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COVER: A small fission bomb shot from a 280-mm cannon explodes at a test site in Nevada in May 1953. Photo courtesy Arms Control and Disarmament Agency.

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AID has its problems — meager support, questionable effectiveness, vague philosophy — but these will not be solved by merging the agency with the State Department. Counterpoint by Charles B. Green.

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LETTERS

Polish Prophecy

In late 1944 or early 1945, several of us in a group were informally discussing what the situation would be in Eastern Europe after the end of the war. My boss in UNRRA at that time, a man of Norwegian extraction but an American citizen, said, "The Soviets are there; the only thing to be determined is how much they want."

In succeeding years I have often thought of that remark as various U.S. officials have been charged with "losing" Poland, and thought of it again as I read the article "Was Poland Sold Out at Yalta?" by Martin Herz in the May issue of the *Journal*. Anyone is very mistaken if he thinks that the situation in Poland would have been changed by the refusal of the United States to sign the Yalta Agreement, or any other agreement that it would have been possible to work out at that time.

HOYT PRICE
Benton, Arkansas

Educating Principal Officers

Michael A.G. Michaud's article urging establishment of a principal officer's course [June] should be further studied by the State Department. I didn't realize there were so many of us, and am glad to find I'm not the only "first tour" principal officer to come from an embassy (where each person usually has well defined responsibilities) into a quite different situation.

Porto Alegre is 1200 miles from the embassy and has three Americans (two State, one ICA), and nine FSNs (four State, four ICA, one USDOC). The post has political, economic, and consular responsibilities, as well as a commercial and public diplomacy role. I had thought myself fairly well prepared, having served at one time or another in all these areas. But, the most useful preparation turned out to be six months as a GSO and one year in personnel. As Michaud points out, many FSOs seldom have administrative experience, and a major part of being principal officer is just that. A course such as suggested should if possible be structured to

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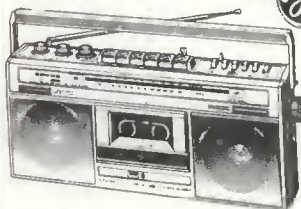


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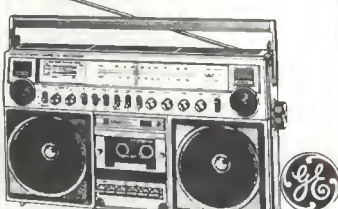
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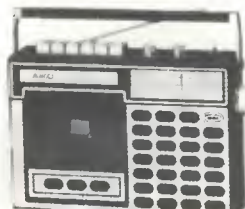
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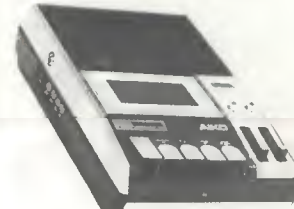
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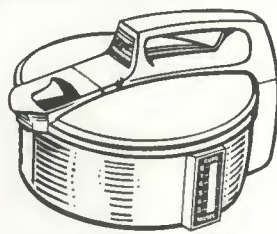
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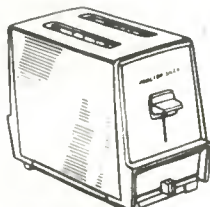
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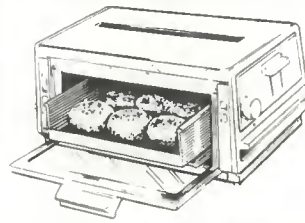
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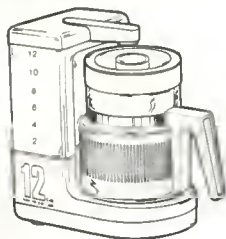
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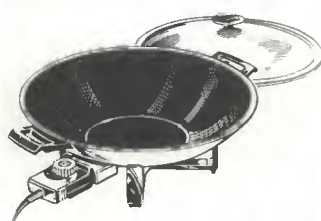
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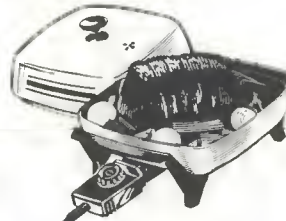
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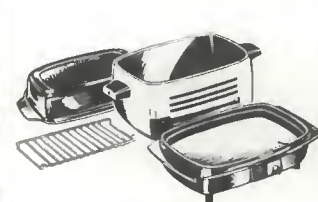
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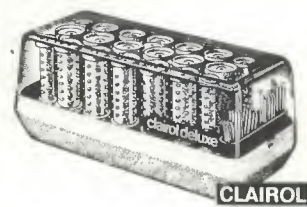
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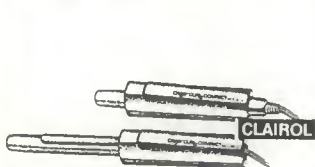
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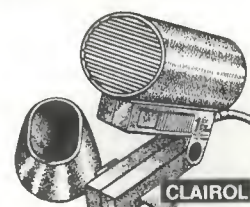
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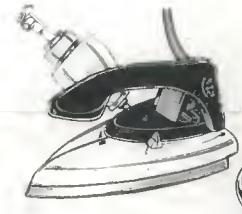
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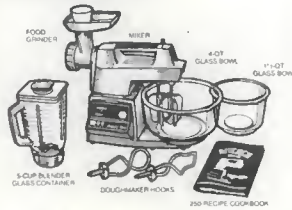
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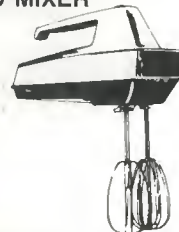
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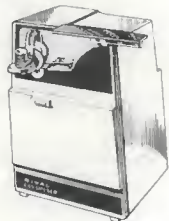
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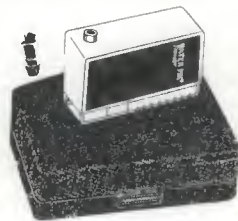
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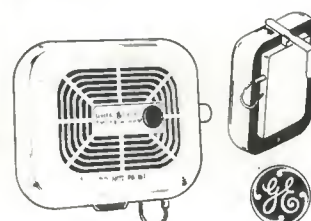
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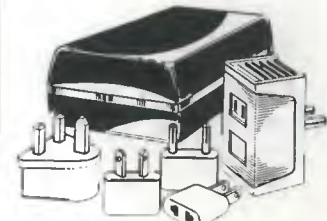
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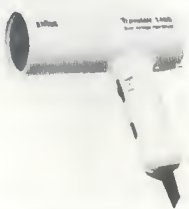
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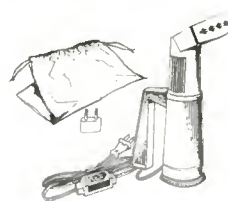
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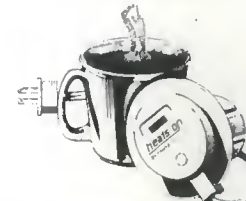
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take into account the need of posts ranging in size from Rio to mine, as well as the different relationships that exist between embassies and consulates in countries as varied as Brazil, India, Germany, and the United Kingdom.

No matter how helpful the embassy is, it is a long way away, and at a small post there is not the variety of accumulated expertise to draw upon. Hence the need for a conceptual framework as proposed. In Brazil, this would then be reinforced by our biannual principal officer meeting.

I agree with Michaud that being a principal officer should be good training for a DCM (and hope my career development officer has taken note). Of course, being so far away, and on one's own, whether or not you ever go on to be a DCM or ambassador, is worth it in itself, as well as lots of fun.

STUART H. LIPPE
Principal Officer
Porto Alegre, Brazil

Punishment & Coercion

I rarely comment on reviews of my work. I decided to alter my practice, although ever so briefly, regarding Peter Kahn's review [June] of the "modest" book I edited on

Economic Coercion and U.S. Foreign Policy, working with eight graduate students from the Lyndon B. Johnson School of Public Affairs of the University of Texas at Austin.

The review opens by asserting a complete record of failure of economic coercion. (It closes, by the way, referring to its successes.) The book points out that this might be true of trade coercion, at least for its stated objectives, but not necessarily in the financial field. For example, the freezing of Iran's assets was instrumental in obtaining the release of the U.S. hostages. Positive coercion (providing a carrot if certain actions are taken) has a mixed record of success and failure in the aid field.

A large part of the review is devoted to the assertion that we fail to point out that economic sanctions, whether or not they coerce, do punish. The reviewer gives two examples to make his point, that of the grain embargo against the Soviet Union after its invasion of Afghanistan and the United Nations trade sanctions against the government in Rhodesia. Let me quote from the book. ". . . its purpose [the grain embargo] clearly was to inflict punishment. . . ." (p. xi). "The sanctions against Rhodesia . . . inflicted some punishment on white Rhodesians. . . ." (p. xiii).

The rationale of the case studies (whose themes would be unknown to a reader of the review) was not to make the obvious point that sanctions (or punishment) seek to punish, but rather to examine the full range of objectives when economic coercion is employed. Sometimes the objective of coercion is to alter the behavior of the country against which it is employed, sometimes it is to cater to the desires of an allied government, sometimes it is to satisfy some domestic pleasure, and sometimes all of these. Our main policy point was that these objectives should be sorted out before undertaking sanctions in order to make the punishment fit both the crime (proportionality) and the purposes of the punisher.

SIDNEY WEINTRAUB
Austin, Texas

Peter Kahn replies:

Mr. Weintraub takes issue with my review on two topics: whether sanctions always and everywhere fail, and whether he recognizes that sanctions can punish the target. Our differences are very minor.

I did not assert, as Mr. Weintraub says, a "complete record of failure." But it is true that sanctions rarely accomplish their explicit goal, involve a high risk of public failure, and impose large costs on the coercing country. One might say the cost-benefit ratio is consistently high, even if benefits sometimes exceed zero. The rare success, like the Iran asset freeze, does little to alter this picture.

I understand Mr. Weintraub's point to be that explicit goals often are less important than others, which relate to the international prestige of the sending country or the political position of the party in power. Though these goals may be achieved, they reduce sanctions to little more than symbolic acts.

It seemed to me that we might redeem sanctions as more than symbolic, ironically, by reducing the burden of explicit objectives they carry. Since we agree that sanctions do punish, but rarely coerce, perhaps they are best intended as punishment and not as coercion. Punishment has deterrent value, reduces the risk of public failure, and may have lower costs for the sender. It is this possibility Mr. Weintraub did not address.

Coincidental Change

With my usual pleasure I received in this morning's mail the July/August issue of the *Foreign Service Journal*. It contained an account of the 1982 Foreign Service Day activities in May, which included the read-

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ing by then Secretary of State Alexander Haig of "a letter of praise from President Reagan to the Foreign Service. . . ."

Secretary Haig's remarks concluded with the observation that:

It is indicative of the president's high esteem for the Foreign Service that for the first time in many years a professional [Foreign Service officer] holds the second highest appointment in this [State] Department.

Coincidentally, the preceding evening's TV news (July 20) carried the announcement that this same "second highest appointment" in State was being filled with a professor of law from the University of Chicago. And that the distinguished career officer Walter Stoessel, formerly U.S. ambassador to both Poland and the U.S.S.R. and the professional referred to in Secretary Haig's remarks, was "retiring."

I feel that this speaks for itself.

LOUIS C. NOLAN
FSO, retired

Little Switzerland, North Carolina

Evaluating the U.N.

These days it seems to be the official American fashion to impugn the United Nations. Ambassadors Goldberg and Moynihan were often critical of the decisions of the institution to which they were accredited. Ambassador Kirkpatrick has gone so far as to charge that the U.N. actually intensifies some of the international disputes it is supposed to alleviate. Even the mayor of New York joined the condemnatory chorus last winter with his threat to append a quotation about hypocrisy to the Biblical passages engraved across the street from U.N. headquarters.

I can understand our nostalgia for earlier times, when the United States was the only nuclear power, Europe was still prostrate from the destruction of World War II, the Third World was just beginning to emerge from its colonialist cocoon, and American representatives at Lake Success had phenomenal success in persuading most member states outside the Soviet bloc to vote the American way. I appreciate the bleak reality that the U.N. will never in our time have the capability to enforce its judgments unless one of the great powers is asleep at the switch—as the Soviet delegate was when the Security Council voted to send troops to Korea—or all the great powers are in accord—as were the U.S. and the Soviet Union during the early days of the international military operation against the Tshombe regime in Katanga.

Leave aside the inconsistency of a good mayor, but bad diplomat, who on one hand seeks to clean up the graffiti in the New York subway and on the other proposes to scrawl his own epithets on the U.N. monument. I suppose there is no more hope of deterring New York politicians from playing politics with the U.N. than there was of dissuading a former mayor of Chicago from his plan to punch the King of England in the nose.

Let's also concede that the U.N. is a pretty feeble institution. If it were anything else, we would never have joined it. Still, in a world that sorely needs an international forum, the U.N. is the best we have. Its mistakes derive less often from its organizational defects than from the very human defects of its members. Condemning the U.N. for decisions we deplore is about as sensible as condemning the institution of Congress because its members vote themselves another boost in their nontaxable compensation.

Everyone is capable of a little hypocrisy and venality on occasion, even we enlightened Americans. It wasn't all that many years ago that Washington traded on the well-known integrity of Adlai Stevenson by allowing him to issue, in good faith, a spurious denial of U.S. involvement in Cuba.

No one expects the U.N. to beat all the swords into plowshares any time soon. However, many disputes are born or magnified out of misunderstanding, and the best forum for dispelling misunderstanding, for all its turgid rhetoric, is generally the U.N. If the Falklands issue had been dropped onto the U.N. at the outset, perhaps the United States could have lined up more decisively with the United Kingdom against Argentine resort to force, and perhaps the Argentine invasion could have been averted.

If the consensus at the U.N. sometimes goes against us, that's the price we pay for participation—and the proof that the organization is under no one nation's control.

For all these reasons, the government of the United States should take pride in the key role it played in San Francisco in 1946, it should continue to accord the U.N. its full support, and it should ensure that, of all people, its own delegates believe in the institution.

CURTIS F. JONES
FSO, retired
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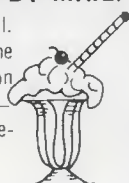
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BOOK REVIEWS

FDR at 100

FDR: *A Centenary Remembrance*, by Joseph Alsop. Viking Press, 1982. \$25.

A century after his birth, Franklin Roosevelt has been captured in countless biographies, anthologies, picture books, diaries, dramas, documentaries, musicals, handbills, newspaper articles, and phonograph records. It would seem that little more could be said. Why commend Joseph Alsop's *FDR: A Centenary Remembrance*? First, the book combines biographical essay, memoir, and history with hundreds of unpublished photographs and other illustrations to achieve a fresh and immediate portrait of the 32nd president. Second, the author combines the perceptions gained as a Roosevelt relative with the gifts that have made him one of our most distinguished political journalists for over four decades.

Alsop is an accomplished art historian as well as journalist; his eye for detail and nuance suggests that he also might have made a superior novelist of manners. He illuminates the marriage of Franklin and Eleanor with sensitivity and no sentimentality. Roosevelt's *affaire de coeur* with Lucy Mercer in 1918 is described in the most thoughtful account yet to appear in print. On Eleanor's discovery of the love letters: "One cannot help wondering whether she did not look for them; for the gravely wounded always end by trying to pluck out and inspect the daggers in their bosoms."

Alsop conveys the characters and texture of the New Deal years with the benefit of many of his own experiences and observations. He remembers motoring past the New York City dumping grounds during the Depression and seeing "mostly respectable-looking older men and women climbing precariously about on the enormous dumps in the hope of finding bits of edible garbage!" Vice President Henry Wallace was "a man immensely knowledgeable about farm problems but a mystic and an unreliable oddity when too far from the furrow and the manure pile," a "great goose in human form."

Alsop's assessment of Roosevelt's presidential leadership is admiring but not un-

ambivalent. He criticizes the war president for endorsing the Morgenthau Plan to render postwar Germany a pastoral state and initiating the rift with Chiang Kai-shek that led to General Joseph Stilwell's recall. He is convinced that Roosevelt's commitment at Casablanca to an unconditional surrender policy might have induced a Japanese-American bloodbath and questions the dealings of Roosevelt and Harry Hopkins with Stalin over Eastern Europe (although he believes that the president would have grown more resolute had he survived into the postwar era). None of this diminishes, however, what Alsop considers Roosevelt's wartime legacy. Recalling Pearl Harbor, he notes that "it never for one moment occurred to me that there might be the smallest doubt about the outcome of the vast war the president was asking the Congress to declare. . . . He gave us hope because all could see that he himself felt not the slightest doubt about the future at any time in his years as president."

With his centenary remembrance, Joseph Alsop has provided his distant relative with a grand birthday present—a knowing, witty, and consistently interesting portrait of a leader who was "singularly longheaded, singularly patient, singularly realistic, and singularly bold."

—MICHAEL R. BESCHLOSS

Diplomatic Surprises

THE DIPLOMACY OF SURPRISE: *Hitler, Nixon, Sadat*, by Michael I. Handel. Harvard Center for International Affairs, 1981. \$22.50 (cloth), \$11.95 (paper).

