

Fact:

Recognizing the limits of the Claims Act, the government recommends private insurance too.



Claims Act

1. The government will be responsible for only \$15,000 of proven property loss.
2. Loss recovery limitations exist on most categories of possessions such as jewelry, furs, cameras, fine arts, antiques.
3. Claims process requires government investigation and documentation.
4. Loss must be incident to service.
5. Comprehensive Personal Liability insurance is not available.
6. Loss evaluation is complicated and includes depreciation.
7. Theft loss requires proof that due care was exercised to prevent the occurrence.

*These are only a few of the differences.
Please refer to Foreign Affairs Manual (6 FAM 300).*

Note: The insurance policies, not this advertisement, will form the contract between the insured and the insurance company. The policies contain limits, exclusions and limitations not listed here.



AFSA Plan

1. You may purchase as much insurance as you need.
2. Valuable articles can be scheduled without limitation on a "valued at" basis.
3. Swift claims settlement begins with a simple telephone call or letter.
4. Coverage is worldwide whether on business or pleasure.
5. Comprehensive Personal Liability insurance is available.
6. Loss settlement on unscheduled items is based on replacement cost *with no depreciation*. Settlement on scheduled articles is based on the agreed amount.
7. No such requirement.

AFSA Desk, The Hirshorn Company 483
14 East Highland Avenue
Philadelphia, Pa. 19118 (215) CH2-8200.*

Send me your free brochure (with built-in application form) that answers my questions about overseas insurance.

Name _____

Address _____

City/State/Zip _____

*If calling from the Washington, D. C. area: (202) 457-0250



Officers and Members of the Governing Board

DENNIS K. HAYS, *President*
 ANTHEA S. DE ROUVILLE, *Vice President*
 DOUGLAS P. BROOME, *Second Vice President*
 IRVING A. WILLIAMSON JR., *Secretary*
 BROOKE HOLMES, *Treasurer*
 RALPH E. BARNETT,
 JUANITA L. NOFFLET,
AID Representatives
 JAROSLAV J. VERNER, *USIA Representative*
 ADRIAN A. BASORA, BARBARA HUGHES,
 THOMAS J. MILLER,
State Representatives
 L. DOUGLAS HECK, SPENCER KING,
 CHARLES S. WHITEHOUSE,
Retired Representatives

Staff

CECIL B. SANNER, *Acting Executive Director/Administrative Director*
 SUSAN HOLIK, *General Counsel*
 SABINE SISK, *Members' Interest/Grievance Representative*
 PAT GUILD, *Executive Secretary*

Congressional Liaison

ROBERT M. BEERS

Scholarship Programs

DAWN CUTHELL

Foreign Service Journal

STEPHEN R. DUJACK, *Editor*
 FRANCES G. BURWELL, *Associate Editor*

SHELLY RONDEAU, *Editorial Assistant*

Editorial Board

JOHN D. STEMPEL, *Chairman*
 DAVID WILSON, *Vice Chairman*
 FRANCIS X. CUNNINGHAM
 GEORGE GEDDA
 W. HAVEN NORTH
 CAROLINE MEIRS OSTERLING
 TAIRA ST. JOHN
 LANGE SCHERMERHORN
 CAROL VAN VOORST
 JAROSLAV VERNER

Advertising Representatives

JAMES C. SASMOR ASSOCIATES,
 521 Fifth Ave., Suite 1700,
 New York, N.Y. 10017.
 (212) 683-3421

JOSHUA B. POWERS, LTD.,
 46 Keyes House, Dolphin Sq.,
 London SW1. 01-834-8023/9.
 International Representatives.



COVER: Mexico . . . Poland . . . Argentina. Many countries that owe large amounts to western banks are in severe financial difficulty. With some delaying payments and even threatening default, the fragile house of cards that is the international credit system may be on the brink of collapse. Our article begins on page 26. Art by Edward Miliano.

Carrots & Sticks16

Author Carol Brookins argues that restricting trade to punish Soviet behavior rarely has the desired effect. Commercial relations between the two superpowers should be based not on myths but common sense.

The Inscrutable Secretary22

In tackling the many foreign policy problems of his short tenure, George P. Shultz has revealed a penchant for operating in the manner of a Japanese politician. By Daniel Southerland.

The Credit Collapse26

International bankers and development economists have encouraged many financially troubled countries to borrow large sums of money. The choice may now be between economic collapse and political stability. By Charles Maechling Jr.

Journal: A Letter for Charley32

The story of a young FSO in postwar Europe and his ill-fated love for a beautiful Bulgarian singer. By Fred Godsey.

Letters	2	Foreign Service People	30
Book Reviews	6	AFSA Election Section.....	38
Plus Ça Change	14	Association News.....	42
Editorial.....	15		

The *Foreign Service Journal* is the magazine of professionals in foreign affairs, published 11 times a year by the American Foreign Service Association, a non-profit organization. Material appearing herein represents the opinions of the writers and does not necessarily represent the official views of the Department of State, the U.S. Information Agency, the Agency for International Development, the United States Government as a whole, or AFSA. While the Editorial Board is responsible for general content, statements concerning the policy and administration of AFSA as employee representative under the Foreign Service Act of 1980 on the editorial page and in the Association News, and all communications relating to these, are the responsibility of the AFSA Governing Board.

