not just brush me off.

Pointing a finger directly into my face, he said, " War is war, but peace is peace." No dispute there, I thought, and nodded.

His voice shaking, he said the United States had no right to treat his diplomats despicably. The U.S. ought to be ashamed. He glared at me. I had no idea what we had done to his citizens or anyone else in Grenada.

"Entiende?" he asked, finally. Did I understand?

"Si, entiendo."

There being nothing either of us could add at this point, we turned away.

The aide motioned me to a seat of honor where folding chairs had been hurriedly set up. Television cameras whirred as the governor and then the ambassador said a few words. Aeroflot arrived and took on its passengers.

When I got back into town, I called the embassy and recounted what had happened. That afternoon we received an unclassified cable sent worldwide from Mexico City on the events. Thrilled to have been where the action was for a couple of cable pages, I was disappointed to be identified only as "Merida consul" for my small but crucial part in the Cold War.

Merida's two major papers did cite my name, though, and the *Diario de Yucatan* reported the brusqueness of the Soviet ambassador's remarks on the front page. It commended U.S. Consul Ginny Carson de Young for her "diplomatic cool."

I filed away this experience for future reference. On occasion, "diplomatic cool" just means keeping your mouth shut — especially when you don't know what is going on. ■

Ginny Young joined the Foreign Service in 1974, serving in India, Hong Kong, Mexico and Romania before retiring in 1992. Her memoir, Peregrina: Adventures of an American Consul, *will be published by the Association for Diplomatic Studies and Training this year.*


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