Since World War I, the appearance of men like Lenin, Stalin, Mussolini, and Hitler on the world stage has introduced a radical departure in the conduct of diplomacy. Once a patiently incremental art and science, based upon the assumptions of international law and a Western value system, diplomacy has become a means by which powerful leaders with no respect for law and Western values can effect swift, even fundamental changes in world politics. Their tool is the diplomacy of surprise.

In this pioneering work, Michael I. Handel, professor of international relations at the Hebrew University, Jerusalem, sets forth the theoretical and practical aspects of diplomatic surprise. He presents a well-researched, lucid narrative of four historic events illustrative of the tool: Hitler's reoccupation of the Rhineland in 1936, which convinced him that the Western democracies would not oppose his expansionist aims; the Ribbentrop-Molotov pact in August 1939, which com-

pleted the slide to World War II; Nixon's labyrinthian secret maneuvers leading to his "opening to China"; and Anwar Sadat's masterful use of surprise in ousting the Soviet military advisers from Egypt in 1972 and in conducting his dramatic "opening to Israel" in 1977 over the objections of influential Egyptians, including successive ministers of foreign affairs.

This is a welcome addition to the overly sparse literature on the art and science of diplomacy. Even though concepts are rarely mentioned, it is a study in the strategies and tactics, as well as the techniques and personal qualities, involved in diplomacy. A fascinating work, free of all the jargon that vexes so much American writing in the field of political science, it will undoubtedly find its way into the library of every diplomatic practitioner worthy of his calling.

—SMITH SIMPSON

The Real China

CHINA: *Alive in the Bitter Sea*, by Fox Butterfield. Times Books, 1982. \$19.95.

FROM THE CENTER OF THE EARTH: *The Search for the Truth about China*, by Richard Bernstein. Little, Brown & Company, 1982. \$15.95.

These are both excellent books, well worth reading for anyone interested in, planning to travel to, or just in need of an update on China.

Butterfield's book, heralded as the counterpart of Hedrick Smith's *The Russians*, is the longer and perhaps more scholarly of the two. It is an orderly and systematic examination of various aspects of Chinese society—marriage, family and women, industry, peasants, work, information, bureaucracy, and dissent. He does a superb job of explaining and putting into context such common Chinese terms as *danwei* (the work unit—everyone in China belongs to one and is identified with it for every purpose), or *guan-xi* (connections—the personal relationships that enable one to get along, a term understandable to anyone who has worked in Washington).

Butterfield was the first *New York Times* bureau chief in Peking, and he focuses on that city, where he lived with his wife and two small children. He is the careful, methodical journalist, remembering names, telling dozens of personal stories, recalling minor street encounters of only a moment's duration, going into the homes of Chinese from all walks of life. His title, *Alive in the Bitter Sea*, is an ancient Buddhist adage about survival through a world of suffering. It was revived by modern Chi-



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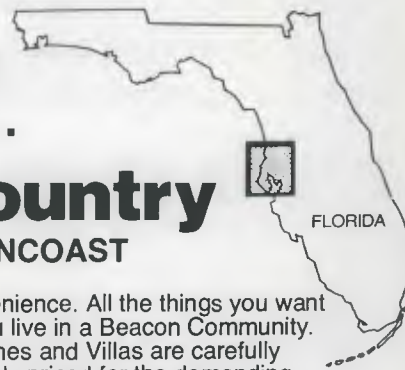
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nese to refer to the Cultural Revolution.

Despite almost two decades of study and preparation for living in China, Butterfield seems continuously stunned by what he finds there. Inspired in his student days by Edgar Snow's *Red Star Over China*, by the hope and idealism Mao offered after the corruption of Chiang Kai-shek's Kuomintang, Butterfield is clearly saddened to find that the dream has not come true, that the Chinese people are increasingly cynical, disillusioned, and bitter. He finds a neighborhood Communist party boss reading the Bible; she tells him that Christianity is spreading rapidly because people are disillusioned with communism. De-

spite his efforts to conceal the identity of people who talk to him, he suffers the remorse of hearing that someone he wrote about has been punished for what she revealed to him.

Richard Bernstein opened *Time* magazine's first bureau on mainland China and served as its chief. A bachelor, he roamed around the entire country much more freely than Butterfield. His accounts corroborate what Butterfield found; he, too, is pained and saddened by the failure of the dream and the promises.

As a historian, however, he has a different perspective. He devotes one long and thoughtful chapter to Sichuan, the south-

central province that "should have been a separate country," and whose history "mirrors that of China itself." China, not being a recent phenomenon like the United States, has a much longer view of human events and is not in a hurry; it pulls its long history with it as it goes. Bernstein's telling of this history is outstanding; he links centuries of villainy, exploitation, and hardship with legend, learning, and lore. It is a sensitive, enlightened telling of where China is today and how it got there. Although it, too, is filled with detail, it is somehow a more personal, more impressionistic account. If Butterfield has held himself a bit apart from his subject, Bernstein has submerged himself in his and identifies more completely with the individual Chinese. Over and over he expresses outrage that China has always been able to accomplish anything if it required mere backbreaking human toil and agony. This is not the China you will be shown from the tourist buses.

Apart from the individual accounts of misery and hell that by now must run into the billions, the most appalling revelation in both books is what China has done to itself. The consequence of killing off or breaking the spirits of the entire intellectual, cultural, and artistic population of a nation has been a lack of thinkers to fall back on when new direction is sought. Those who survived have learned not to show themselves. Those who are leaders attained that position because they obeyed the Maoist directive not to think. A generation of young people was denied an education and is now illiterate and resentful. A generation of Red Guards, no longer kicking in teeth, finds itself without other skills. Industry is run by those who do not understand it, and measured by quotas. The numbers are made to come out right, whether the tons of steel that are produced fit into a useful niche in the country's productive needs or not. Buildings are erected by people not particularly trained to do this work, and they show it. In Nanking, everyone is immensely proud of the bridge over the Yangtse. On a recent trip to China, I was told that because of the strong currents and the consistency of the river bottom, building a bridge over that river had been a problem that had long baffled the best of the West's engineers. "But the Chinese did it," boasted the official. "We supplied the materials, the design, and the labor, and we built it without assistance!" Remembering Butterfield's description of industrial quotas and untrained workers, I gazed uneasily upward as we sailed under the Yangtse River bridge.

China is, for the moment, our friend again, and that friendship is a crucial ele-



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ment in the balance of world power. The Chinese do not think like we do, and it would be a terrible mistake to take this new friendship for granted. China is building and changing; it means to grow, and to compete, and to succeed. It defiantly lets the visitor know that it will never again allow itself to be invaded or dominated. Books such as these two are invaluable for understanding the Chinese; I would be hard pressed to choose one above the other.

—MARIANNE KARYDES

Research on Peace

UNESCO YEARBOOK ON PEACE AND CONFLICT STUDIES, 1980, by the United Nations Educational, Scientific, and Cultural Organization. Greenwood Press, 1981. \$30.

The increasing international tension of today's world makes it imperative that policymakers no longer accept the idea that violence and war are the normal ways of solving social conflict. It is time for the policymakers to take a look at the work of the peace researchers and begin what could be a fruitful interaction. UNESCO's *Yearbook*, the first of its kind, can be a useful starting point for those not familiar with recent research in peace and conflict resolution, as well as a useful reference for those already in the research movement.

To date the peace research movement has not had much influence on policymakers, in part because much time was required to institutionalize the movement. Now, however, the International Peace Research Association's membership includes 350 individual scholars in 36 countries, 51 research institutes in 24 countries, and 5 scientific associations in 5 countries. Another reason the movement has had a limited impact is that peace research has become a black hole—it absorbs everything that comes within reach. In an introductory article in the *Yearbook* on changing perspectives in peace research, Hylke Tromp of the Netherlands suggests that the time has come for peace research to concentrate again on its first and foremost problem: the phenomena of war and violence, including the preparations, justifications, and institutionalizations of war.

The UNESCO *Yearbook* contains three main sections: approaches to teaching and research; bibliographical studies; and institutional developments. The first section includes five articles on new developments in information and documentation on peace and conflict studies, including a particularly good review of periodicals on the subject. The State Department library

subscribes to most of the six periodicals published in the United States, but not to the three from Canada, one from Japan, and four from Europe that are published in English. The first section also includes an article by two Soviet researchers on the study of problems related to détente since the Helsinki conference and two articles on approaches to the study of war.

The bibliographical studies section is concerned with the U.N. study of disarmament and development, "Economic and Social Consequences of the Armaments Race and Its Extremely Harmful Effects on World Peace and Security: Report of the Secretary-General" (U.N. General Assem-

bly A/32/88, August 12, 1977). The subject matter reviewed includes the use of the factors of production for military purposes, the effects of arming and disarmament, and the redeployment of military resources.

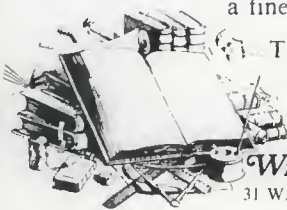
The work of the International Peace Research Association (IPRA) is discussed in the institutional development section. IPRA facilitates communications among peace researchers through its sponsorship of international conferences and through its publications. Its principal periodical is the *International Peace Research Newsletter*. IPRA has also established study groups on disarmament, militarization vs. human

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rights and development, the international division of labor, food policy, and communications. It provides advice and assistance in establishing peace research or educational institutions, especially in the Third World. It has two autonomous regional commissions: the Asian Council of Peace Research and the Latin American Council of Peace Research.

The *Yearbook* also reviews recent regional and national developments: the proposed establishment of a Malagasy peace research center; Asian peace research activities; new developments in India; trends in peace and conflict research in France; and institutional developments in Latin America. Two Soviets contribute an article on Soviet organizations dealing with the problems of peace, including the recently established, state-sponsored Academic Council of Research into the Problems of Peace and Disarmament.

Developments in the United States are considered in an article on activities of the Consortium of Peace Research, Education, and Development (COPRED), including that organization's support for the establishment of a U.S. peace academy. This idea was studied by a blue ribbon commission that issued its report in 1981: *To Establish The United States Academy of Peace*. Legislation to establish the academy was introduced in both houses of Congress in late 1981. In April 1982, the bills had 53 co-sponsors in the Senate and 113 in the House. The White House then told 17 Republican senators that the president opposed the legislation. It is doubtful, therefore, whether the next UNESCO *Yearbook* will be reporting what could have been a very significant action by the U.S. government. The commission's report makes a good complement to the UNESCO *Yearbook* for those interested in new approaches to conflict resolution.

—JAMES L. ROUSH

Misleading But Flavorful

IRAN: *The Untold Story*, by Mohamed Heikal.
Pantheon Books, 1981. \$14.50.

First the good news: Heikal has captured the flavor of some of the revolutionary leaders in Iran and quotes their thoughts on several issues. Now the bad news: The book is infested with over two dozen misleading statements, inaccuracies, and blatant untruths. Heikal is not necessarily guilty of lying, but certainly of accepting some of his sources indiscriminately and failing to check out key facts with other players.

Some examples: His description of U.S. "negotiations" with Bazargan is complete-

ly false in intent and fact. There were no negotiations, and at no time did any U.S. official "accept" any suggestions as to what the Shah should do. Later, he has Bazargan resigning as prime minister because of Khomeini's interference and crowding, but fails to mention the principal reason—the seizure of the American hostages. Heikal has Khomeini traveling from Najaf to Paris in October 1977, not 1978 when he actually moved, and the Egyptian journalist's whole account of the emergence of the Iranian revolutionary movement as an inevitable, planned development borders on light fiction. Heikal incorrectly accepts gossip as fact—the existence of a mythical "Safari Club" for Iranian intervention in Africa, CIA involvement with SAVAK torture teams, and the suggestion that the American General Huyser was involved in planning a coup. And, he under-represents the number executed by the revolutionaries by at least seventy percent. On the good side, descriptions of the emotions involved in Shiism and the organizational structure of that sect are concise and informative overviews.

If compelled to skim the book, try a library; save your cash for one of the better volumes on the subject.

—JOHN D. STEMPEL

Memorable Leaders

CHURCHILL AND DE GAULLE, by Francois Kersaudy. Atheneum Press, 1982. \$19.95.

In the past decade a number of books have focused on the careers and psychology of major World War II leaders. This renewed interest in a period during which international relations were highly personalized may well be stimulated by a growing disenchantment with the current crop of national leaders who are perceived as ordinary, dull, or, at worst, incompetent. Leaders, however, can personify nations. Nowhere was this more evident than in the wartime activities of Winston Churchill, Charles de Gaulle, and Franklin D. Roosevelt.

This excellent historical study, written in very readable English by a brilliant 34-year-old French historian, is the first to deal with the often stormy relations between de Gaulle and Churchill. It not only corrects the willful inaccuracies the two statesmen included in their memoirs but also brings new and valuable insights to the conflicts of these wartime leaders. Stanley Hoffmann, the Harvard Europeanist, claims that Kersaudy throws more light on Churchill than on de Gaulle. That may, however, be because de Gaulle's vulnerabilities are already well known. Yet,

this book makes clear that Churchill's anger at de Gaulle was due to his spontaneous personal rage at de Gaulle's methods rather than any conflict between their designs for postwar Europe. Also, this study clearly documents Churchill's voluntary subordination to Roosevelt's wishes and priorities (Roosevelt and Secretary of State Cordell Hull were far more anti-de Gaulle than the British). Churchill clearly placed the "special relationship" with the United States ahead of any postwar alliance with France intended to build up a European "third force."

Both Churchill and de Gaulle had a rendezvous with destiny. But even charismatic leaders are limited by the political culture and public opinion of their nations, as well as by the views of their associates. Thus Anthony Eden, as well as British public opinion, moderated Churchill's anger at de Gaulle and provided a court to which de Gaulle occasionally appealed. However, the book's focus on the personalities of the leaders—entirely proper in crisis situations—does leave the reader wondering why Churchill was deposed by the British electorate immediately after the war and de Gaulle resigned his presidency on January 20, 1946. Churchill recalled and denied Plutarch's remark that "ingratitude towards great men is the mark of a strong people." It may well be that Churchill and de Gaulle were the right leaders for World War II and that today they could be no more successful in resolving the Falklands crisis or the Palestinian problem than recent secretaries of state. But at least the style would be more memorable.

—CHARLES FOSTER

Agenda for Aid

U.S. FOREIGN POLICY AND THE THIRD WORLD: *Agenda 1982*, edited by Roger D. Hansen. Overseas Development Council, Praeger, 1982.

"First, it will be necessary to give relations with the developing countries attention comparable to that given to U.S. relations with the Atlantic Community and the Soviet Union." This statement by Overseas Development Council President John W. Sewell, in his introduction to *Agenda 1982*, establishes the focus of this, the eighth annual ODC assessment of U.S. relations with the developing countries. It also marks a distinct departure from its predecessors. Responding to the administration's emphasis on national security, this volume makes a refreshing, holistic examination of Third World relations in their widest perspective. It broadens the

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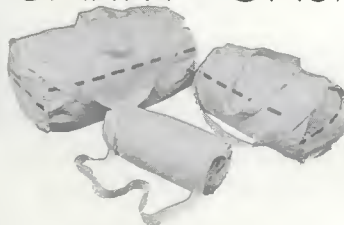
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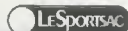
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basic preoccupation with aid to include trade, investment, export promotion, tax policy, money and finance, educational and cultural exchange, and environmental issues. In his introductory article, Roger D. Hansen broadens the picture further to include political instability and power vacuums in the Third World, Soviet policies and objectives, and conflicts within the alliance with regard to Third World affairs. John P. Lewis, former chairman of the Development Assistance Committee of the OECD and currently ODC director of studies, introduces the dimension of system maintenance—food, population, environment, etc.—with which North and South are tragically and inextricably related, as one of the major rationales for aid.

Several departures on secondary issues are also introduced. Lewis depreciates the utility of the North-South dialogue, previously one of the *Agenda* series's main concerns, in favor of "pragmatic transactions" at the working level where "the possibilities for constructive convergence, policy sector by policy sector are quite good." There follows a first-rate study of donor and recipient relations, and their obstacles and opportunities in an era of scarce resources. Not surprisingly, because of the huge number of relationships, the multiplicity of official and unofficial agencies, and the increase in demand for and decline of resources, emphasis throughout is on efficiency and that ever-receding horizon of improved coordination. Lewis also believes that U.S. leadership is essential for the sake of our own interests and that the United States could work itself back to a position of leadership in the OECD coalition by contributing a small increment of the Overseas Development Association's budget as a commitment to the renewal of the "American aid mandate." In an analysis of the food problem, Robert Paalberg does not recommend a return to the concept of an internationally managed food reserve system which has held center stage since the 1974 World Food Conference. "It is usually self-defeating to attack inappropriate national food policies through global negotiations," he observes. "In contrast to the futility exemplified by the International Grains Reserve negotiations, opportunities to pursue food security at the national level are relatively abundant. . . ." A survey of the problems of the trade sector by Albert Fishlow concludes that "first priority must therefore be renewed and sustained economic progress in the industrialized countries."