Microfilm copies of current as well as of back issues of the *Foreign Service Journal* are available through the University Microfilm Library Services, Ann Arbor, Michigan 48106, under a contract signed October 30, 1967.

Membership in the American Foreign Service Association is open to the professionals in foreign affairs overseas or in Washington, as well as to persons having an active interest in or close association with foreign affairs. Membership dues are:

Active Members—Dues range from \$52 to \$117 annually. Retired Active Members—Dues are \$40 annually for members with incomes over \$20,000, \$25 annually for less than \$20,000. Associate Members—Dues are \$25 annually. All dues payments include \$7.50 allocation for the *Journal* and Association News, per AFSA Bylaws.

Subscription to the *Journal*: one year (11 issues), \$10.00; two years, \$18.00. For subscriptions going abroad, except Canada, add \$1.00 annually.

Second-class postage paid at Washington, D.C. and at additional post office. POSTMASTER: Send address changes to *Foreign Service Journal*, 2101 E Street N.W., Washington, D.C. 20037.

The *Journal* welcomes manuscripts of 1500-4000 words for consideration by the Editorial Board. Author queries are *strongly* urged. Stamped envelope required for return.

©American Foreign Service Association, 1983. 2101 E Street N.W., Washington, D.C. 20037. Telephone (202) 338-4045. Offices in State Dept.: 632-8160/2548

April 1983. Volume 60, No. 4. ISSN 0015-7279.

What do Ike, JFK & Nixon have in common?

They were moved by
FIDELITY STORAGE

From presidents to plenipotentiaries, Washingtonians choose Fidelity Storage, the company with more than 75 years of experience. Fidelity is one of the area's largest moving and storage companies, with six locations throughout the metro area—from the District to Virginia to Maryland. Fidelity's warehouses are the largest and most advanced containerized facilities inside or

outside of the Beltway, with super-secure vault storage for your silver and other valuables. We are the only State Department contractor with both a quality control program and fulltime inspector to ensure the highest standards.

We have moved Patton, MacArthur and Doolittle. From generals to general service officers, join a moving crowd.



**Inbound or Outbound, Storage or Air Freight, call Fidelity Storage
(703) 971-5300 • PO Box 10257, Alexandria, Va. 22310**

LETTERS

Dangerous Response

I read Mr. Gedda's article, "A Dangerous Region" [February], with sorrow and disappointment.

My argument is not with Mr. Gedda. He is what he is. Undoubtedly, his casual collaboration with those who seek to damage my reputation has improved his access to those unidentified top administration officials he cites so frequently. I do find it passing strange that a professional journal would publish such an unprofessional piece of work.

Mr. Gedda characterizes my role in the controversy and even discusses my motives yet he has never attempted to communicate with me. Mr. Gedda writes at length on a serious subject but in the entire article supplies quotations from only one identified source with first-hand knowledge of the issues. Most of the author's judgments and conclusions are based on anonymous sources. A primary duty of any editorial board is to make certain that articles meet minimal professional standards. Yet the board of the *Journal* approved for publication a piece which violates not only the basic canons of journalism but ethical principles as well.

I have the obligation to correct two of the many false and distorted statements which appear in the article. First, it is inaccurate to state I gave "full concurrence" to "resumed military assistance" to El Salvador. To the contrary, I consistently opposed such aid until the human rights performance of the Salvadoran military improved. Those who held another view pushed through a policy change while I was on leave. My views were not requested. Second, it is misleading to say, as Mr. Gedda does, that I resigned from the Foreign Service. The Reagan administration officially notified me that I would receive no new assignment of equivalent responsibility and that therefore under the law I would be retired.

Those of us who had our careers damaged or cut short because of our role in United States policy toward Central America would have welcomed a thorough, thoughtful analysis of the controversy and its impact on the Foreign Service. Instead the professional journal of the

DRIVE AMERICA'S BEST, ANYWHERE IN THE WORLD.

Your Foreign Service Entitles You to Special Discounts on Ford's World-Class Automobiles.

You'll appreciate the aerodynamic elegance of the sleek new Thunderbird, the refined looks and comfort of the new Ford LTD, or the sporty excitement of a new Mustang Convertible. These are America's best, and you deserve nothing less.

Ford's Special Diplomatic discount applies to any 1983 model-year car or truck up to the F-350. So you can enjoy your special discount no matter what your driving tastes.

Make your selection from Ford or Lincoln/Mercury product lines and enjoy the benefits of your foreign service soon. Just

send in this coupon for complete details on Ford's Special Diplomatic discount program.

Please send me full information on using my diplomatic discount to purchase a new _____

WRITE TO: DIPLOMATIC SALES,
FORD MOTOR COMPANY
815 Connecticut Avenue, N.W. Washington, D.C. 20006
Telephone: (202) 785-6047

NAME _____

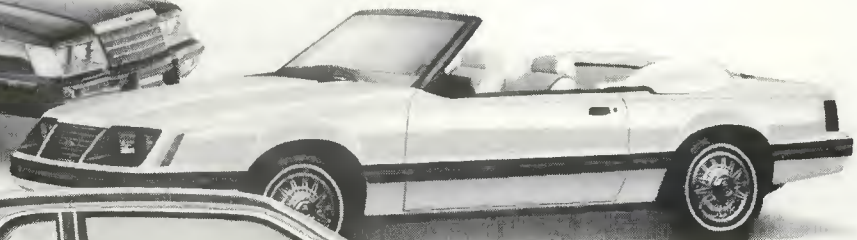
ADDRESS _____

CITY _____ STATE _____

COUNTRY _____ ZIP _____



LTD



MUSTANG



THUNDERBIRD

Get it together — Buckle up.



FORD EXPORT DIVISION

AUTHORIZED EXPORTER

GENERAL



ELECTRIC

-U.S.A.-

GENERAL ELECTRONICS INC.

REFRIGERATORS • FREEZERS
RANGES • MICROWAVE OVENS
AIR CONDITIONERS • DRYERS
WASHERS • SMALL APPLIANCES
AUDIO EQUIPMENT • TELEVISION
DISHWASHERS • TRANSFORMERS

Available for All Electric
Currents/Cycles

Immediate Shipping/Mailing
From our Local Warehouse

We Can Also Furnish
Replacement Parts for
Most Manufactures

SHOWROOM

General Electronics, Inc.
4513 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Tel. (202) 362-8300
TWX 710-822-9450
GENELECINC WSH

SEND THIS COUPON FOR
FREE CATALOG

NAME: _____

ADDRESS: _____

ZIP _____

Our Catalog Is Sent to Administrative Officers,
Embassies, and Consulates Throughout the World.

career Foreign Service has given us a slanted, gossipy piece of trivia.

ROBERT E. WHITE

Ambassador to El Salvador, 1980-81
Washington, D.C.

While I do not wish to take issue with George Gedda's recent article ["A Dangerous Region"] on the fate of some of those involved in Central American affairs during the previous administration, I would like to offer some comments on my situation as described. Being fairly well informed about domestic American politics and having experienced Senator Helms's hold on my nomination, I was hardly "unaware of the magnitude of the change in attitude" that accompanied the change in administration. Indeed, I had been informed that my name was included on the hit list prepared by the new administration's State Department transition team.

The U.S. elections, nevertheless, did not alter the conditions that prevailed in Honduras in any fundamental way. But most important, the new administration did not change my instructions to ensure that there were no doubts in Honduras regarding U.S. support for a return to democracy in that country. This policy goal was realized with the successful election of November 1981 that resulted in the inauguration of President Suazo Cordova in January 1982. It is also worth noting that the installation of democratic governments in Central America remains the centerpiece of our policy in that region.

One cannot dictate the perceptions of others. Thus, Gedda's assertion that my reporting "continued to reflect Carter's views" may be an accurate description of Washington perceptions. Gedda does not specify the nature of the reports in question, but I assume they fall into three general categories: alleged human rights violations and refugee problems; the magnitude of U.S. military presence; and relations with Nicaraguan exile groups which had been closely associated with Somoza. In each of these areas there were factors which, in my judgment, threatened U.S. interests and did not appear to have been fully understood in Washington. That these reports and recommendations—including any dissenting views from members of my mission—were not entirely welcome in Washington because of changed attitudes was never a consideration, any more than were "Carter's views," whatever they may have been. Rather, I and members of my staff sought to provide Washington with our best professional judgments and advice. That,

after all, is what we were being paid to do.

JACK R. BINNS

Ambassador to Honduras, 1980-81
Washington, D.C.

Author George Gedda responds:

I was a bit taken aback by Mr. White's criticism since I felt I tried to deal with his particular situation as evenhandedly as possible. Mr. White is indeed a controversial figure around the State Department, but I nonetheless felt constrained to say, gratuitously, that Mr. White sees it as his "patriotic duty" to speak out against administration policies, thus ascribing to him the purest of motives. His hostile criticism of the article seems far out of proportion to the provocation.

He says there are "many false and distorted statements" in the article but cites only two. The question of whether he resigned or was retired from the Foreign Service is a relatively minor one. It may be true, as Mr. White suggests, that he did not give his "full concurrence" to the January 1981 military aid resumption to El Salvador. But I believe it is somewhat misleading for him to say that he "consistently opposed such aid." A month after being relieved of his duties as ambassador, Mr. White told a congressional hearing he opposed *extensive* military aid to El Salvador, leaving the clear impression he would not object to modest aid levels.

As for Mr. Binns's comments, he acknowledges his views were not entirely welcomed by the new administration. Nonetheless, his letter represents a useful elaboration of his particular situation at the time of the change in administration.

Detecting Alcoholism

"Helping the Overseas Alcoholic" [February] was read by us with appreciation, focusing as it did on the longstanding but fortunately ever-diminishing issue of earlier detection of alcoholism by the physician and earlier referral of the patient into treatment. There indeed have been times in the past, both nationally as well as within the State Department, when an examining physician might well have deferred from indicating alcoholism as a primary diagnosis, much less being emphatic about the patient's going into treatment. This apparently was the author's experience. A repetition of it today is far less likely.

On a national scale, a recent Gallup poll reports that about 81 percent of those surveyed believe that alcoholism is a major national problem. Only about 60 percent thought so in previous polls. Within the department this increasing awareness, spe-



On the issue of creature comforts versus efficiency, we diplomatically offer both.

Buick Century is a prime example of the many distinctive 1983 models offered by the New Americans from General Motors.

On the one hand, it offers all the creature comforts befitting your position.