American disenchantment with the Third World, with aid, and with the once-glorious agencies of the United Nations is profound. The weakness of previous

ODC efforts to educate the public through this series has been its tendency to preach to the converted as if the main issue was merely fine-tuning the system. This volume, however, by changing the focus to national self-interest and adopting a wider perspective to include the priorities of donor countries (without impairing the ODC's own brief) seems to move in the right direction.

—ROBERT K. OLSON

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Foreign Service Journal

Let's Rescue AID from its Rescuers

By CHARLES B. GREEN

The article "Rescuing AID," which appeared in the May *Foreign Service Journal*, paints a very gloomy picture for the agency. But can the situation be any worse than it was during the first Nixon administration, when there were studies on the studies on foreign aid—all with the purpose as perceived by us in the field of either to weaken the agency drastically or to destroy it? AID weathered that storm and will limp through the present one without having to be folded into the Department of State, as author William Sommers suggests.

AID does have a constituency among both the general public and in Congress. The agency's support certainly is not very vocal, and is often for reasons not acceptable to those of us who believe that the developing countries need our assistance. Some congressmen doubtlessly want to keep AID around since it is their favorite whipping boy, and even more see the value of giving funds to support the agency and its program for the poorer countries as the best way to take the spotlight off the relatively larger amounts that are passed out in supporting assistance to Israel, Egypt, and Turkey or that are provided for mili-

tary aid (so that it is feasible to produce the military hardware that our armed forces leaders want or so that the military can get rid of its "used cars.") But some congressmen have not lost the vision that Senator Hubert Humphrey (D.-Minn.) in his last days sought so hard to instill. Congressmen do like to do their world traveling, and the AID missions have made certain that a few congressmen become acquainted with the problems of the developing countries and with programs that try to do something about them.

A Frightful Load

The agency surely has had a frightful load to carry. It has to deal with governments of developing countries that are often capricious and confusing. And the redundant rules that have been set up, often under the guise of streamlining procedures, have made for voluminous writing when the time would have been better spent in doing.

It has not been blessed either in any continual way with good leadership. In fact, it seemed at times to us in the field that we had some anti-leaders, who seemed more bent on destroying the agency rather than in moving it forward. Even President Carter, who appeared to sense the need to help the poorer countries, put in an administrator who shook up all of us by his irrational, almost crude criticisms of the agency as he took up his responsibilities. Fortunately, as he became informed, he did change his attitude.

Sommers says that AID's present status is too low to be raised *merely* by

appointing a prestigious leader, but one has the example of how USIA grew in status under the excellent leadership of Edward R. Morrow. What possibilities AID would have if it could be headed by a person who was world famous for his leadership in the development field? Much support could be gained by foreign aid if we had someone who really knew development, and who would use his leadership to present to the public the real situation in the Third World. What could Senator Humphrey have done if he had been the administrator!

What about Sommers's suggestion that AID be folded into State? Would this strengthen either? If it would improve the stature of the department and put it first in the list of cabinet posts, as it once was—Alexander Haig reminded us that at one time we had St. Wapniac!—it would probably be a valuable thing to do. But would bringing AID into a closer relationship to State enable the department to have greater strength in its competition with the Department of Defense, with the National Security Council, or with a shadow State Department in the White House? The incorporation of AID might even detract more than assist in the effort to get the American people and the government to realize that in today's world, as in the past, diplomacy is the first line of defense and *not* military might.

Sommers's main argument is that since foreign aid always is a struggle between development and political motivations, and since the latter al-

Charles B. Green served in AID as a human resources and education officer for 16 years. His posts included the Dominican Republic, Peru, Vietnam, Colombia, and Indonesia. Previous to that he spent three years with USIA in Colombia. He is now a member of the Learning Systems Institute at Florida State University.

Association News

Hays, Unity Slate Win Election



AFSA President Dennis Hays

Dennis Hays was elected president of the AFSA Governing Board for a two-year term that began July 15. Seven additional members of his Unity Slate were elected to two-year terms as board officers and retired-constituency representatives. This was the first election under a new plan authorized by the membership last summer, in which half the board's terms end in one year and the other half the next. The plan is intended to improve board continuity.

Elected at the same time were Anthea de Rouville, vice president; William McKinney, second vice president; Irving Williamson, secretary; Brooke Holmes, treasurer; and Spencer King, Charles Whitehouse, and Douglas Heck, retired

representatives. (McKinney was assigned to Pakistan after the election; the board voted to replace him with Douglas P. Broome.)

"The Unity Slate was elected to represent the interests of all sections of the Foreign Service," Hays said after the election. "We are very gratified with the heavy voter turnout. Furthermore, I am personally very pleased with the large number of new people who have come in to volunteer their time and talents to the Association."

The members of the Unity Slate were the only official candidates in the election. Heck, a member of the slate, was a write-in candidate.

Long Overdue, Performance Pay Finally Awarded

In July, AFSA finally forced State and AID to make long overdue performance pay awards to senior officers. Both State and AID have announced the winners for the 1981-82 rating period. In its negotiations with State, the Association agreed, on a one time basis, to delink performance pay precepts from the 1982 promotion panel precepts so that the 1982 panels were able to meet as scheduled.

Negotiations on the 1982-83 performance pay precepts are continuing. AFSA submitted its proposal in May. Management agreed to submit a counterproposal no later than August 15. If areas of disagreement still remain on October 1, unresolved issues will be submitted to the Foreign Service Impasse Disputes Panel for decision. AFSA and management have agreed to eliminate time-consuming intermediate steps and proceed directly to a final decision by the Impasse Disputes Panel to obtain a rapid solution.

AFSA's position is that the agreement negotiated last year is a good one and should be retained. Management, however, feels that the selection process for performance bonuses should be heavily modified. We believe that the Department has as its primary objective a substantially greater management input into the selection process.

Because of the lengthy delay in the payment of the 1981-82 State and AID bonuses—due to ICA's intractability (See July/August Association News)—AFSA insisted on the negotiating timetable described above for 1982-83. While the timetable does not guarantee that an acceptable resolution of differences over performance pay will be achieved, it provides a basis for measuring management's willingness to negotiate in good faith.

AFSA has put forward a performance pay proposal to AID, in the context of negotiations on promotion precepts. We are awaiting AID's counterproposal.

Payment of the Interagency Awards for 1981-82 still has not been scheduled. These awards, which are slated for six percent of the senior officers over and above the agency-specific awards, cannot be made because of the AFGE-management dispute at ICA.

Resolution to Close Club Fails to Pass

A resolution to close the Foreign Service Club was narrowly defeated in a membership referendum conducted during the recent election for AFSA Governing Board positions. Introduced by the previous Governing Board, the resolution received 1164 votes in favor and 1167 votes opposed. The measure had called for the closing of the club no later than September 1, 1982, and "that other alternatives be explored to generate income from surplus space."

A total of 6557 ballots was distributed, of which 2405 were returned by the referendum deadline of June 30. Some 74 ballots were judged to be invalid by the AFSA Elections Committee, largely for failing to meet secrecy requirements specified in the instructions accompanying the ballots.

The new Governing Board has formed an ad hoc committee to investigate ways of improving the club, including redecorating the dining room and changing the menu. To accomplish planned renovations, the club may be closed for a brief period this fall.

Grievant Wins Unlimited Leave Accumulation

The Foreign Service Grievance Board recently ruled that a Foreign Service officer who is eligible for conversion into the Senior Foreign Service, but elects not to convert, is nevertheless entitled to unlimited annual leave accumulation as though he were in the Senior Foreign Service. AFSA represented the grievant in the case.

The Department had denied the grievant this benefit, arguing that under the provisions of the Foreign Service Act it was authorized only for members of the Senior Foreign Service. The grievant appealed the denial to the Grievance Board, alleging that the act also provided that until converted, members of the Foreign Service "shall be treated, for purposes of salary, allowances, and other matters" as though actually converted.

The board rejected the Department's interpretation of the act, reasoning that Congress intended that the phrase "other matters" have a broad interpretation with respect to the benefits of employees eligible to convert. Noting that the Department had denied the grievant an annual step increase because he was to be treated as though converted to the Senior Foreign Service, the board stated that the Department was acting inconsistently in failing to treat him as a Senior Foreign Service member for purposes of benefit.

The board's decision applies to all Foreign Service officers eligible for conversion to the SFS under Section 2103 of the Foreign Service Act.

Ads Up, Costs Down in Journal 1981-82 Report

The production cost of a single copy of the *Foreign Service Journal* fell by 29 percent in the last fiscal year while advertising revenues increased 9.4 percent, according to the Governing Board's 1981-82 annual report (see page 18G).

Total *Journal* expenditures for the fiscal year were \$13,000 below the amount budgeted in the last annual report, even though an extra issue was paid for in the period. Total income rose \$6000.

Outgoing Board Cites Act Implementation as Chief Task



Vice President de Rouville (center) leads annual meeting.

Negotiating regulations to implement the many provisions of the Foreign Service Act of 1980 was the principal concern of the 1980-81 AFSA Governing Board, Vice President Anthea de Rouville told Association members at the Washington-area annual meeting on July 13. De Rouville, who chaired the meeting in the absence of outgoing President Charles S. Whitehouse, said that under congressionally mandated five-agency, two-union negotiations "efficiency and productivity have suffered and the only real surprise is that we accomplished as much as we did, especially regarding allowances." She added that negotiations were also hampered by man-

agement, "which while not perhaps actively hostile to the Act at least has strong reservations about many aspects, especially those involving money."

The Association was active in many other areas of concern to the Foreign Service, she said. Among those were AFSA's protests of the "very large number" of political ambassadors appointed by the Reagan administration; battles for health benefits and retirement benefits in conjunction with other federal unions; and expanded counseling of grievants.

A list of regulations negotiated by the Association in the past year appears in the Annual Report, which starts on page 18D.

New Insurance Policy Provides More for Less

To provide broader coverage for members at a lower rate, AFSA's group insurance plan covering accidental death and dismemberment was transferred from Mutual of Omaha to the Federal Insurance Company on September 1. Federal also underwrites the AFSA Personal Insurance Plan, which provides personal property and liability insurance for members on foreign assignment.

The new Federal policy provides coverage up to \$250,000 against accidental death, dismemberment, and loss of sight at a rate of 70 cents per \$1000, which is slightly lower than the previous rate. More important, the new policy will pay up to 50 percent of the principal sum for claims arising from acts of war—declared or undeclared. War risk insurance is not generally available in such contracts except at a considerable premium. AFSA's new policy is therefore a significant improvement over other policies of this

type, including the previous contract with Mutual.

In a letter to all AFSA members dated July 19, Herman J. Cohen, chairman of the AFSA Board of Trustees for Insurance Programs, announced the change in coverage, stating that all members insured under Mutual of Omaha Policy T14BA-1007, which was cancelled by AFSA as of September 1, 1982, would automatically be insured by the new group policy in the Federal Insurance Company for a period of 61 days from that date without any lapse in coverage. The Hirshorn Company of Philadelphia, administrator of the new plan, has sent letters to all those insured, giving full details of the new plan and advising how to complete the transfer before November 1 to take advantage of the broader benefits.

This insurance is available only to AFSA members. If you are interested in obtaining such insurance for yourself and family, write now to the Hirshorn Company, 14 East Highland Ave., Philadelphia, Pa. 19118, for information and an application. Those in the Washington area can call Hirshorn at (202) 457-0250.

MONEY *What to Expect From, and Pay For, Sound Professional Financial Advice*

Let's assume you are considering asking a professional to help you through the maze of financial decisions. Your objectives are to make sure you have enough and the right kind of insurance (to protect your life, your property, and your ability to earn an income), to analyze your capital needs down the road (for the education of your children and for a comfortable retirement), and to make investment decisions that keep pace with the chaotic economy. What kind of adviser do you look for, what's the likely tab, and what services do you have the right to expect?

Lawyers, accountants, banks, insurance companies, and brokerage firms have for years offered investment advice to the individual. But those professionals have not always been trained as counselors, nor have they been inclined or able to make recommendations beyond their areas of expertise. The financial planner, on the other hand, is a generalist with a working knowledge in all of the above areas who approaches your money concerns in the context of your overall goals. (It has been said that a financial planner is "part psychologist.") *Money* magazine calls the financial planner a relatively new type of practitioner who promises to fit together all the pieces of your own personal financial puzzle. Some planners restrict their practice to clients with incomes over a certain floor—typically \$50,000—and a net worth of several hundred thousand dollars. Others will work with beginners in asset accumulation. All are pledged to a procedure that begins with thorough information gathering and proceeds to a diagnostic and prescriptive process.

In the less complex case, you may receive a list of action priorities and suggested investments after one or more brief meetings. Or, when justified and necessary, you may opt for a comprehensive plan. This will be presented to you in a bound volume after four to six weeks of data gathering and computer analysis. Planners envision a long-term relationship during which you will become wealthier over the years, and keep as much as possible from the tax collector. You should also experience the satisfaction that comes from knowing that you are putting your financial house in order. Communication is a basic ingredient of a satisfying client-planner relationship;

you are due thorough, painstaking explanations of procedures and investment vehicles. Far too many clients allow themselves to be intimidated by jargon.

Financial products and services come with a price tag. It's a good idea to understand the variations of cost structure within the profession. Also be aware that none of the following establishments is the place to approach if your financial problem is strictly budgetary: you'll be referred to a credit or budget counselor.

Investment advisory firms, which generally recommend stocks and bonds, base their charges on a percentage of the client's asset portfolio: (three-quarters of one percent for the first \$500,000). They are interested in clients with at least \$200,000 to invest. They do no buying or selling but direct the business to one or more brokers. Bank trust departments also provide this kind of service for large estates. They tend to be rather stolid and unresponsive in their management decisions. Brokerage firms have vastly expanded from their traditional stock and bond business, now dealing with the entire spectrum of financial services. Some even include retail real estate sales. Investment "products" carry either an inside markup or an add-on commission, with little variation from firm to firm except for the discount brokers. You will be charged about \$67 to buy 100 shares of a \$30 stock by a company using the New York Stock Exchange commission schedule, compared to \$35 to \$45 by the discounters. Virtually all firms, including the discount houses, have a \$30 minimum per trade. Discounters offer no services such as advice or value judgments, whereas the standard charges cover substantial account services, often including financial planning consultation.

Financial planners, while offering consultation on a fee basis, still derive about 70 percent of each dollar they earn from commissions on the sale of securities or insurance. Comprehensive plans generally cost between \$750 and \$5000, depending on the size of the estate and the complexity of tax and analysis problems. Implementation is crucial, of course, to any plan's eventual value. Implementation means following the recommendations, accounting for the commission dollars earned by the planner. Most planners do not charge for a preliminary interview during which the client can de-

cide whether to develop the relationship. Hourly charges from that point on range from \$60 to \$150 unless a full-scale plan is involved.

A prospective investor who wishes to learn what the professionals are doing may wish to join an investment club. There is a national association with headquarters in Detroit to assist those who wish to form clubs, and clubs thrive in several European cities.

Finally, if you are the suspicious type and trust only your own instincts, immerse yourself in financial publications such as the *Wall Street Journal*, *Barron's*, *Forbes*, and *Money* magazine. Chances are when you have tried to digest the weighty, often conflicting signals, you will once again consider looking for a human adviser you can talk to!

—MARGARET WINKLER

Margaret Winkler is a certified financial planner and investment broker with Legg Mason Wood Walker Inc., 1747 Pennsylvania Ave. NW, Washington, D.C. 20006.

Books, Volunteers Sought by AAFSW for Bookfair '82

"Books, books, and more books"—plus volunteers to help collect and sell them—are needed for the annual Bookfair sponsored by the Association of American Foreign Service Women. Proceeds from the fair, which will run from October 30 through November 6 in the 23rd Street lobby, benefit the AFSA/AAFSW scholarship fund. Hours for the fair are 10 a.m. till 4 p.m. daily, and the fair will be closed November 2-3.

AAFSW has issued a call for volunteers to help with the fair. This year, in particular they are seeking male helpers. Help is needed in picking up books, collecting from bins, sorting, running the fair, etc.

In addition to books, AAFSW will be collecting stamps, maps, posters, records, paintings, prints, and art objects from around the world. Donations may be left at the book bins in the State Department, or donors may arrange for pickups by calling 223-5796 weekdays (except Wednesday) between 9:30 and 3:30. All donations are tax deductible.

A Final Word on Travel-of- Children Regs

AFSA and management have reached agreement on calculating eligibility for travel by children of separated parents—a disputed issue ever since regulations implementing this benefit were first issued in November 1981. The original limit of one round trip per child per year still applies, but the new agreed interpretation allows significantly more flexibility in scheduling visits than did management's initial explanation to employees.

The Foreign Service Act of 1980 provides for one round trip per year at government expense for each child under the age of 21 to visit the parent with whom he or she does not reside. The trip can be to the overseas post to visit the employee, or, if the child is living at post, to the United States or a third country to visit the other parent. Management and AFSA reached agreement on implementing regulations last fall, but management chose to interpret those regulations in a particularly restrictive manner. According to that interpretation, a full year had to elapse between the start of one round trip and the beginning of another.

Employees were informed of these restrictions in a series of questions and answers contained in a Department notice. AFSA was not shown the notice prior to its release. The Association immediately objected and demanded that a corrective notice, approved by AFSA, be issued. The Department complied, but when the correction was issued, it differed from the text cleared by AFSA. The Association then filed an unfair labor practice complaint with the Foreign Service Labor Relations Board, charging that the Department had bypassed AFSA by sending employees a communication that modified negotiated regulations. The FSLRB decided in AFSA's favor.

In July, management issued a cable to the field, interpreting the regulations to AFSA's satisfaction. Major points to note are:

- a child may take one round trip at any time during each 12-month period that a member is serving abroad;
- for all members who had been stationed overseas on November 5, 1981 (the date this benefit was implemented), the initial 12-month period was considered to have begun on that date;
- the return leg of a round trip must be completed within 12 months from the start of the first leg;

- a subsequent round trip can be authorized as soon as the member enters into another 12-month service period abroad;
- a child of a member assigned to an 18-month tour abroad is entitled to only one round trip (unless the subsequent assignment involves continued service abroad);
- for the purposes of this benefit, continuous service abroad includes direct transfer to another post abroad, or reassignment abroad following home leave;
- travel in advance of a member's eligibility for reimbursement can be reimbursed once that member enters into a subsequent 12-month service period.

Bookfair '82

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ANNUAL REPORT OF THE GOVERNING BOARD

The annual meeting was held on July 13, 1982, under the chairmanship of Vice-President Thea de Rouville. That meeting and this report constitute the final accounting of the officers of the 1981-82 Governing Board. The newly elected officers took office on July 15.

President's Overview

Last year our greatest task was to monitor the passage of the Foreign Service Act, influencing its provisions as much as possible to meet our needs. This year the biggest job has been to negotiate regulations to implement the provisions of the Act. In order to achieve a high degree of compatibility among the foreign affairs agencies, the Congress mandated joint regulations that required five agency-two union negotiations on many issues. This was not an easy process.

The very large number of political ambassadors appointed by the administration raised considerable press interest in this familiar topic and the Association was active in making its views known to the Congress and the media.

The movie *Missing* starring Jack Lemmon cast serious aspersions on the Foreign Service, and the Association tried hard to rebut them.

A referendum which resulted in a draw was held to get the views of the membership on closing the Foreign Service Club. The new Board will continue to study this question.

The *Journal* has been significantly changed by its new staff and we believe it has been improved.

Along with other federal unions, the Association fought a losing battle on the health benefits front. It has also been participating in a coalition to protect retirement benefits. It has been our view that given the size of the Association it can have maximum impact on government-wide issues by allying itself with other employee groups.

The number of grievances has risen considerably, at least partially as a result of conditions created by the new Foreign Service Act. We

have tried to expand our counseling of potential grievants by giving them a realistic picture of what they may or may not achieve from pursuing their grievance.

During the past year we have tried to expand our contacts on the Hill and we have testified on the implementation of the new Foreign Service Act, on political appointments, and on the Foreign Missions Act, which would give the Department more control over foreign missions in the United States, thus providing a better means of assuring reciprocity.

Negotiations on the implementation of the Foreign Service Act have been tortuous and slow. The Act does not appear to be viewed by the heads of agencies as a package . . . with new benefits balancing out new risks and responsibilities. The management negotiating team has not had the authority nor the flexibility to operate effectively in the collective bargaining process, and there has been a lamentable and pervasive tendency to narrow the scope of every benefit Congress voted on the apparent basis that any new benefit might be abused. Nevertheless, progress has been made on many issues:

- Advance of pay, which took 13 frustrating months to hammer out, is now available and seems to be working well.
- The voluntary Separate Maintenance Allowance and Travel of Children of Separated Parents are being utilized.
- Domestic Relocation Allowance has given SY and other officers transferred within the United States the same benefits formerly accorded only to Civil Service.
- R&R to the United States has been restricted this year due to budget restrictions but AFSA hopes to broaden benefits for future years.
- We managed to drag the agencies into the twentieth century regarding obstetrical care.
- Payment of representation has been extended to family members.
- Phase I of the Incentive Language program has been completed.
- Danger pay has gone into effect but is proving too restrictive under current interpretations.
- Travel regulations have been revised permitting reimbursement to employees abroad for moving expenses incurred due to reasons beyond their control.
- Regulations were revised governing the choice of extra-service credit or differential at hardship posts.
- New grievance regulations are now on the table, with management seeking to narrow and AFSA trying to expand the scope of these regulations.
- A performance pay agreement was negotiated and the safeguards agreement extended to cover Performance Pay Boards. However, this agreement has never been carried out, since this is a joint regulation and AFGE and ICA are engaged in legal action concerning its implementation. We are gravely concerned and have taken all steps possible to assure payment of performance pay for FY 1981-82 and strengthen our position regarding 1982-83 awards.

All things considered it has been a good year for the Association. While the willingness of the membership to become involved in AFSA affairs is often disappointing, the performance of our professional staff has continued to be outstanding and the staff deserves a great deal of the credit for this year's accomplishments.

—CHARLES S. WHITEHOUSE

Finances

AFSA ended FY 1982 showing a modest surplus of income over expenditures. Members' dues and *Journal* advertising receipts registered an increase over FY 1981, while Club sales were off compared with the preceding year. Expenses decreased below FY 1981 in all categories except two: administrative salaries and building costs.

The spring 1982 referendum on whether to close the Foreign Service Club indicated that AFSA's membership was divided down the middle on the question, with a scant majority in favor of keeping the Club in operation. The referendum result became known just as the outgoing Board was leaving office, but members of the incoming

Board have declared as a first priority their intention of evaluating every possible course of action to minimize Club operating losses.

The budget proposed for FY 1983 set forth below is based upon the following assumptions: membership will remain at the current level and there will be no increase in the dues structure; Club sales will increase by 15 percent; *Journal* advertising revenue will continue to gain; staff salaries will increase by an estimated 5 percent on October 1 to correspond to the anticipated COLA for federal government employees; and a 5 percent upward adjustment in operating costs to compensate for inflation.

BUDGET

	Actual FY 1981	Actual FY 1982	Estimated FY 1983
Income			
Membership Dues	\$391,000	\$424,000	\$435,000
Club Income	126,000	100,000	115,000
<i>Journal</i> Income	57,000	63,000	67,000
Reimbursements	26,000	28,000	28,000
<i>Total Income</i>	\$600,000	\$615,000	\$645,000
Expenses			
Administrative			
Salaries	\$159,000	\$182,000	\$203,000
Club Salaries	68,000	64,000	68,000
Club Expenses	75,000	60,000	57,000
<i>Journal</i> Salaries	45,000	36,000	42,000
<i>Journal</i> Expenses	83,000	86,000 ²	85,000
Operations	93,000	86,000	87,000
Occupancy	65,000	72,000	67,000
<i>Total Expenses</i>	\$588,000	\$586,000	\$609,000
Surplus or (deficit)	\$ 12,000	\$ 29,000	\$ 36,000
Less reserve ¹	—	—	-25,000
Net Estimated Surplus			\$ 11,000

¹Reserve for mortgage amortization and building and equipment repair and replacement.

²Covers 12 issues instead of 11.

—MICHAEL SPEERS

Membership

AFSA membership registered a fractional decline from 7043 to 6922 between June 1981 and June 1982, a drop of 121.

The membership categories showing a loss were: Retired, from 2264 to 2135; ICA, from 186 to 165; and Associate, from 456 to 429. Offsetting these losses were the following gains: State, up from 3037 to 3040; AID, up from 1096 to 1116; and Agriculture and Commerce, up from 4 to 37.

Membership recruitment continues to be accorded a high priority. AFSA keypersons and representatives in State and AID are supplied upon request with informational materials and membership application forms. Members of all entering Foreign Service classes are invited to the Foreign Service Club to meet with AFSA officers and staff to learn about the Association's services to its members and to find out for themselves how membership and active participation in AFSA can benefit them during the course of their Foreign Service careers.

AFSA members on active duty, as distinct from those who are retired, may elect to have their AFSA dues deducted from their bi-weekly salary checks, to be remitted directly to AFSA by the Department. More than 70 percent of AFSA's active duty members have availed themselves of this convenience, with resulting savings to the Association of billing and postage costs.

—CECIL B. SANNER

State Standing Committee

The State Standing Committee has primary responsibility for State labor-management issues under Chapter 10 of the Foreign Service Act of 1980, and for internal AFSA/State business. In State Standing, different points of view are aired and policies hammered out that are acceptable to all. Membership has expanded in the last two years in what we believe has been a successful attempt to be sure all interests are represented. Voting membership on the Committee is recommended to and approved by the Governing Board.

The primary emphasis of the State Standing Committee this year has been the negotiation of regulations implementing the provisions of the Foreign Service Act. We have continued to work very closely with AID Standing Committee on joint regulations.

We have to say again, as in last year's report, that the negotiations continue to be tedious and frustrating. It took us 13 months, including mediation and an appeal to the Impasse/Disputes Panel to finally get advance of pay settled. We had to file unfair labor practice charges against State to get stand-by pay and emergency visitation travel on the bargaining table. We still have not been able to get a proposal from management on the Special Incentive Allowance and have been negotiating for months on per diem changes and grievance procedures.

Allowances and monetary benefits (as detailed in the President's Overview) have assumed even greater than usual importance in these days of inflation, dollar troubles, budget cut-backs, fewer promotions, etc.

It has been a period of adjustment to the new labor-management tools granted to us under the Foreign Service Act, particularly the Foreign Service Labor Relations Board (FSLRB). For the first time there is an impartial body to which both parties may turn for decisions.

Several months after the due date, the first annual Section 2402 Report to Congress on implementation of the new Foreign Service Act was submitted, including the personnel flow modeling of intake promotion and retention for the separate promotion competition groups. We strongly rejected management's attempt to circumscribe until after agreement had been reached between the five agencies our legal rights to timely access to relevant information and consultation at each stage of the reporting process. This five-year rolling modeling exercise with mandatory reports to Congress (including the views of the employee representative, i.e., AFSA for State and AID) will be one of the most important vehicles for rationalizing appropriate management of the Service to prevent the rollercoaster ride of recent memory. Despite the predictably troublesome start, we anticipate this report will become a major vehicle for substantive employee-management dialogue on how the pie is divided.

The items in this report represent only the tip of the iceberg as far as implementing the Act is concerned. Still to come are some regulations which will be wildly controversial not only between labor and management, but also among the foreign affairs agencies themselves. If the current negotiating pace continues or slows down (if possible), we will probably greet the year 2000 at the bargaining table. Some of the issues yet to be discussed are:

- Career Candidate Program: Appointment, qualification, assignment, evaluation, promotion, and tenuring of all career candidates—specialists, generalists and seniors; Premium Pay; Allowances/Differentials; Official Residence Funding; Separation/Termination; Disciplinary Action; Training; Compensatory Time for FSOs.
- Revision of Skill Codes: The Department is proposing to revise the Personnel Skill Code System to reduce the number of skill codes from 600 to 70. We agreed with the objectives of simplification of the skill code system but were concerned about the impact of the changes on other aspects of the personnel system such as promotion numbers, the career mobility program, and flow-through provisions of the Foreign Service Act. We have almost concluded negotiations

and have made sure that no employees are disadvantaged by the changes in the skill code system.

- Stand-by Pay: AFSA submitted two proposals to management. The first would revise the section on applicability so that all employees would be eligible for stand-by duty pay—the law excludes FSOs/FSIOs. The second proposal, which would affect all Foreign Service employees, would give those employees the right to refuse such duty. Management has submitted its own proposal which is much more restrictive and negotiations are about to begin.
- Appointment and Tenuring Regulations: A complete revision of the regulations establishing appointment and tenuring criteria and procedures is under negotiation. Major AFSA objectives include: providing maximum compatibility for tenuring procedures for all classes of employees, e.g., staff, JOs, mid-career laterals, etc.; and ensuring that the statutory limit of no more than 5 percent non-career members in the Senior Foreign Service and the four-year career candidacy period are implemented in a fashion which prevents politically inspired lateral influxes into the ranks of the Senior Foreign Service. Negotiations on State specific regulations are almost completed, but we are still waiting for management to table the inter-agency regulations.

We have consulted with management on the senior officers assignment glut and on the restriction in stretch assignments which has been imposed to deal with it.

—THEA DE ROUVILLE

AID Standing Committee

The major concern of the AID Standing Committee during this past year continued to be the following of the implementation of the 1980 Foreign Service Act. It watched very closely the progress of the AID and State negotiators on each and every element such as advance of pay, danger pay, Visitation of Children of Separated Parents, grievances, R&R to the States, etc. Specific areas of attention were:

- The Obey Amendment: AFSA filed suit against AID, challenging its issuance of regulations under which it has placed General Schedule employees and political appointees in positions reserved for Foreign Service employees under the Obey Amendment. The suit was filed in U.S. District Court. The court has yet to reach a decision in the case.
- Open Assignments: AFSA filed an unfair labor practice charge against AID for its bad faith bargaining on AFSA's proposal for open assignments regulations. After a determination of merit by the FSLRB the case was settled, paving the way for negotiation of an open assignments system. Negotiations were concluded in June 1982.

Although the approved procedural results of the open assignments system are not all that we had bargained for, it is a beginning. We are optimistic that over the next few years the system will be massaged and will produce the desired results.

- Hotel Receipts: AID employees have long been bothered by the fact that AID is the only foreign affairs agency that requires the submission of hotel receipts with travel vouchers. AFSA raised this discriminatory practice with management, requesting the requirement be dropped. After considerable study, AID management acquiesced to our request and dropped the receipt requirement.
- RIFs: With reduced personnel ceilings for AID mandated by OMB, AFSA consulted with management on the procedures to be used in reaching the lower ceilings. Foreign Service personnel cuts for FY 1982 were substantially lower than those for our Civil Service colleagues, and cuts in AID/Washington far exceed those for our field missions. AFSA maintained regular contact with management on how the reduction was to proceed. We receive the periodic updates on position deletions and position vacancies. Although there was no RIF in FY 1982, for subsequent years there is a cause for concern, and we will stay on top of this one, as it is an issue of utmost priority for all of us.
- Political Appointees as Deputy Mission Directors: In December, AID proposed an amendment to the Foreign Assistance Act which

would have permitted unlimited numbers of non-career deputy directors. Carefully disguised as a measure related to pay and benefits, the amendment would likely have been approved by the Congress. Fortunately, AFSA learned of this maneuver by AID management in time to mount a publicity campaign on the Hill, and the amendment was dropped in the legislative process.

- **Sector Councils and S&T Cadre:** When AID proposed the formation of these two new forms of organizing the Agency's technical personnel, AFSA initiated consultations to ensure that the interests of our Foreign Service personnel were protected. While AFSA has no problem with the idea of providing an enhanced role for AID's scientific and technical employees, we are concerned that the proposed organizations would be involved in personnel matters affecting the conditions of employment. There is also the concern that the councils and cadre may be a means of bypassing AFSA as the exclusive representative of AID's Foreign Service employees, thereby representing a divide and conquer approach to labor-management relations. To date, the sector councils are moving very slowly and the S&T cadre proposal has not yet been implemented. A subcommittee is monitoring this with management very closely.

- **Foreign Service Lounge:** For years AID/AFSA has been trying to get equal use of the Foreign Service Lounge for all AID Foreign Service officers. This year a special subcommittee focused on the issue and were successful in negotiating equal access for AID FSOs in respect to the lounge. Feel free to use it as your base of operation when in Washington on home leave, R&R, etc.

- **Performance Evaluation Ratings (PERs):** As this AFSA fiscal year ends, there is deep concern that management has overstepped its bounds in mandating the downgrading of PERs. Action is presently in process on this matter. Additionally, a subcommittee of the AID Standing Committee is working with AID Labor Management on a complete revision of the PER format.

- **Membership:** As a result of increased membership over the past year and a half (now standing at 57 percent of all AID Foreign Service employees), AID is entitled to and has two AID Representatives to the Governing Board. We trust the excellent work of keypersons and chapter representatives will continue.

—RALPH BARNETT

ICA Standing Committee

The principal initiative of the ICA Standing Committee for AFSA during the past year was the inauguration of a luncheon-lecture series on "Public Diplomacy in the '80s." Guest speakers included former USIA Director Leonard Marks, Congressmen Paul Simon and Jim Leach, former State Department Spokesman Hodding Carter, and television newsman Jim Lehrer. Not only did four of the five programs attract sold-out audiences, but the series also succeeded in familiarizing the top management of ICA with AFSA, its positions and needs. Director Wick, Deputy Director Robinson, Associate Directors Hughes and Trowbridge, Counselor Shirley, and Public Liaison Director Kaminsky all attended one or more of the meetings as our guests. The program accomplished its twin goals of offering a forum for the discussion of professional issues of interest to ICA and of raising the AFSA profile within ICA.