On the other hand, Century is also technologically advanced—with front-wheel drive and highly efficient engines.

Whether it's Buick Century, or any fine GM car, we have a special

purchase plan available to you as a member of the Diplomatic Corps.

You can choose a car with export specifications, or one to drive when you're back home. And we invite you to contact us directly.

Worldwide Military and Civilian Sales Group
GMDC
3044 West Grand Boulevard
Detroit, Michigan 48202, U.S.A.
Attn: Foreign Service Inquiries
Telephone: (313) 556-5643
Telex: 23-0162



THE NEW AMERICANS FROM GENERAL MOTORS

CHEVROLET PONTIAC OLDSMOBILE BUICK CADILLAC GMC

cifically by the medical staff, is reflected in some similarly revealing statistics. Of the more than 225 new patients seen by the Office of Medical Services' Alcohol Awareness Program over the past two years, better than three-quarters have been in-house medical referrals, either from physicians in the Examining Clinic or Health Unit or the regional medical officers overseas. Going back to 1979, of the 68 referrals to the program, 57 percent were made by staff physicians of the Office of Medical Services. The proportion of such referrals by physicians within the department has increased gradually each year since 1979. By 1982, some 72 percent of the referrals were

medical referrals. This increase should be reassuring to the author of the article.

These statistics reflect a heightened awareness, due largely to a program of continuing medical education in alcoholism which has become an integral part of the staff physician's experience within the Office of Medical Services. They also reflect a readiness to recognize alcoholism as a medically treatable disease and the competency to deal with it as such.

JEROME M. KORCAK, M.D.
Medical Director
Office of Medical Services, Department of State
 Washington, D.C.

BOOK REVIEWS

A Diplomatic Science?

FORCE AND STATECRAFT: Diplomatic Problems of Our Time. By Gordon A. Craig and Alexander L. George. Oxford University Press, 1982. \$19.95.

This slim book is the offspring of a marriage of diplomatic history with political science. It is a union long needed. The marriage brokers in this instance are a distinguished diplomatic historian and an equally distinguished political scientist, both at Stanford University. Their collaboration attests to the profound historical knowledge which any study of diplomacy demands and accentuates the awkward and superficial conceptualizing of diplomacy that political scientists in this country have fostered as they grope, like the proverbial blind men feeling the elephant, for a comprehension of this long-evolving political process.

The historical part of this volume, dealing with international systems from the 17th century to the present, is a magnificent compression of some 150 pages. The second part, on problems of force and diplomacy, analyzes negotiation, deterrence, coercive diplomacy, crisis management, war termination, and détente. The third part consists of two admittedly tentative chapters on the difficult problem of the role of ethics and morality in world politics. The book grew out of a course developed by the authors on "contemporary problems of foreign policy" (there is the old mesmerism of "foreign policy," as though "diplomacy" were too effete a subject to attract students), and the case studies used in part II of the book were prepared by three Army officers. Why diplomatic officers were not used we do not know, but it no doubt indicates that more military officers take university courses than diplomats, a situation that has long been sounding a tocsin to many of us.

This book illustrates that the limitations from which political scientists and military officers suffer are leading to the formulation of deterrence theory in terms of force, to the exclusion of political maneuver and therefore political skill. Coercive diplomacy is viewed as consisting of

Coming home—Going overseas?

Buy from the
 Washington area's largest
 AMC
 Jeep • Renault
 Dealer

COURTESY
 AMC • Jeep • Renault

4932 Bethesda Ave., Bethesda, Md. 20814
 755 Rockville Pike, Rockville, Md. 20852



Choose from the complete line of 4-wheel drive Jeeps—plus the AMC Eagle, Concord, Spirit and Renault for Washington, D.C. area or overseas delivery. Diplomatic corps discounts. Daily rentals available. Phone or write Dick Schmactenberg, 301-656-0800

AMERICAN PAPERBACKS

Enjoy Our Unique Book Mailing Service

- Monthly newsletter lists 300 new releases
- Featuring mass-market and trade paperbacks
- Categorized by subject with brief reviews
- Order your selections for immediate shipment
- Special requests for any book honored
- This is not a book club — no purchases required

Subscribe today — enclose check or money order for \$10.00

APO-FPO (\$18.00 foreign) for one full year to:

THE COMPLETE PAPERBACK SHOPPER
 P.O. Box 233, Kenilworth IL 60043

Name _____
 Address _____



Est. 1974

WASHINGTON, D.C. BOUND?

RENT-A-USED CAR
 from \$12.95 per day

RENT-A-NEW CAR
 from \$17.95 per day

FREE MILEAGE ALLOWANCE

Ideal When Shipping POV or on Home Leave

Call DRIVE-A-BARGAIN (703)683-6400
 2850 Jefferson Davis Hwy., Arlington, VA 22202
 For Fast Pick-up at Crystal City Metro

**Now Available to American
Foreign Service Protective
Association Members**

**UP TO
\$300,000.00
PROTECTION!**

New High-Limit Accident Protection at Economical Group Rates.

Even with today's updated safety standards, serious accidents can and do happen — anytime, anywhere. Having protection against such misfortune is especially important to Foreign Service personnel.

That's why AFSPA is pleased to make available to its members, as part of a new group insurance program, Mutual of Omaha's brand new Group Accident Protection. This protection, which may be obtained with or without the other components of AFSPA's new Program, will provide up to \$300,000.00 of valuable financial protection for covered loss of life, limbs, sight, speech, hearing and thumb and index finger. And, members also receive up to \$300,000.00 of permanent total disability coverage when they enroll.

And, as a special service for AFSPA members, Mutual of Omaha has agreed to add two important features to this coverage that are not generally found in this kind of policy:

1. WAR RISK COVERAGE — Group Accident Protection provides up to \$150,000.00 in benefits for covered accidents resulting from an act of war. These types of accidents are usually excluded from coverage in other accident plans.

2. NO AGE TERMINATIONS — Members who enroll before age 70 are guaranteed that Mutual of Omaha will not later terminate their coverage because of age. Many similar policies terminate coverage once members reach age 75 . . . but not Group Accident Protection.

And, you'll also be pleasantly surprised by the 24-hour-a-day, worldwide coverage this plan provides. You and each insured members of your family can be covered while traveling as passengers on most commercial, private and military aircraft. Plus,

coverage is also provided while you're driving or riding in a car . . . or while a passenger on common carriers such as trains, ships, subways, taxis or buses.

But that's not all! You'll also have this protection for the countless accident risks you face every day at home . . . at work . . . during recreational activities . . . just about any activity you can think of.

DON'T DELAY! Get all the facts about Group Accident Protection . . . including the benefits, features, cost, renewal and what situations aren't covered.

THERE'S NO COST OR OBLIGATION! Just complete the coupon below and mail today. Full facts about Group Accident Protection will be sent by return mail.

Complete and Mail Today!

GROUP ACCIDENT PROTECTION
IS UNDERWRITTEN BY



People you can count on...

MUTUAL OF OMAHA INSURANCE COMPANY
HOME OFFICE: OMAHA, NEBRASKA

AFSPA Insurance Program

1750 Pennsylvania Ave., N.W. Suite 1305

Washington, D.C.: 20006

Yes! Please rush full details of the Group Accident Protection Plan available to me as a member of the American Foreign Service Protective Association. I understand there is no cost or obligation, and that the information will be sent to me by return mail.

Name _____

Address _____

City _____ State _____ ZIP Code _____

FILL OUT AND MAIL TODAY!

BUY SELL INVEST

Ed Joyce
Retired FSIO

LICENSED IN D.C.
and VIRGINIA

**MOUNT
VERNON
REALTY**
INC.



6257 Old Dominion Dr.
McLean, Va. 22101
Off: 821-8300
Res: 821-2109

American Educational Trust



Middle East Speaker Referral Service
for academic, church and civic audiences

Describe your speaker needs
and AET will provide guidance on selection,
scheduling and costs.

Make your
speaker selection from its recommendations
and AET will assist with
travel and scheduling arrangements.

Write to AET, 918 16th St., N.W.
Washington, D.C. 20006 or

Telephone Dr. John Duke Anthony
(800) 368-5788 or, from Washington,
659-1861

"threats of limited force," whereas such cases as the withdrawal of Soviet forces from Iran in 1946 clearly show that discussions in foreign ministers' meetings, U.N. debates, and pitiless publicity—all free of threats of force—are a part of the international dynamic. It is this kind of historical superficiality that cripples much of the political scientists' approaches to diplomacy. Eventually when they place proper emphasis on the role of diplomacy without threats of force, their theories will come closer to the contours of reality. In the meanwhile, they might speed this process by enlisting the help of diplomatic practitioners in their endeavor. It might accelerate their catching up, to everyone's advantage.

—SMITH SIMPSON

Lesson in Democracy

UNCONDITIONAL DEMOCRACY: *Education and Politics in Occupied Japan, 1945-1952.* By Toshio Nishi. Hoover Institution Press, 1982. \$19.90.

In return for its unconditional surrender in 1945, Japan was given a six-year lesson in unconditional democracy by the United States. That is the thesis of this provocative book by a postdoctoral fellow at the Hoover Institution. Toshio Nishi, who was born and brought up in Japan but received his higher education in the United States, dwells mostly on education reforms in Japan, although he prefaces this book with a rapid summary of the entire occupation program. Curiously, he pays little attention to Japanese sources, but his research in American records on education policy is impressive. A fair number of his statements of fact and opinion are arguable, while his interpretations are often challenging and not always flattering to the occupation authorities. The introduction contains a fascinating account of what it was like to be a schoolboy in occupied Japan, and the thoughtful conclusion about Japan's search for new role contains the gem that the Japanese people have "discovered democracy to be a pleasant, efficient, and even commercially profitable way of life."

—RICHARD B. FINN

Subsidizing Exports

GOVERNMENT SUPPORT FOR EXPORTS: *A Second-Best Alternative.* By Penelope Hartland-Thunberg and Morris H. Crawford. Lexington Books, 1982. \$16.95.