Concern for these goals has also been reflected in the new *Foreign Service Journal*, which has increased its coverage of ICA-related events and issues.

These efforts demonstrate the exceptional dedication of Steve Chaplin, who served throughout the year as the ICA Representative on the AFSA Governing Board and the AFSA Education Committee as well as a member of the *Journal* Editorial Board. It is a sign of Steve's talent and energy that it will take two colleagues to handle his responsibilities this coming year. Jerry Verner was nominated by the ICA Standing Committee as its representative to the Governing Board and was selected by the Editorial Board as a member, and Susan Modi will serve as the representative to the Education Committee. They look forward to carrying further the successful program initiatives of the past year, to having the continued cooperation of

the new AFSA Board, and to stimulating increased interest in AFSA among both present and potential ICA members.

—JAROSLAV J. VERNER

Scholarships

Scholarships are limited to eligible dependent children of Foreign Service personnel who are serving or have served abroad in agencies of the U. S. government operating under the provisions of the Foreign Service Act of 1980. There are two separate awards: *Merit Awards* for graduating high school students based on academic excellence and outstanding achievements; and *Financial Aid Grants*, based solely on need, for undergraduate education. The bulk of the scholarship grants are given for financial aid, and range from \$200 to \$2000. For the academic year 1981-82, 46 financial aid scholarships were awarded for a total of \$37,898. The AFSA/AAFSW Merit Awards for 1982 were named in honor of Elizabeth and Norris S. Haselton for their many years of devoted service to both AFSA and AAFSW. There were 22 awards of \$500 each, and the \$11,000 was provided equally by AFSA and AAFSW.

Tax-deductible contributions to the Scholarship Fund come from AFSA members, the AAFSW Book Fair, overseas groups, bequests, current memorial donations, and perpetual scholarships established as named memorials for Foreign Service people. These contributions supplement the income from the Scholarship investment portfolio and were used to provide 68 scholarships in 1981-82 for Foreign Service Juniors, for a total of \$48,898 in grants in the two programs.

—DAWN H. CUTHELL

Foreign Service Journal

Improvements were made in the financial picture of the *Journal* during FY 1982. One year ago the production cost of a single copy of the *Journal* was \$1.00. Today, the same issue costs \$.71—a decrease of 29 percent. A new contract was signed with Dartmouth Printing Company of Hanover, N.H., effective with the February issue.

Because Dartmouth offers a quick-pay discount, the Association has speeded up its payments to save money and, as a consequence, FY 1982 included payment for 12 issues instead of the normal 11 budgeted (the *Journal* does not publish in August). Despite this and the fact that the production savings only affect the last five of those issues, total *Journal* expenses for the fiscal year were 13 percent below the amount budgeted in the last annual report—a savings of \$13,000. Furthermore, expenses are expected to be even lower in FY 1983.

An advertising campaign was begun with the September 1981 issue that yielded gratifying results. Advertising revenues during FY 1982 were up 9.4 percent over FY 1981. Total *Journal* income from advertising and outside subscriptions increased by \$6000.

—STEPHEN R. DUJACK

Insurance

In FY 1982 the Board of Trustees for Insurance Programs focused primarily on three problem areas: the need to preserve and improve the Foreign Service Health Benefit Plan administered by the Foreign Service Protective Association which provides health insurance to some 12,000 Foreign Service personnel and their dependents; the possibility of establishing a new group life insurance program for AFSA members; and the need to improve or replace existing AFSA programs in the Mutual of Omaha, i.e., Accidental Death and Dismemberment, Hospital Indemnity, and Disability Income plans. The results to date are summarized briefly below.

- **Foreign Service Health Benefit Plan:** Working with Ambassador Kryza of AFSPA, we actively opposed OPM's attempts to cut back the Health Benefit Plan in 1982. Although OPM required many changes, including some that we opposed, we believe that the plan

has retained those benefits of greatest importance to our members. We also made some positive suggestions for improvement which were incorporated in the plan.

- **Group Life Insurance:** We have studied carefully the possibility of offering a viable and competitive plan for group (term) life insurance to our members but have come to the conclusion that a new plan would have little prospect of competing successfully with similar coverage already available. Furthermore, AFSPA is planning to advertise soon a schedule of reduced rates for their plan. At this point, therefore, there seems little purpose in launching a new program although we are prepared to re-examine this position if circumstances warrant.

- **Programs in the Mutual of Omaha:** We have been concentrating on the more important of these contracts: the Accidental Death and Dismemberment (AD&D), which has about 1400 subscribers, and the Hospital Indemnity Plan. As of September 1, 1982, we are transferring the AD&D coverage from the Mutual of Omaha to the Federal Insurance Company, one of the Chubb Group of companies. (The Federal underwrites AFSA's personal insurance policy which covers the personal property and household effects of AFSA members assigned overseas.) The Federal is providing AD&D coverage that includes the risk of declared or undeclared war at a lower rate than that of the existing policy, which excludes war risk. The Federal is also offering higher benefits for dependents. We believe that the Federal's plan meets a special need of Foreign Service personnel and is, to our knowledge, unmatched by any other U.S. insurance company. We have also been negotiating for improvements in the Hospital Indemnity plan. With OPM's cuts in hospital benefits under government-wide health benefit programs, we see a need to provide important supplementary insurance by increasing the benefits currently available under this plan. We hope to be able soon to announce changes that will make such a program much more attractive to our members.

—HERMAN J. COHEN

Grievances and Counseling

The number of grievances has risen considerably, a number of them connected with the new Act (conversion, allowances, etc.) or with the narrower interpretation of regulations since the imposition of budget restraints. We have tried to expand our counseling of potential grievants, giving them a realistic picture of what they can and cannot expect to achieve from a grievance, based on our past experience.

A positive development in our grievance representation is the increase in mediations and settlements of grievances. This avoids costly, lengthy, and almost always emotionally draining hearings before the Grievance Board.

Perhaps the most valuable service we provide is counseling. Employees frequently do not understand the grievance process and procedures. They are unrealistic in their expectations and may, in fact, hurt their chances of winning a case by poor preparation.

An initial counseling session with AFSA frequently gives the employee objectivity and realistic expectations; many times the realization that what he or she needs is career counseling, not a grievance.

—SABINE SISK

Retired Interests

In striving to reduce government expenditures, the Reagan administration has taken aim at the entitlement programs, of which federal retirement is an important component. All indications are that proposals for drastic changes in the present structure of the system are presently taking shape and that legislation incorporating such changes will probably be introduced soon after the 98th Congress convenes in January 1983.

During the past year, cost-of-living adjustments (COLAs) to For-

Foreign Service retirement annuities were reduced from two to one annually. Furthermore, future COLAs may be capped at a level below actual increases in the Consumer Price Index.

As already reported, AFSA is affiliated with 24 other federal employee and retiree groups in a coalition known as the Fund to Assure an Independent Retirement (FAIR) which was formed initially to oppose the merger of the federal retirement system with Social Security. While the possibility of merger remains a central issue, FAIR has broadened its area of concern to include any proposals which would undermine the basic structure of federal retirement. FAIR is mobilizing its resources to resist assaults on the system that appear likely to be launched early in 1983. As a charter member of FAIR's directorate, AFSA will have an active role in seeking to preserve the essential elements of the Foreign Service retirement system as they have evolved over the past 60 years.

—ROBERT M. BEERS

Legal Actions

Home Leave Tax Deduction: As a follow-up to AFSA's victory in the D.C. Circuit home leave tax case, the IRS issued a Revenue Ruling, *Rev. Rul. 82-2*, which provides that a member of the Foreign Service may deduct under Internal Revenue Code section 162(a)(2) the substantiated amounts paid for travel, meals, and lodging incurred by the member while on home leave.

Senior Foreign Service Pay: AFSA won its suit against the Department concerning pay upon conversion into the Senior Foreign Service. The Department had intended to convert all officers into the Senior Foreign Service based upon their capped salary at the time of conversion (\$50,112). Part of the Department's reasoning was that the pay cap would not be lifted. Upon AFSA's victory, the court ordered the Department to convert officers into the SFS based on their higher, scheduled salaries at the time of conversion. The Department accepted the legal ruling but appealed to the court on one point—they sought an amendment to the court's order, seeking authority to use the 1979 executive order instead of the 1980 executive order—9.1 percent higher than the 1979 order—for purposes of conversion. AFSA challenged the Department on this, too, and the court again ruled that AFSA was correct and that the Department had to use the 1980 executive order. As a result of the suit, on January 18, 1982, the Department amended its regulations. The pay cap was concurrently raised to \$58,500.

Obey Amendment: AFSA filed suit against AID, challenging its issuance of regulations under which it has placed General Schedule employees and political appointees in positions reserved for Foreign Service employees under the Obey Amendment. The suit was filed in U.S. District Court. The court has yet to reach a decision in the case.

Administrative Proceedings: AFSA filed an unfair labor practice charge against AID for its bad faith bargaining on AFSA's proposal for open assignments regulations. After a determination of merit by the FSLRB, the case was settled, paving the way for negotiation of an open assignments system. Negotiations were concluded in June 1982.

AFSA filed unfair labor practice charges against the Department for bargaining in bad faith on AFSA's proposals for emergency visitation travel and stand-by duty. The FSLRB found merit in both charges, and we understand that the Department is endeavoring to settle the cases.

AFSA filed an unfair labor practice charge against the Department for unilaterally reinterpreting an agreement on travel of children of separated parents. Again, the FSLRB found merit to the charge and the case was settled. The Department has subsequently adopted AFSA's interpretation of the regulations.

We filed one impasse dispute, regarding the number of pay periods for an employee to repay an advance of pay. AFSA proposed 18 pay periods, the Department proposed 12 pay periods for repayment. The Foreign Service Impasse Disputes Panel adopted AFSA's proposal.

—SUSAN HOLIK

“Just as we need to have a better foreign policy, we need to have a better development assistance policy, and it seems unlikely that by combining the two our efforts will be more successful.”

most always dominates, we should drop all our pretenses and make foreign aid just a part of our foreign policy. This would make the agency unpalatable to the developing countries. They now realize that we have political considerations in our dealings, but we have been able to show that we who work in foreign aid are genuinely concerned about the development of the host countries. This is not just a façade. It is very real, and as a result we have very positive, friendly relations with the best officials in the governments of the host countries. To make foreign assistance merely a part of our foreign policy procedures most likely would destroy this. As a separate agency, AID has certainly managed to stave off the cruder attempts of State to do just this.

From State's point of view this combination would be equally unwise. The department would not be able to hide as effectively supporting assistance to countries such as Israel behind development assistance. Nor would Defense be able to hide its military aid as well.

After experience in both AID and USIA, I believe that our greatest difficulty in the whole foreign affairs field is that we are not nearly far-sighted enough, and I do not see how melding AID into State would improve this situation. Certainly one of the reasons for the criticisms of AID is that results are expected much more quickly than is possible. For example, most development experts see the need to upgrade the education and training programs of the developing countries, but the pay-

off from such programs will necessarily be quite far in the future.

Part of our problem is that we have had so much trouble creating a really coherent, workable, long-range foreign policy. Making development assistance a part of that policy would do little to make it possible to improve our policy formulations because one of our major difficulties in foreign aid has been also to create a coherent, workable, long-range development-assistance policy. I have always felt that in AID we really lacked a basic philosophy that would take into consideration the causes for underdevelopment and poverty and thus come up with well-considered solutions. We got started in 1961 with a lot of vim and vigor and desire to help the poor but were never very clear as to how this best could be done. We had the beginning of a philosophy when Congress directed the agency in 1973 to assure that its assistance really did get down to the “poorest of the poor,” and eventually this may evolve into a solid basis for our programs when we work out how to do it.

Sommers is quite correct when he points out that AID is burdened by the Foreign Assistance Act, which was passed in 1961 and has grown irrationally and awkwardly as new barnacles are tacked onto the original design. Just as we need to have a better foreign policy, we need a better development assistance policy, and it seems unlikely that by combining the two our efforts will be more successful.

Making AID an integral part of

State would fail to address the basic problem of our foreign assistance that Senator Humphrey so clearly stated. Now our assistance efforts are spread among many government agencies so that there is little if any coordination. The Humphrey Bill was gutted, making the International Development Cooperation Agency little more than a superstructure over AID. But the need for coordination still exists, and Congress or the administration may eventually recognize this. AID would be a strong contender to help in the coordination process, since overseas its employees have the best chance to see the overall operation of our assistance efforts.

With the focus of the present administration on private enterprise, the agency has put much more emphasis on feasibility studies and other ways in which AID has always done “chumbaiting” for American industry. The administration has been kinder to the agency than some expected, but we in AID know that industry must have recognized that most of our dollars are spent to buy American products. AID may get a lot of arrows in its altruistic side, but it will stay alive, even if a bit crippled, because of the value of its assistance to American enterprise.

Now is not the time to panic or to give up the good fight. Now is the time to regroup and to think through the relations of the United States to developing countries so that we have ready a better program when times are more propitious to provide help for the poorer countries of the world. □

A 'No' to No-First-Use

The new NATO doctrine advocated by Bundy, Kennan, McNamara, and Smith does not fit with their acceptance of alliance retaliation to a nuclear first strike and could ironically lead to a greater possibility of a holocaust started by a conventional war in Western Europe.

By DAVID ADAMSON

By reassessing the received wisdom that forms the basis of Atlantic alliance nuclear weapons policy, McGeorge Bundy, George Kennan, Robert McNamara, and Gerard Smith, writing in the Spring 1982 issue of *Foreign Affairs*, provide a valuable contribution to the current debate on nuclear weapons and related defense issues. Nonetheless, their thesis—that NATO should unconditionally renounce the first use of nuclear weapons—is unconvincing.

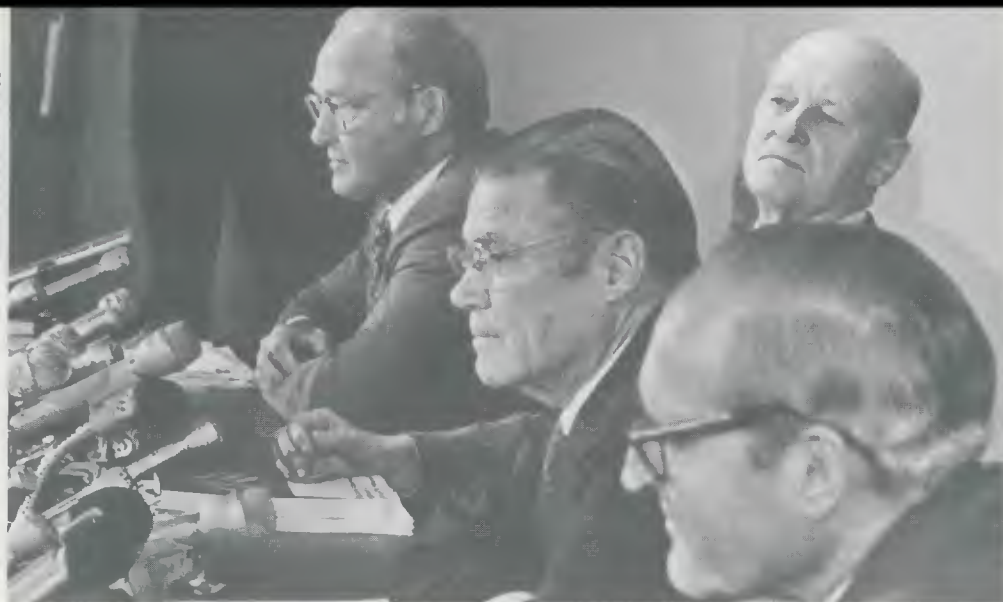
The core of their critique of alliance nuclear weapons policy is embodied in the following excerpts from their relatively brief article:

Given the appalling consequences of even the most limited use of nuclear weapons and the total impossibility for both sides of any guarantee against unlimited escalation, there must be the gravest doubt about the wisdom of a policy which asserts the effectiveness of any first use of nuclear weapons by either side. . . .

. . . the basic argument for a no-first-use policy can be stated in strictly military terms: that any other course involves unacceptable risks to the national life that military forces exist to defend.

Additionally, the authors cite a

David Adamson is a Foreign Service officer who serves as an adviser on political and security affairs at the U.S. Mission to the United Nations. The views expressed are those of the author and do not necessarily reflect the positions of the Department of State.



McGeorge Bundy, Robert McNamara, Gerard Smith, and George Kennan (background) explain their proposed NATO no-first-use policy at April 7 press conference.

number of possible advantages that could flow from a policy of no-first-use. The first suggested advantage relates to the management of nuclear deterrent forces:

Once we escape from the need to plan for a first use that is credible, we can escape also from many of the complex arguments that have led to assertions that all sorts of new nuclear capabilities are necessary to create or restore a capability for something called "escalation dominance"—a capability to fight and "win" a nuclear war at any level. What would be needed, under no-first-use, is a set of capabilities we already have in overflowing measure—capabilities for appropriate retaliation to any kind of Soviet nuclear attack which would leave the Soviet Union in no doubt that it should adhere to a policy of no-first-use.