This well-researched proposal by the U.S. Export Competitiveness Project of Georgetown University's Center for Strategic and International Studies argues

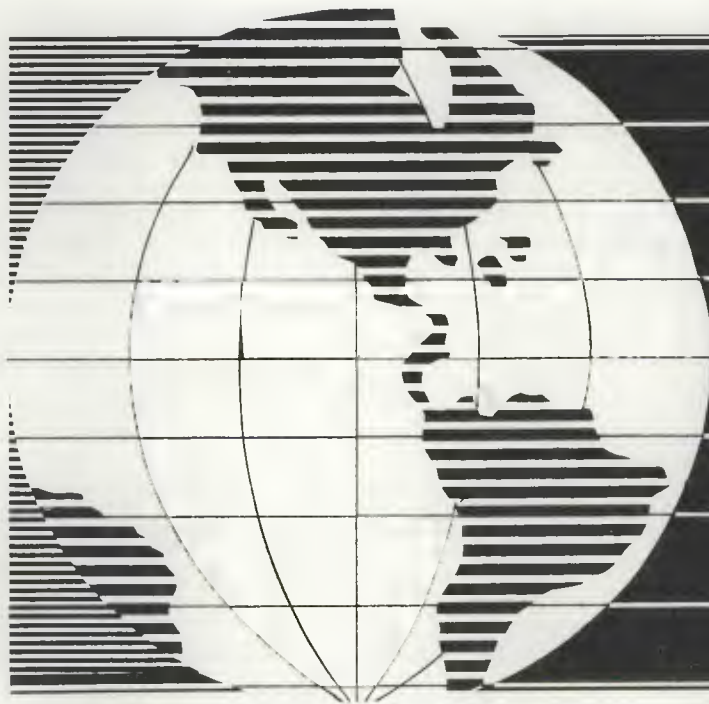
that, to protect our export markets, the United States should meet foreign interference in free trade with similar programs.

The authors generally support the concept of free trade but, they argue, since many major trading nations subsidize exports or otherwise interfere with market forces in an effort to expand their exports at the expense of others, the United States should respond in kind. "The national interests of the United States would best be served by an elimination of export subsidies worldwide. Barring the best solution, however, the second-best choice calls for export subsidies sufficient to permit most U.S. exports to meet subsidized foreign competition."

While this line of reasoning might best be termed a "beggar thy neighbor" approach instead of a "second-best alternative," the book uses convincing economic arguments to outline specific areas in which the U.S. could assist exporters through slight changes in government programs and tax policy. The authors call for the government to remove existing regulatory obstacles to exports, take Export-Import Bank operations out of the current budget, and adopt a flexible approach of providing subsidies through support for research and development or tax rebates for export industries subject to "unfair" foreign competition. The book advocates establishing U.S. countersubsidies as a response to already existing foreign-export subsidies. However, the existing countervailing duties have already been challenged as being in contravention of the spirit of the General Agreement on Tariffs and Trade. "Government support for R&D could be viewed as a complement to government support for export finance in a flexible program of export subsidies that would rise or fall as competition requires."

This book also makes a number of novel suggestions for the Export-Import Bank, such as sales of tax-free bonds to the private sector to increase the bank's resources. The authors also stress the need for a facility tailored to the financing requirements of smaller, less well known businesses—possibly a foreign trade bank—which could market private banks' export-generated commercial paper, much as the Federal Home Loan Mortgage Corporation does for home mortgages.

The arguments presented here make a generally persuasive case for the fair treatment of exports in the world market, better government coordination of the U.S. export effort, and flexible policies to meet (and hopefully discourage) foreign countries' actions which are prejudicial to our trading interests. —GILBERT J. DONAHUE



**FOREIGN
SERVICE
PERSONNEL
WORLDWIDE
PERSONAL
PROPERTY
INSURANCE
FLOATER**

underwritten
by London
insurers and
exclusively
administered by

HUNTINGTON T. BLOCK INSURANCE
2101 L Street, N.W.
Washington, D.C. 20037
Telephone 202/223-0673
Toll free 800/424-8830
Telex 892596

Call from anywhere in the United States toll free or write our Overseas Department for information about our low rates, our broad coverage, our new option which provides replacement cost without depreciation, and our ON THE SPOT claims service by representatives posted in every major city in the world.

Association of American Foreign Service Women

BOOKFAIR

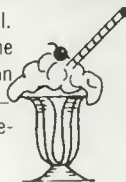
Books are urgently needed now for Bookfair '83. Sorting and pricing for the October event began immediately after the last fair closed its doors. Although donations have kept the pace of previous years, daily sales in the Bookroom have diminished our stock. Fiction, non-fiction, hardcover, and paperback books are in great demand. Readers are urged to search their shelves and make early donations.

Books may be deposited 9:30 a.m.-3:30 p.m. at the Bookroom (Room 1524) or in the book bins located at the 21st Street entrance, D Street entrance, and in the basement. Bookfair asks that boxes of books be brought to room 1524 or unloaded into the bins rather than left unattended nearby.

Home pick-up may be arranged by calling Maggy Morse, Bookroom supervisor, at 223-5796.

SHOP IN AN AMERICAN DRUG STORE BY MAIL!

An ice cream soda is one of the few items we cannot mail. Drugs, cosmetics, sundries mailed to every country in the world. We maintain permanent family prescription records. SEND NO MONEY—pay only after satisfactory receipt of order.



Western Pharmacy, Inc.

t/a Morgan Pharmacy
3001 P Street, N.W.
Washington, D.C. 20007

COLUMBIA PLAZA PHARMACY
516 23rd St., NW, Washington, D.C. 20037

Sensational SPECIAL-BY-MAIL SALE

Order any time and SAVE 20% on all prescriptions
Send No Money: Pay only after receipt of order

The only drug store your family will ever need
DEPEND ON US! Fast Service!
Telephone: 331-S800

Calvert School

The school that comes to your child

Complete home-study course for elementary-level students. Kindergarten through 8th grade. An American education anywhere in the world. Ideal for enrichment. Home is the classroom, you are the teacher with Calvert's approved instruction guide. Start any time, transfer to other schools. Used by over 300,000 students. Non-profit. Write for catalog. Admits students of any race, color, national or ethnic origin.

Established 1897

301-243-6030

Calvert School

F4-3 Tuscany Rd. Baltimore, Md. 21210

Parent's name
Address
City State Zip
Child's Age Grade



**DIPLOMATIC CAR SALES
AND LEASING
ALL MODELS**

OUR 20TH YEAR IN WASHINGTON

CAVALIER VW

ONLY 10 MINUTES FROM KEY BRIDGE

4045 LEE HWY.
ARLINGTON VA 22207 **703/525-1900**

**Save on Antiques
& Interesting Furniture!**
An Opportunity to Buy for Less

Pickwick Antiques
1815 Adams Mill Rd., N.W.
Washington DC 20009
(202) 265-5360

Featuring fine furniture, Oriental and Chinese rugs, ceramics, wardrobes, dining tables, chairs, buffets, desks, bookcases, and much more.

Open daily 11 am-5 pm.

We Buy and Sell



**APPLE TREE
BOOK SHOP**

- Special attention to backlog
- We will search for any book anywhere (for out of print titles).
- Postage free to APO and State Department pouch addresses. No sales tax.

An Idiosyncratic But Serious Bookshop.
24 Warren Street
Concord, New Hampshire 03301

CAMP CHOCONUT

for boys 9-14

Choconut is for the boy who enjoys rustic living in the out-of-doors, compcrott, carpentry, fishing, noturol science, work projects, caring for animols, group gomes & river conoe trips. ACA Accredited. High stoff/comper rotio. 4 + 8 weeks.

S. Hamill Horne
CHOCONUT, Box 33J
Gladwyne, PA 19035
215/649-3548

Iran: A Personal View

GUEST OF THE REVOLUTION. By Kathryn Koob. Thomas Nelson, Publishers, 1982. \$12.95.

The Iranian hostage crisis is already being studied as history in new books on U.S. foreign policy. But the event was most dramatically an ordeal for individuals, the hostages themselves. A new book, the third to date to be written by one of those 52 Americans, has now been published, and it is an account of courage and maturity.

Kathryn Koob's *Guest of the Revolution*, which follows Richard Queen's and Barbara and Barry Rosen's accounts of their traumatic experiences during that period, was not written to be an in-depth analysis of the causes and effects of the Iranian revolution. Nor does it profess to shed new light on the collective ordeal of the American captives. "This is not a definitive account of what happened to the 52 Americans," Koob points out in the foreword of her book. "Rather it is my recollection of how I handled the situation during days 'on the job' that ranged from a little tougher than normal to downright terrifying."

Guest of the Revolution, therefore, is mostly the personal story of Kathryn Koob. She was assigned to Teheran as director of the Iran-American Society, a center for cultural exchange. After the embassy seizure, Koob had the opportunity to flee to safety, but instead she remained in her headquarters, keeping communications open between Teheran and the State Department for the next thirty crucial hours. The following day, however, she was kidnapped by the Iranian revolutionaries and imprisoned in the embassy compound.

The bulk of the book is a detailed account of Koob's captivity—the constant moving from place to place, the repeated interrogations, the accusations of espionage, and the threat of execution hanging in the air. Yet despite the Kafkaesque reality, Koob and Ann Swift—later on her cellmate—managed to retain a measure of order and sanity out of the nightmarish chaos. The sustaining forces were love of family, friends, and true patriotism. But above all, a Christian faith fortified her, providing inner strength to a point where daily prayers made her feel almost unconquerable. In a sense, this is a spiritual book, its main theme being a person's communion with God, as well as love for humankind, including one's enemy. The reader has a distinct feeling that Koob's captots gradually developed a healthy te-

spect for her, for American ideals, and for the unbending American individualism, as personified in her courageous behavior and strong character.

This, then, is an honest account of one hostage's experiences, written with warmth, compassion, and contagious simplicity. If *Guest of the Revolution* lacks political sophistication, it nevertheless provides valuable insight into the psychological processes that enhance a hostage's will to endure and come out of the ordeal with relatively few scars, as did Kathryn Koob and most of the American hostages.

—JACK KARAPETIAN

Language as Politics

THE CIVIC TONGUE: Political Consequences of Language Choice. By Brian Weinstein. Longmans, 1982.

Most diplomats tend to view language competence as a tool of their profession. It enables them to communicate and negotiate with their counterparts in the host country. A few view language as an important aspect of the host culture but hardly any consider the role choosing a language or dialect—or even using words in a particular way—plays in social problems or the political consequences of language choice.

In the *Civic Tongue*, Brian Weinstein, a political scientist at Howard University, presents a broadly based analysis of the politics of language which draws on the work of linguists and political practitioners. His emphasis is on the development, implementation, purposes, and consequences of language choice.