Meeting Anxieties

Other possible advantages of no-first-use include that it "should go far to meet the understandable anxieties that underlie much of the new interest in nuclear disarmament, both in Europe and in our own country"; that it will "reduce the risk of conventional aggression in Europe" because of the "shift in the balance of Allied effort that a no-first use policy would both permit and require"; that it would provide a tonic "for the internal health of the Western alliance"; that it could serve to improve relations with the Soviet Union, as well as give impetus to nuclear arms reductions on both sides. Finally, and in summary, the authors suggest that "a policy of no-first-use,

especially if shared with the Soviet Union, would bring new hope to everyone in every country whose life is shadowed by the hideous possibility of a third great twentieth-century conflict in Europe—conventional or nuclear."

To be sure, however, the authors do qualify their argument in favor of the adoption of a no-first-use doctrine in two ways. First, they make clear that while they personally favor such action, they believe it should be preceded by careful study of all relevant issues. Second, as implied above, they state that a policy of no-first-use "would require a strengthened confidence in the adequacy of the conventional forces of the alliance," which they believe should be among the questions subject to study and appropriate action before the adoption of a no-first-use policy.

In assessing their recommendation, one should first review current alliance policy. Since the signing of the North Atlantic Treaty in 1949, NATO nuclear strategy has had as its objective the prevention—or deterrence—of war. During the early years of the alliance, U.S. nuclear superiority over the Soviet Union made credible a strategy of massive retaliation. The United States threatened to launch massive and prompt retaliatory nuclear strikes in the event of large-scale Soviet aggression. However, as Soviet strategic capabilities developed—making possible a devastating Soviet nuclear blow against the United States—massive retaliation lost credibility. As a result, NATO strategy in 1967 shifted to that

of flexible response, which still guides the alliance.

Meeting Aggression

In a speech at Georgetown University last April, then Secretary of State Alexander Haig emphasized that the flexible response doctrine calls for NATO to "meet aggression initially at whatever level it was launched, while preserving the flexibility to escalate the conflict, if necessary, to secure the cessation of aggression and the withdrawal of the aggressor." The overriding purpose of this strategy, and the possible use of nuclear weapons that it envisages, is to deter attack—whether conventional or nuclear—by ensuring that the risks of aggression outweigh any conceivable benefits. As Haig's description of flexible response makes clear, the use of NATO nuclear weapons to counter a conventional attack in Europe would be neither immediate nor automatic. That they would only be used to counter aggression had been reiterated by President Reagan last November: "No NATO weapons, conventional or nuclear, will ever be used in Europe except in response to attack."

The authors' principal criticism of the flexible response doctrine—that the enormous destructive power of nuclear weapons, together with the possibility of unlimited escalation, seriously calls into question *any* first use of nuclear weapons—drives straight to the paradoxical heart of deterrence. The concept holds that a *nuclear* first strike will be deterred if the potential attacker is convinced it will receive a



The authors fail to recognize that the threat of a nuclear response to a conventional attack . . . is likely to deter such an attack by creating enormous risks for the potential aggressor. If this threat were rescinded, the result would be a greater—not lesser—chance of war.

devastating nuclear retaliation. Yet, the victim of a massive attack will have already lost the central purpose of its own deterrent—to prevent national destruction—because the victim will have been devastated even if it retains the power to destroy its opponent. In this sense, the launching of a counter-strike is purposeless. Even if the victim has suffered only a limited nuclear attack, it is not clear that it would necessarily be to its advantage to respond in kind, since retaliation might lead to holocaust. Nonetheless, it is vital that potential aggressors *believe* that potential victims will retaliate. Presumably, this will preclude an attack in the first place.

It is evident that the underlying basis of the authors' objection to the first use of nuclear weapons—that it serves no reasonable military purpose—can be applied to most scenarios involving retaliation. But they do not take their argument to its logical conclusion. Though they decry a nuclear response to conventional attack, they recognize the need to make credible NATO use of nuclear weapons in retaliation against a nuclear first strike. They evidently believe that such a posture will deter a first strike, even though nuclear retaliation in such circumstances carries the same risks as nuclear retaliation to a conventional attack—unlimited escalation and unimaginable destruction.

What the authors fail to recognize is that the threat of a nuclear response to a conventional attack on Western Europe, like the threat of nuclear retaliation to a nuclear first strike, is likely to deter such an attack by creating enormous risks for the potential aggressor. If this threat were rescinded, the result would be a greater—not lesser—chance of war, particularly as long as conventional alliance forces remain outmatched by the Soviets'. Moreover, once *any* war breaks out among the nuclear powers in Europe, the possibility of holocaust will loom large. Are we to believe that the side which appears headed for defeat will refrain from using the thousands of nuclear weapons now in place on both sides of the continent? Such a belief would seem questionable indeed. This would be the case even if both sides had declared that they would not use

nuclear weapons first, since such pledges are inherently unverifiable and unenforceable. By magnifying the likelihood of the outbreak of conventional war, then, the approach recommended by the authors actually increases the prospect of nuclear war.

Nuclear Retaliation

It must of course be granted that Bundy, Kennan, McNamara, and Smith do relate their no-first-use proposal to the enhancement of conventional NATO forces. And it is true that an alliance no-first-use doctrine could prompt a conventional buildup. The postwar record, however, provides little encouragement for that belief. Despite having economic power substantially greater than that of the Soviet Union, Western Europe has not come close to matching Soviet military capabilities. In fact, while the Soviet Union spent more than 12 percent of its gross national product on defense in 1978 and the United States 5 percent, European NATO allocated only about 3.5 percent. In dollars, according to ACDA, the Soviets spent \$143 billion that year, compared with total alliance defense spending of \$68 billion.

Western Europe has instead channelled its resources into consumption, creating a highly affluent consumer society. There is certainly serious doubt that Western European governments would be able to re-direct European priorities, especially in the stagnating economic climate that has generally prevailed since the oil crisis of 1973 and in the face of the burgeoning European peace movement. Accordingly, there is a significant risk that in decoupling Western Europe from the American nuclear arsenal, a no-first-use doctrine could contribute to the effective neutralization or "Finlandization" of Europe. Obviously such an outcome would undermine the fundamental and historic U.S. interest in a vigorous, autonomous, and democratic Western Europe. Furthermore, in the view of *Die Zeit* Senior Editor Josef Joffe expressed in the *New York Times* last June, alliance promises to hold West Germany's border with the Warsaw Pact would entail a NATO strategy of pre-emptive conventional strikes across the border if no-first-use were

adopted—"something that can hardly reassure the East."

Many of the ancillary advantages of a no-first-use policy advanced by the authors—notably, that it would increase alliance cohesion—also depend upon the questionable ability of NATO to improve dramatically its conventional posture. Indeed, the very adoption of a no-first-use posture would represent a challenge to alliance cohesion even if its conventional forces were seriously upgraded. It would imply that the overrunning of Western Europe by Soviet forces would be accepted without recourse to NATO nuclear weapons, unless such weapons were first used by the Warsaw Pact. That implication would surely generate serious concern on the part of both Western European governments and peoples, unless the ability of the alliance to repel a Soviet conventional attack by conventional means were firmly established.

Improving Relations?

A final weakness in the authors' argument is their suggestion that a no-first-use policy would reduce the need for U.S. nuclear forces, and improve U.S.-Soviet relations and the possibilities for arms control. In fact, U.S. nuclear forces are not shaped primarily by a policy of credible threat of first use. Rather, it is shaped by the more demanding requirement that U.S. forces be able to survive a Soviet first strike to wreak unacceptable devastation on the Soviet Union, as Secretary of Defense Caspar Weinberger's 1983 *Annual Report to Congress* suggests:

The United States will maintain a strategic nuclear force posture such that, in a crisis, the Soviets will have no incentive to initiate a nuclear attack on the United States or our allies. U.S. forces will be capable under all conditions of war initiation to survive a Soviet first strike and retaliate in a way that permits the United States to achieve its objectives.

On enhancing U.S.-Soviet relations and joint arms control efforts, a no-first-use doctrine, by reducing the danger to the Soviet Union of aggressive behavior on its part, would undoubtedly be welcomed by Soviet leaders. Indeed, over the years the Soviets

have urged that both the West and East adopt such a policy. Soviet efforts in that regard culminated in Foreign Minister Andrei Gromyko's announcement at the United Nations last June that the U.S.S.R. had adopted a no-first-use policy. If the West were to follow suit, the risk is that the improvement in East-West relations that might ensue would be short-lived at best. In the longer run, to the extent that Soviet leaders believed the Western pledge and in the absence of substantial NATO conventional improvements—which the Soviets would surely protest—diminished alliance cohesion and emboldened Soviet behavior in the international arena would have a damaging effect on Western security and U.S.-Soviet relations, including arms control efforts.

This critique of the approach of Bundy, Kennan, McNamara, and Smith is not meant to suggest that there do not exist ways to diminish the prospects of nuclear war. What needs to be achieved is essentially two-fold: First, the strengthening of NATO's conventional forces or, alternatively, significant East-West conventional arms control in Europe through MBFR or other mechanisms, to reduce NATO's need to rely heavily and perhaps at an early stage in any conflict on its nuclear capabilities; second, the revitalization of NATO's nuclear deterrent, especially in land-based intermediate-range nuclear forces, to enhance the credibility of the alliance's nuclear threat or, alternatively, substantial cuts in the nuclear arsenals of both sides, to reduce tension and the potential for nuclear devastation.

Unfortunately—but unavoidably—these prescriptions lack the apparent simplicity of execution of the authors' approach. Unfortunately also, these prescriptions do not eliminate the possibility of nuclear war. That prospect can never be eliminated in the absence of world government, which is most unlikely to be achieved in the foreseeable future, Jonathan Schell notwithstanding. Our prescriptions do, however, enhance the prospect that the 35-year-old nuclear peace between the superpowers will endure in a world of rising tensions and ever advancing technology. □



Once any war breaks out among the nuclear powers in Europe, the possibility of holocaust will loom large. Are we to believe that the side which appears headed for defeat will refrain from using the thousands of nuclear weapons now in place on both sides of the continent?

Pakistan & the Bomb

The Reagan administration's policies of nuclear non-proliferation and Soviet containment collide in the strategically located country run by General Zia ul-Haq. Because Pakistan's desire for a nuclear capability comes from its conflict with India, the United States should encourage rapprochement.

By ARTHUR LEZIN

Now that the fiscal year 1982 foreign assistance legislation has removed the restriction on economic and military aid to Pakistan, a review of U.S. policy toward that country is very much in order. Is the current administration's policy likely to be more successful than previous efforts in preventing or delaying the development of Pakistani nuclear weapons? How destabilizing would a Pakistan armed with nuclear weapons be to South Asian regional security? What, if anything, can the United States do to improve relations between Pakistan and India and promote U.S. interests in the region?

Insecure, vulnerable, and unstable are the words that first leap to mind when describing Pakistan's geographical and military setting. Eighty million Pakistanis are faced by India on one border and the Soviet Union on the other. The religious basis of the partition in 1947 is itself a source of instability. Moslems represent roughly one tenth of India's population, and Pakistani efforts to use Islam as a unifying force are considered threatening by India. Further, the loss of East Pakistan in the third war with India in 1971 exacerbated separatist pressures in Pakistan's northern and western sections, where feelings of Pakistani nationalism never have been pro-

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Indian officials are worried that the 40 high-performance F-16 aircraft (pictured) in a proposed U.S. assistance package to Pakistan could serve as a delivery vehicle for nuclear weapons.

nounced. No longer is there a need for these provinces to band together as a counterweight to the numerically superior Bengalis. Also, the trial and execution of former President Zulfikar Bhutto in the wealthiest and most powerful province, the Punjab, heightened anti-Punjab sentiment in Bhutto's home region, the Sind. As if this weren't enough, the fall of the Shah and the Soviet invasion of Afghanistan intensified the country's sense of isolation and danger.

In the four years since deposing Bhutto in July 1977, President Zia ul-Haq's martial law regime has not been able to win popular support. In February 1981, nine opposition parties joined in the Movement for the Restoration of Democracy and called for an end to martial law, restoration of the 1973 constitution, and "free, fair, and impartial elections within three months." Bhutto's wife and daughter, leaders of Bhutto's Peoples Party, Air Marshal Asghar Khan of the Movement for Integrity Party, and other opposition leaders have been jailed.

Inherited Program

The Pakistani decision to seek nuclear weapons antedates the current government. In 1969 Bhutto wrote, "Our problem, in its essence, is how to obtain such a weapon [nuclear deterrent] in time before the crisis begins." Pakistan did not sign the U.N. Non-Proliferation Treaty after it was negotiated and during the Yahya Khan period indicated it would do so only if India signed, nuclear fuel supplies were assured, and the country's securi-

ty was guaranteed. Following the Indian nuclear explosion in 1974, Bhutto accelerated Pakistani efforts to acquire a nuclear weapons capability.

Even though Zia inherited the program, the nuclear option is clearly a high priority for his regime and is important to him for domestic political, as well as military, reasons. This issue is a highly charged, nationalistic one among the ruling elite; they view Western pressure to deny them such weapons as a direct affront to their fragile sense of sovereignty and independence. U.S. opposition to Pakistan's acquisition of nuclear weapons is particularly galling to them since they are convinced that U.S. and Canadian assistance, whether deliberate or inadvertent, was instrumental in India's breakthrough into the prestigious circle of nuclear powers. Relatively sophisticated aspects of nuclear technology are the subject of considerable discussion by civil servants, journalists, and others, and few question the course on which the government has embarked. The country's nuclear program was not an issue in the emotional 1977 election and has not been raised subsequently by the opposition. It is difficult to imagine any Pakistani government—civilian, democratic, or military—forgoing the option of at least establishing the capability to explode a nuclear device.

From the standpoint of a military deterrent to Indian aggression, the justification for nuclear weapons is, in Pakistan's view, compelling. Pakistan remains hopelessly inferior to India in terms of modern equipment for its

armed forces, despite spending substantially more of its gross national product on defense. (Pakistan spent 6.2 percent of its GNP on defense in 1977; India spent 3.1 percent.) As a matter of basic defense policy, India will never allow Pakistan to reach conventional military parity. In terms of military asymmetry with its chief adversary, Pakistan, it can be argued, has the same rationale for acquiring nuclear weapons as did the United States when it faced huge Soviet conventional forces in the 1950s.

Overwhelming Evidence

The evidence appears to be overwhelming that President Zia—despite declarations to the contrary—is moving as rapidly as possible toward achieving a nuclear weapons capability. The Pakistani government seems likely to be using two approaches to this end: a reprocessing plant to convert spent fuel from its one operating nuclear power reactor into plutonium and, more recently, an unsafeguarded gas centrifuge uranium enrichment facility (at Kahuta, near Islamabad) to produce weapons-grade uranium. France suspended the contract for the reprocessing plant in August 1978, following strong U.S. appeals to the French government on non-proliferation grounds, but the blueprints had already been transferred. Recent information has confirmed that construction is continuing. The significance of the reprocessing plant was underscored in September 1981 by Sigvard Eklund, then director general of the International Atomic Energy Agency,

who said that the agency could no longer vouch for the integrity of IAEA safeguards at the Kanupp power reactor. The suspicion is that Pakistan is building a plutonium stockpile to be used when the plant is operational. Regarding the enrichment facility at Kahuta, the technical problems associated with this process are formidable even under ideal conditions. Nevertheless, according to Lewis Dunn of the Hudson Institute, barring a "basic design failure, engineering bottleneck, or some other technical/industrial malfunction, Pakistan is likely to acquire sufficient weapons-grade uranium for a nuclear weapon test in from one to three years." Despite President Zia's statement in November 1981 that Pakistan needs nuclear energy to overcome the cost of oil, there is no justification for an independent enrichment capability at this time.

Since 1974 the major thrust of U.S. policy has been to prevent or dissuade Pakistan from acquiring an enrichment or reprocessing facility that could be used for the production of nuclear weapons. In following this policy, the United States has at times supplied or withheld conventional arms, pressured Pakistan and the suppliers of technology, and cut off economic and military aid. To date, none of these measures has been successful.

A Realistic Supplier

In 1959 the United States and Pakistan signed a Bilateral Agreement of Cooperation under which the United States confirmed that the preservation of the independence and integrity of Pakistan was vital to its national interest and to world peace. The United States became, in the ensuing years, a major source of armament for its CENTO and SEATO ally. However, there was a basic difference of view as to how those weapons should be used. The United States considered an armed Pakistan an obstacle to Soviet or Chinese aggression. But for the Pakistanis, the enemy was—and still is—India. (President Eisenhower reputedly asked Ayub Khan, "Can you guarantee that you won't attack India?" Ayub Khan replied, "Can you guarantee that you won't ask me to attack India?") Misperceptions on both sides

were dispelled when the United States imposed an arms embargo on both Pakistan and India during the 1965 war over Kashmir. The embargo, which was not fully lifted until 1975, hurt Pakistan more than India. The latter was able to obtain more sophisticated weapons from the Soviet Union during this period than Pakistan received from China. This experience has strongly colored the attitudes of the Pakistani military today on the reliability of the United States as an ally and supplier of arms.

The United States has exerted intense diplomatic pressure on the French government to require safeguards on the reprocessing plant and, later, to cancel the contract. Despite U.S. initiatives in the International Nuclear Fuel Cycle Evaluation and the London Suppliers Group to prevent the spread of potentially dangerous technology, Pakistan has been able to acquire some—partly through subterfuge, dummy corporations, and other methods—from Switzerland, France, West Germany, the United Kingdom, and the United States. The Nuclear Non-Proliferation Act of 1978, under which U.S. nuclear exports hinge on acceptance by the importing country of the NPT or full-scope safeguards, has had little or no effect on the Pakistani program.

Finally, when evidence concerning the enrichment facility mounted, the Carter administration cut off economic and military assistance to Pakistan in April 1979, under the provisions of the Symington Amendment to the Foreign Assistance Act. Food aid was not covered in the legislation and PL 480 wheat, the highest priority of the Pakistani government, continued to be supplied, albeit at a lower level than the Ministry of Finance wished. However, little leverage was gained by stopping U.S. bilateral economic aid since the amounts were small relative to the assistance Pakistan received from OPEC and other sources, sometimes on a concessionary basis, and because U.S. project aid is slow in disbursing. The freeze on new obligations would not affect foreign exchange reserves, for example, for a long time.

Then the Soviet invasion of Afghanistan prompted a change in U.S.

policy. The administration announced it would seek congressional approval of a waiver of the Symington Amendment, thus allowing a resumption of military and economic assistance to Pakistan. But an aid package, including F-5 aircraft, which Pakistan considered inferior to India's deep-strike MIG-23s, was rejected as "peanuts."

Removing Insecurities

Shortly after taking office, the Reagan administration proposed a six-year, \$3.2-billion aid package for Pakistan, split evenly between military and economic assistance. The rationale, as expressed by then Secretary of State Alexander Haig, was that "you get more by removing the insecurities that foster the nuclear thirst among countries like Pakistan." James Buckley, then under secretary of state for security assistance, stated that Zia had given him assurances Pakistan would not develop nuclear weapons but had refused to rule out the possibility of exploding a peaceful nuclear device. Any such explosion, Buckley said, would be regarded by the United States as tantamount to the testing of a nuclear weapon. Representative Stephen Solarz (D.-N.Y.) explained why Congress lifted the ban on aid: "Because of the Soviet presence in Afghanistan we have to respond to the military and economic needs of Pakistan."

The conventional arms in the military portion of the package—M-48 heavy tanks, howitzers, armed personnel carriers, and attack helicopters—ostensibly are designed to help defend Pakistan's 1200-mile western border. Forty F-16 aircraft are the most controversial element in the package, and from Pakistan's standpoint, the most essential. Since the cost of the military purchases will exceed the proposed aid, Pakistan is expected to finance the balance from its own resources and from friendly Arab governments. One worrisome possibility is that Pakistan will repay this assistance with sensitive nuclear technology. As R.W. Jones observed in *Nuclear Proliferation: Islam, the Bomb and South Asia*, the development of exportable cadres of scientists and technicians probably would be to Pakistan's advantage in the Islamic

world, since it would supply both status and oil guarantees.

Not surprisingly, the Indian reaction to the arms package is that the F-16s and tanks alter the military balance in the region. (Nothing is said about India's recently concluded \$1.6-billion arms credit from the Soviet Union or Indian interest in purchasing the sophisticated Mirage 2000 jet fighter from France.) Prime Minister Indira Gandhi concluded that since the F-16s could not be a significant deterrent to the Soviet air force, they could only be used against India. The Tata Institute of Fundamental Research at Bombay, with 7000 technical and professional employees, is particularly vulnerable to an air strike. An Indian diplomat expressed that country's concerns based on the original delivery schedule: "Once Zia acquired the planes he would detonate his device. He'll have had time to make it into a smaller bomb and he'll have F-16s to deliver them. He will be even more dangerous." In response to the announcement of an accelerated F-16 delivery schedule, Deputy Defense Minister Patil told Parliament in New Delhi, "We are acting swiftly and in a planned manner." Over the longer term, the Indians are concerned about Pakistan's closer ties to the United States coupled with increasing support from the wealthy Islamic oil exporters.

Since taking office, President Reagan's declaratory policy on non-proliferation has been substantially stronger than that expressed during the campaign. In July 1981, he said that stopping the spread of nuclear weapons is a "fundamental national security and foreign policy objective." It appears, however, that the administration holds an even more fundamental foreign policy objective: stopping the spread of Soviet power and influence. Pakistan is one country where the two goals—non-proliferation and Soviet containment—conflict. Repeated assurances to Congress that arms sales to Pakistan will prevent or delay that country's acquisition of nuclear weapons are unconvincing. The Indian subcontinent is one part of the world where the "dove's dilemma"—the need to provide conventional arms to prevent or delay the spread of nuclear

weapons—is most unlikely to succeed. Enmities are too deeply rooted and sophisticated conventional weapons are too destabilizing.

Having said all this, it cannot be denied that the Carter policy before the invasion of Afghanistan of not providing nuclear technology without inspections and safeguards did not work in Pakistan. That being the case, what is there to lose from trying the current administration's approach of seeking leverage by supplying conventional arms? The difficulty with this approach is that U.S. policy is contributing to heightened tensions and war-fighting capabilities in a part of the world where neither India nor Pakistan receive high marks for restraint and where the United States, China, and the Soviet Union have both allies and commitments.

Reducing Regional Tensions

There are, of course, a number of diplomatic steps—centered on actions by Pakistan and India—the cumulative effect of which would tend to reduce tensions in the area. They include a Pakistan-India non-aggression pact, final settlement of the thorny Kashmir problem, joint India-Pakistan military withdrawal from the Punjab (thus allowing the redeployment of Pakistani forces to the Afghan border), and Indian recognition of the Durand Line, Pakistan's controversial border with Afghanistan. None of these steps would have been easy prior to the military arms packages. Now they will be exceedingly difficult to achieve, even with strong U.S. (and possibly Chinese) support on the Pakistani side.

The aid package to Pakistan could also adversely affect U.S. non-proliferation goals because of the relative ease with which Pakistan has evaded the London Supplier Group's prohibitions on the export of sensitive technology. In Senator Alan Cranston's (D.-Calif.) view, French, Italian, and Swiss efforts to assist Pakistan in nuclear weapons development represent a clear and present danger to the United States. U.S. willingness to approve the aid package despite these exports sends the wrong signal, both to the European exporters and to Pakistan. An IAEA official recently put it this way:

"Unless you can lay out a clear set of guidelines—breaking relations, cutting off trade, suspending other links—states like Pakistan will continue with their bomb programs, figuring no one will really penalize them." For example, it was recently announced that France will supply fuel rods for South Africa's soon-to-be-completed power reactors. And, in providing assistance to Iraq in rebuilding its "research" reactor it is unclear if France will insist that highly enriched uranium not be used.

Finally, the military aid package raises questions about the viability and stability of the Zia regime. However murky the consequences of the arms transfer in terms of relations with India, and the ability to deter Soviet incursions, the impact of the aid within Pakistan is clear. It will bolster Zia's position with his military colleagues but will have little effect in mobilizing grass roots support for military rule. The outlook for any Pakistani government without that support seems extremely shaky. Ghulam Mustafa Khar, a former adviser to Bhutto who is now living in exile, believes that the Punjabi military now in control are a poor substitute for political leadership. With the provinces pulling apart, with India ready to profit from disunity, and with both the United States and the Soviet Union probing for advantage in what is now a front-line state between them, military authority may survive for a while, but it cannot supply the stable, long-run leadership for Pakistan that only a popularly elected government can provide.

Given the tight lid that has been placed on political activity in Pakistan since Bhutto was removed from office, it would be naive to expect that a return to a popularly elected civilian government will be easy to accomplish. It also would be naive to assume that the United States has much leverage on such a fundamental issue. Nevertheless, freely contested national elections should be at the top of the list of U.S. objectives. And, whatever we can do to encourage rapprochement between India and Pakistan—and settlement of the issues which divide them—will pay big dividends for U.S. interests in the region. □

The Pig War:

Britain recently lost many men in a battle over islands known for their sheep. In 1859 they had a similar fight but lost only one black pig.

By **AUGUST A. IMHOLTZ JR.**

The Oregon Treaty of 1846 settled the northwestern land boundary between Canada and the United States at the 49th parallel despite the famous presidential campaign slogan "Fifty-four forty or fight," but it left in doubt the question of sovereignty over the islands lying between Canada's Vancouver Island and the Oregon Territory. The demarcation line followed the 49th parallel westward to "the middle of the channel separating the continent from Vancouver Island and thence southerly through the middle of said channel and of Fuca's Straits to the Pacific Ocean." But the diplomats who negotiated that treaty in the days before National Geographic maps were apparently unaware that there were two channels: one through the Strait of Haro that the U.S. interpreted as the locus of the boundary, which would make San Juan and some other small islands part of the Oregon Territory, and one through the Strait of Rosario, which, as the British maintained, placed them in Canada. Both American farmers and British agents of the Hudson's Bay

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Company occupied parts of San Juan Island, while diplomatic attempts to resolve the boundary dispute led nowhere. Tension between the British and Americans on the island mounted until, finally, on June 15, 1859, blood was shed.

On that day Lyman A. Cutler, one of the handful of American farmers on San Juan, shot a black pig he found marauding his garden. Such was the eponymous beginning of the Pig War, for the pig "belonged to an officer of the Hudson's Bay Company's station nearby." When Cutler's attempts to indemnify the pig's owner failed, the Canadian authorities tried to arrest Cutler in order to bring him to trial in Victoria for porcicide. The Americans, Cutler included, recoiled at the idea of an American citizen being abducted to Canada to be tried under English law. They appealed to the U.S. government for assistance. Washington's response was swift.

Precipitous Occupation

On July 18, Captain George E. Pickett, a soldier who is remembered more for his charge at Gettysburg than for his exploits in the Pig War, was dispatched from Fort Bellingham on Puget Sound with a company of infantry under orders "to afford adequate protection to the American citizens in their rights . . . and to resist all attempts at interference by the British authorities residing on Vancouver Island, by intimidation or force, in the controversies." Pickett and his men immediately established an armed camp on San Juan, where they were supplied with provisions by the steamer *Massachusetts*. The acting secretary of war, W.R. Drinkard, expressed to Pickett's commanding officer, General William D. Harney, the president's displeasure over the too-precipitous military occupation of San Juan by U.S. troops.

Meanwhile, the British warships *Tribune*, *Plumper*, and *Satellite* threatened the American position, so General Harney was compelled to reinforce Pickett with four companies of artillery. Pickett then received the following note of July 30, 1859, from Charles J. Griffin, agent for the Hudson's Bay Company:

I have the honour to inform you that the island of San Juan, on which your camp is pitched, is the property and in the occupation of the Hudson's Bay Company, and to request that you and the whole of the party who have landed from the American vessels will immediately cease to occupy the same. Should you be unwilling to comply with my request, I feel bound to apply to the civil authorities.

The Americans refused to withdraw. During the next month communications between Captain Pickett and Captain G. Phipps Hornby, commander of Her Britannic Majesty's ship *Tribune*, became more conciliatory. Hornby prudently suggested on August 30, 1859:

To prevent the chance of a collision, I suggested that a joint military occupation might take place, and continue until replies could be received from our respective governments; and, during such times, that the commanding officers of the forces should control and adjutate [*sic*] between their respective countrymen, the magistrates being withdrawn on both sides . . . under a joint military occupation.

President James Buchanan approved of the British captain's plan and entrusted its execution to Lieutenant General Winfield Scott, commander of the U.S. Army. In a letter of Sept. 16, 1859, the acting secretary of war succinctly conveyed the president's feelings to General Scott: "It would be a shocking event if the two nations should be precipitated into a war re-

Disputed Islands



specting the possession of a small island."

While General Scott was traveling to San Juan, British Rear Admiral Lambert Baynes arrived at the scene of the conflict and, reportedly, "refused to open hostilities over the shooting of a pig." "Tut, tut, no, no. The damned fools," he is said to have exclaimed. But it was with James Douglas, the governor of the Colony of Vancouver Island, rather than with his military counterpart Baynes, that Scott exchanged proposals for an interim settlement of the San Juan dispute. General Scott proposed:

Without prejudice to the claim of either nation to the sovereignty of the entire island of San Juan, now in dispute, it is proposed that each shall occupy a separate portion of the same by a detachment of infantry, riflemen, or marines, not exceeding one hundred men, with their appropriate arms only, for the equal protection of their respective countrymen in their persons and property, and to repel any descent on the part of hostile indians.

Further negotiations ensued during which, at one point, Douglas insisted on the complete withdrawal of American troops as the *sine qua non* for a settlement. Finally, Scott's proposal for joint occupation forces, one hundred strong each, was found mutually agreeable. Unfortunately, the Civil War broke out and left one hundred American soldiers facing a counterforce of British soldiers encamped nine miles across an island in the far Northwest. The occupation forces remained on San Juan until, under the provisions of the Treaty of Washington in 1871, the United States and Great Britain agreed to submit the dispute to the German Emperor for arbitration. Kaiser Wilhelm I decided the case in favor of the United States, and so the Pig War was resolved through patient diplomacy with but the loss of the life of a single pig. □

DOMESTIC POSTINGS

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FOREIGN SERVICE PEOPLE

1982 AFSA/AAFSW Merit Award Winners

We present pictures and brief biographies of the 22 winners of the 1982 AFSA/AAFSW Merit Awards, given for academic excellence and outstanding extracurricular activities of graduating high school students this past May. Volunteer review panels evaluated 103 applications from dependent Foreign Service Juniors currently living in 18 states and 29 overseas posts. Awards of \$500 were given to the winners. The 1982 awards have been named in honor of Elizabeth and Norris S. Haselton, in recognition and appreciation for their long service in the Foreign Service and years of volunteer assistance to AFSA, AAFSW, and especially the Book Fair.

Interested applicants who will be graduating from high school in 1983, and who are qualified dependents of Foreign Service personnel who are serving or have served abroad in agencies of the U.S. government operating under the provisions of the Foreign Service Act of 1980, are encouraged to apply. Write to Dawn Cuthell, AFSA Scholarship Programs administrator, 2101 E St. NW, Washington, D.C. 20037, in October, for applications and information.



Jonathan E. Tarrant, son of James and Myrna Tarrant, State. Jonathan has lived in Pakistan, Upper Volta, and the United Kingdom. His interests include French language and literature, and baseball. Jonathan is a member of the National Honor Society, is a National Merit commended student, and is listed in *Who's Who of American High School Students*. A graduate of Falls Church (Va.) High School, he will be a Presidential Scholar at William and Mary this fall, and hopes to study physics and chemistry.



Christopher P. Bolster, son of Archie and Ann Bolster, State. Chris has lived in India, Iran, and Belgium. He is especially interested in computer programming and works at Education Turnkey Systems developing software. He is also interested in golf, woodworking, and basketball. He is a graduate of Yorktown High School in Arlington, Va., and has received a Life Scout Award. He will be attending the University of Virginia and hopes to study economics.



Brian King Nelson, son of Theodore Cooke and Margaret Moeller Nelson, State. Brian has lived in Afghanistan, Hungary, Iran, and South Africa. He enjoys playing alto saxophone with jazz and rock bands, and playing ultimate frisbee. He served as his senior class president and as chairman of the District of Columbia Council for one day as part of a 4-H program. A graduate of the School Without Walls in Washington, he is a member of the National Honor Society. This fall he will attend the Carnegie Institute of Technology at Carnegie-Mellon University, where he plans to study mechanical engineering.



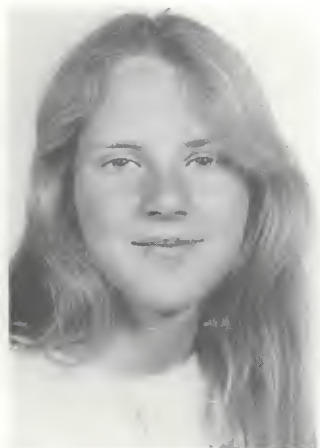
Paul R. Hughes Jr., son of Paul and Patricia Hughes, State. Paul has lived in the United Kingdom, South Africa, Finland, and Czechoslovakia. He is interested in Gothic architecture—especially cathedrals—choral singing, and organ music, as well as computers, debates, and foreign affairs. A graduate of St. Albans School in Washington, D.C., he was a member of the Cum Laude Society and a National Merit finalist. This fall he will attend Princeton University, where he hopes to study public and international affairs.



Karen Bofinger, daughter of Paul and Norma Bofinger, State. Now living in Virginia, Karen has resided in Canada, Thailand, and Germany. She is interested in drawing and in sports, including horseback riding, ice skating, and swimming. Karen graduated from Annandale (Va.) High School and was a Merit Scholarship finalist. She is a member of the National Honor Society, Mu Alpha Theta (math honor society), and the German Honor Society. She attended the U.S. Military Academy Invitational Academic Workshop. In the fall she will start at the University of Virginia, where she plans to study engineering.



Jennifer Leigh Smith, daughter of Dane and Judith Smith. She has lived in Senegal, the Gambia, and Pakistan. Jennifer enjoys singing and playing the piano. Her other interests include French and student government. A graduate of Woodrow Wilson High School, Washington, she is a member of the National Honor Society, is listed in *Who's Who of American High School Students*, and has received a National Merit leadership award. This fall she will attend Mount Holyoke College, where she hopes to study languages and international relations.



Anne Birn, daughter of Richard and Jacqueline Birn, ICA. Anne has lived in Finland, Hong Kong, Canada, Malta, and Mexico. She was co-editor of her school art and literary magazine, a reporter and columnist for the school newspaper, and active in student government. A graduate of West Springfield (Va.) High School, she was valedictorian of her class, president of the National Honor Society, and winner in Virginia of the Century III Scholarship competition. Anne will be attending Harvard University in the fall, where she plans to study international relations.



Susan Lee Duncan, daughter of Robert Bruce and Faith Snedeker Duncan, State. Susan has lived in France, Algeria, Ethiopia, and Morocco. She is interested in long distance running and holds a varsity letter in track and cross country. She won the junior women's division in a Parisian 20-kilometer run. Susan's other interests include painting, sewing, skiing, and the American Church's Youth Group. A graduate of the American School of Paris, she received the sophomore math award and was a member of the Cum Laude Society. This fall she will begin studies at Princeton University, where she may major in economics.



Jerome David Sayre, son of Abbott Pannell and Iris Sayre, State (ret.). Jerome has lived in Turkey, Guinea, Panama, and Canada. He enjoys bicycle racing and touring, running, skiing, and playing the trumpet. A graduate of Henry D. Sheldon High School in Eugene, Ore., he has won the University of Oregon Alumni Association Book Award. This fall he plans to attend the University of Oregon in Eugene to study international relations.



Catherine Alison Piez, daughter of William and Mary Eleanor Piez, State. Catherine has lived in Afghanistan, the Philippines, and Japan. Her interests include biology, literature, baking, and choir. She was an alternate to the Virginia All-State Choir. She has won an academic achievement award, a chemistry award, a Harvard book award, and a National Merit Scholarship. This fall she will attend Yale University.



Christopher Douglas Rowell, son of Edward and Lenora Rowell, State. Chris has lived in Argentina, Honduras, and Portugal. He enjoys soccer and tennis, and his other interests include math, science, and comparative government. A graduate of Northfield-Mt. Hermon School, Mt. Hermon, Mass., he is a member of the Cum Laude Society and has received an award for his achievements in math and science. This fall he will be at Stanford University, where he may study engineering or political science.



David R. Heatley, son of George and Cecile Heatley, State. David has lived in Japan, South Korea, Israel, Zaire, Trinidad and Tobago, Mauritius, and Indonesia. His interests include computers, scuba diving, skiing, and soccer. He was named the most valuable player in his high school soccer league. David graduated from Seoul American High School and won the Officers' Wives' Club Merit Scholarship. This fall he will attend Harvey Mudd College, where he plans to study electronic engineering.



Andrew G. Russell, son of Ronald and Susan Russell, AID. Andrew has lived in Argentina, Bolivia, and Panama. His interests include languages, politics, skiing, and swimming. He graduated from Gonzaga College High School in Washington and is a member of the National Honor Society. Andrew has received a National Merit Scholarship commendation, a Georgetown University Citation for outstanding scholastic achievement, and a grant from the National Science Foundation. This fall he plans to attend the University of Virginia to study history.



Richard James Lyne, son of Stephen and Mary Lyne, State. Richard has lived in Cambodia, Thailand, Hong Kong, New Zealand, Gabon, Algeria, and Australia. He is interested in sports—particularly baseball—and was named Athlete of the Year at St. Andrews Episcopal School in 1980. He also enjoys drama and journalism. A graduate of St. Albans School in Washington, he was a National Merit finalist. In the fall he will attend Middlebury College, where he hopes to study history and drama.



Frederic Halsey Rogers, son of Mr. and Mrs. Stephen H. Rogers, State. Fred has lived in the United Kingdom, France, and Mexico. His interests include volleyball, singing, and drama. He is a member of his church youth group and an Eagle Scout. A graduate of the American School Foundation in Mexico City, he was salutatorian of his class and a National Merit Scholarship finalist. Fred has received awards in math, English, and drama, and the Ambassador's Cup for the outstanding senior. This fall he will attend Princeton University.



Louise Brown, daughter of Gordon and Olivia Brown, State. Louise has lived in Iraq, Egypt, France, and Saudi Arabia. Her interests include choral music, drama, and swimming. A graduate of Woodrow Wilson High School in Washington, she has received the Oberlin Book Award and the Georgetown University Citation. Louise is included in *Who's Who of American High School Students* and is a member of the National Honor Society. This fall she will attend Duke University, where she plans to study public policy and English, with an eye toward a career in communications.



Sheila Moore, daughter of Eugene and Minni Moore, AID. Born in Zaire, Sheila has lived in Korea, the Ivory Coast, Italy, and Rwanda. She enjoys sports, including horseback riding, swimming, and tennis, and is interested in student government. A graduate of St. Stephens School, Rome, she twice won the Mathematics Department Award and has also won awards from the science and French departments. Sheila is a National Merit Scholarship commended student. This fall she will attend the University of Virginia, where she hopes to study computer science or engineering.



Steven Morefield, son of Richard and Dorothea Morefield, State. Steve has lived in Norway, Uruguay, and Colombia. He is interested in math, science, computers, and cooking. A graduate of W.T. Woodson High School, Fairfax, Va., he has received a California Scholarship Federation award and a National Merit Scholarship commendation. He is a member of the National Honor Society and was a delegate to the Freedom Foundation at Valley Forge. This fall he will attend the University of Virginia, where he plans to follow a pre-med course of study.



Michelle Jacqueline Nadeau, daughter of Carlene and Edward Nadeau, AID. Michelle has lived in Costa Rica, the Dominican Republic, Nigeria, and Vietnam. She enjoys working on her 1965 Volvo and is interested in drama, photography, sewing, and crafts. She was valedictorian of her class at Herndon (Va.) High School. She has received several awards for her ability in Spanish, a commendation from the American Heart Association, and the Danforth Youth Leadership Award. She will be attending the University of Virginia in the fall.



Sonia E. Flaten, daughter of Robert and Carroll Flaten, State. Now in Virginia, Sonia has also lived in Pakistan and Israel. She was a finalist in the National Symphony Orchestra's Young Artists competition and won the Virginia Music Teachers Association Concert competition. A graduate of H-B Woodlawn Program, Arlington, Va., Sonia won the Northern Virginia Music Teachers Association Scholarship competition and the Northern Virginia French competition. She will attend the State University of New York at Purchase next fall, where she plans to study music.



Robin Lynn Fritts, daughter of Mr. and Mrs. Robert E. Fritts, State. Robin has lived in Luxembourg, Japan, Indonesia, Sudan, and Rwanda. Her interests include track, cheerleading, and sign language. Robin has done volunteer work for the African Wildlife Federation and the Mental Health Association. She is a graduate of Walt Whitman High School, Bethesda, Md., and a PSAT commended student. This fall she will attend Stanford University.



Gretchen Lamb, daughter of Mr. and Mrs. Robert E. Lamb, State. Gretchen has lived in Nepal, Thailand, Germany, and Belgium. Aside from travel, her interests include varsity basketball, track, and cheerleading. A graduate of Bonn American High School, she is a member of the National Honor Society, a National Merit Scholarship commended student, and a Presidential Scholarship finalist. This fall she will attend Stanford University, and she hopes eventually to study medicine.

Deaths

CONSTANTINE (STAN) WARVARIV, a Foreign Service officer for 20 years, died on April 6 after a difficult but brief illness, in his Silver Spring home. He was 57.

Warvariv was agency director for transportation and communication in the Bureau of International Organization Affairs since 1979. Prior to that he was agency director for UNESCO affairs and deputy U.S. permanent representative to UNESCO in Paris. His long career was recognized by numerous awards and citations, among them the State Department Meritorious Honor Award and the State Department Superior Honor Award.

He was born in the Ukraine in 1924 and was educated at Heidelberg University, receiving a law degree. He immigrated to the United States in 1949. He attended Columbia University, where he was conferred a degree as master of public law and government, and completed course work toward a doctorate in international relations in 1977. He lectured and published on Ukrainian culture in the United States.

Survivors include his wife, Olena of Silver Spring, daughters Victoria Warvariv and Iryna Warviriv-Priester, sister Sophia Krawec, and brother Eugene.

ELWOOD WILLIAMS III, for many years one of the State Department's most respected authorities on German questions, died on June 30 in Washington. He was 68.

Williams joined the Foreign Service as a clerk in 1940, served as naval officer during the war, and graduated from Georgetown University School of Foreign Service in 1948. He was in the Bureau of German Affairs when he contracted multiple sclerosis. He nonetheless continued a long and productive career until retirement in 1974, after which he was a consultant.

In part a byproduct of his illness, his long uninterrupted service on German questions made Williams a rare element of continuity in the department. A whole generation of American Foreign Service officers serving in Berlin and both Germanies as well as Federal German diplomats serving in Washington were guided, counseled, and encouraged by him. He was honored by the department and by the Federal German government for his signal contributions to German-American relations. He leaves his wife, Frances McLean Williams, whose unstinting help made his achievements possible, a son, two daughters, a brother, and a sister.

Marriages

BARBARA J. ROLLINS was married to ROB-

ERT S. PACE on May 17 in Arlington, Virginia. Both are Foreign Service employees and will be residing at their new post, the embassy in Ankara, Turkey.

SAVANNAH WARING WALKER, daughter of Ambassador to Upper Volta and Mrs. Julius W. Walker Jr., was married on May 29 to Peter Charles Tyndal Elsworth, son of Commander (ret.) and Mrs. Robert Elsworth of Sussex, England, and Malta, in

the Bethlehem Chapel of the National Cathedral. The bride is a graduate of Wellesley College and is departments editor of *Channels Magazine* in New York. The groom received a master's from McGill University and is on the staff of *Platt's Oil Daily*. They will live in New York.

PARK F. WOLLAM and JEAN L. FARR, both retired Foreign Service officers, were married on July 7 in California.

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TAX RETURNS

TAX PROBLEMS, returns and representation. T.R. McCartney (ex-FS) and John Zysk (ex-IRS), Enrolled Agents. Business Data Corp., P.O. Box 57256, Washington, DC 20037. (703) 671-1040. TAX SHELTER GUIDANCE.

TAX RETURNS. All tax matters including consultation, extensions, filing one late return, IRS representation, for one annual fee (\$125). Milton E. Carb, E.A., 833 S. Washington St., #8, Alexandria, VA 22314. (703) 684-1040.

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GRIEVANCES

GRIEVANCE COUNSELING: Retired Senior Foreign Service officer attorney who served on Grievance Board staff will assist grievance presentation. Richard Greene, 6000 32nd St., NW, Washington, DC 20015. (202) 966-0919.

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AMERICAN FOREIGN SERVICE PROTECTIVE ASSOCIATION, INC. Annual Report to Members of the Association

During the course of the year that ended February 28, 1982, the Association underwent significant changes. Operations were streamlined through the installation of a computer and a Lektreiver filing system, thus permitting a reduction in personnel. The time and effort required to bill and account for life insurance premiums were reduced dramatically. The office spaces were completely renovated and redecorated. All members are cordially invited to visit the comfortable and attractive headquarters.

The year under report also saw changes in the Board of Directors. Ambassador Richard K. Fox replaced Mr. Karl Ackerman as President. Mr. Ackerman was named to the new position of President-Emeritus. Mr. Warren Littrel was named Secretary-Treasurer. Mrs. Lauralee Peters and Mrs. A. Elizabeth Jones were named Directors.


There were 44 life insurance claims paid amounting to \$304,500 as compared to \$276,100 the previous year. Incurred health insurance claims amounted to \$12,017,926 as compared to \$11,355,377 the previous year. But, despite the unfavorable life insurance claims experience which resulted in an additional premium of \$25,569 assessed by the underwriters, the Association's net worth increased by \$137,648. This came as a result of a decrease in administrative and operating expenses and a more favorable return on investments than in the previous year.

The Association faced difficult problems on both the life insurance and health insurance sides of the house. The number of members enrolled in the life insurance program has dwindled over the years. There have been virtually no new members in the past decade or so. The unfortunate result is that the median age is now 62 — an actuary's nightmare. While the program is still viable, steps must be taken immediately to keep it that way. The Board will soon choose from among several proposals received from underwriters (including The Equitable) for a new program more in tune with today's insurance market. We hope to launch this new program within the next few months. Current members beyond age 65 will continue to be covered under the existing program. All other members will have the option of remaining in the existing program or enrolling in the new program.

The Association's group health insurance program (The Foreign Service Benefit Plan) is heavily subsidized by the Federal Government under the Federal Employees Health Benefit Program (FEHBP). In late 1981, the Government, acting through the Office of Personnel Management, set a limit on the amount it was willing to contribute as its share of the premium. As a consequence, we, and all other carriers in the FEHBP, were required to transfer a larger share of the financial burden to the enrollees by raising deductibles and co-insurance and making minor reductions in the benefits. Despite these changes, we are confident that we still have the best FEHB plan available to Foreign Service personnel and we are committed not only to keeping it that way, but to improving it year after year.

One of the more pleasant events of the year was the commemoration of 40 years of association with Mutual of Omaha, the underwriter of the health insurance program. Officers of the Association were invited to Omaha, Nebraska to accept a plaque presented "In Grateful Appreciation for 40 Years of Association with the Mutual of Omaha Companies and in Recognition of Your Dedication to the Preservation, Maintenance and Expansion of Quality Insurance Coverage for your Valued Members and their Families."

We believe that the changes made during the year provide the Association what is needed to be able to offer its current and new members the highest quality group life and group health insurance coverage as well as efficient, effective, prompt and courteous service.



BALANCE SHEET — February 28, 1982

Assets

<u>Current Assets:</u>	<u>1982</u>	<u>1981</u>
Cash	\$ 60,295	80,133
American Security-savings and investments	621,783	
The Reserve Fund	551,470	717,367
Premiums due from members	8,462	5,900
Premiums dividend due from underwriters		84,161
Current portion of long term investment	<u>13,190</u>	<u>12,550</u>
TOTAL CURRENT ASSETS	<u>1,255,200</u>	<u>900,111</u>
<u>Long-term investments:</u>		
1st deed of trust note from American Foreign Svc. Assoc.	<u>156,708</u>	<u>169,898</u>
<u>Property and Equipment, at cost:</u>		
Furniture and fixtures	102,420	30,259
Less accumulated depreciation	<u>21,626</u>	<u>17,311</u>
TOTAL PROPERTY AND EQUIPMENT	<u>80,794</u>	<u>12,948</u>
<u>Other Assets:</u>		
Amt. deposited with Equitable to fund deferred compensation agreement	<u>24,671</u>	<u>27,161</u>
TOTAL ASSETS	<u>\$1,517,373</u>	<u>1,110,118</u>

Liabilities and Net Worth

<u>Current Liabilities:</u>		
Premiums paid in advance by members	\$ 130,449	7,867
Premiums due underwriters (See Note)	310,151	164,119
Payroll withholding taxes	<u>4,080</u>	<u>597</u>
TOTAL CURRENT LIABILITIES	<u>444,680</u>	<u>172,583</u>
Other Liabilities-Deferred Compensation Agreement	24,671	27,161
Net Worth	<u>1,048,022</u>	<u>910,374</u>
TOTAL LIABILITIES AND NET WORTH	<u>\$1,517,373</u>	<u>1,110,118</u>

Note: \$25,569 is the retrospective adjustment to the Life Insurance premium. \$284,582 constitutes unused health insurance premium. As an FEHBP carrier, the Association receives a small portion of the total health insurance premium to cover its administration and operating expenses. Any amount not utilized for that purpose is deposited into the Foreign Service Benefit Plan's contingency reserve. The large amount of the refund is a reflection of greater efficiency and reduced overhead and could serve to reduce premiums in the future.

Board of Directors

Richard K. Fox, Jr., President
 Warren Littrel, Secretary-Treasurer
 William Galloway, Director
 Lauralee Peters, Director

Morris N. Hughes, Jr., Vice President
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Fact ■ ■

When you're going overseas, you have enough to worry about without worrying about your insurance, too.



Moving overseas can be a very traumatic time if you don't have the proper insurance. The fact is, the government will be responsible for only \$15,000 worth of your belongings. If any of your personal valuables such as cameras, jewelry, furs and fine arts are destroyed, damaged or stolen, you would receive not the replacement cost of the goods, but only a portion of what you'd have to pay to replace them.

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