Weinstein emphasizes the relationship between elite behavior and the politics of language. He disagrees with many sociolinguists and concludes that there is nothing in language structure to restrain elites from re-ordering the use of language, except for the limits imposed by the current state of language development. The elites are politicians and writers, who can transform language into a symbol and an instrument with which they can promote their own political interests or those of their group or class.

The nine chapters of this book deal with such topics as: language and the exercise of power, education and participation, bilingual education, use of vernacular languages in the Third World, nation-building, and world politics. Weinstein attempts to answer questions such as Are language choices possible? Who chooses? What are the effects of those choices? and How do countries handle conflict based on language and ethnicity?

Although Weinstein may overestimate the ability of elites to force language shifts, it is clear that intervention into linguistic processes and manipulation of words can be a way of increasing either human suffering or human freedom and happiness. UNESCO has named 1983 the "Year of Communications." Thus this book, pointing out the important link between politics and language, is most timely.

—CHARLES R. FOSTER

Palestinians & Propaganda

PALESTINIAN RIGHTS: *Affirmation and Denial*. Edited by Ibrahim Abu-Lughod. Medina Press, 1982. \$7.95 (paper), \$17.95 (cloth).

THE PALESTINIANS IN PERSPECTIVE: *Implications for Mideast Peace and U.S. Policy*. Edited by George E. Gruen. Institute of Human Relations Press, American Jewish committee, 1982. \$3.50.

These two books offer differing analyses of a key Mideastern issue—the identity and future of the Palestinians. Unfortunately, the contributors have sacrificed a chance to enlighten by using the opportunity to propagandize. The factual presentations will be useful, but the omissions, partisan emphases, and pejorative characterizations could cause some to discount that worthwhile information. The lay reader will have great difficulty in separating the facts from the political messages.

The Palestinians In Perspective approaches Palestinian issues in a largely *realpolitik* manner favored by those in possession of disputed territory. The contributors do not give due weight to the reality of the Palestinian condition. Neither does it pay sufficient attention to that people's rights as set forth in various international enactments including relevant U.N. resolutions and the Fourth Geneva Convention. The contributors agree that the Palestinians must be practical and concede Israel's right to exist. But they give short shrift to the applicability of the principle of self-determination—from which the Jews have benefited so much—to the Palestinians. Only to a certain extent do some accept a distinct *Palestinian* personality as something separate from a general *Arab* one.

Palestinian Rights: Affirmation and Denial approaches the question on a legal level. Pragmatism must follow principle. Discussions of Israeli policy and practice are posed in absolute terms. The contributors make little mention of Palestinian attitudes toward the existence of *any* Israeli state. The book will not therefore assuage the fears of Israelis, world Jewry, and the supporters of the Jewish state. The ser-

DYM, FRANK & COMPANY

Investment Manager
for the
American Foreign Service Association

- ★ Personal Portfolio Management
- ★ Institutional Funds Management
- ★ Investment Decision-Making
Models and Strategies for
Financial Institutions

For information, write or call:

Dym, Frank & Company
1718 22nd Street, N.W.
Washington, D.C. 20008

(202) 667-5001

We have Foreign Service For the Foreign Service

Whether you're looking for just one car or an entire fleet, a purchase from H. B. Lantzsch links you to a dealer who has served the diplomatic community for 23 years. H. B. Lantzsch—Washington's largest and finest Volkswagen dealership—offers a Foreign Service courtesy discount and speedy worldwide delivery. When you're in Washington, stop in at our convenient Fairfax showroom, close to State Department and Foreign Service Institute offices, and contact our Diplomatic Sales Representative, or write us from your overseas post.

**Bogdan Badrich, Diplomatic Sales, H. B. Lantzsch
Route 50, Fairfax, VA 22030 • (703) 273-6700**

Performance Cars from the People Who Perform For You!

SPECIALIZING IN VOLKSWAGEN

Authorized VW Dealer
VOLVO • PORSCHE-AUDI



VA Dealer #666
MERCEDES-BENZ



**DIPLOMATIC CAR SALES
AND LEASING
ALL MODELS**

OUR 20TH YEAR IN WASHINGTON

CAVALIER VW

ONLY 10 MINUTES FROM KEY BRIDGE

4045 LEE HWY.

ARLINGTON VA 22207 **703/525-1900**

Visit the
NEW
**Foreign Service
Club**

Lunch • Special Events

2101 E Street, N.W.
338-5730

DAT SUN **Triumph** **VW**
DAT SUN **VOLVO** **MG**
F **FIAT** **BMW** **MG**
F **ALFA** **MG**
MERCEDES **MG**
MERCEDES

**FREE! NEW CAR CATALOG
BUY DIRECT**

The comprehensive NAI Master Catalog contains 32 pages, over 150 illustrations, DIPLOMATIC and FACTORY tax-free prices, equipment, options, colors, and all the details on how to order your car at these special savings.

The Nemet Organization has been meeting the needs of Americans throughout the world since 1916. You will have your car, waiting where you want it, STATESIDE OR IN EUROPE—when you want it, all serviced and ready to go at special factory prices.

Buy your new car from Nemet because we'll be here when you get home.

Please send me a FREE copy of your FSJ-1281
32 page Master Catalog.

I am interested in: Stateside Delivery
 European Delivery

<input type="checkbox"/> AUDI	<input type="checkbox"/> MG	<input type="checkbox"/> RENAULT
<input type="checkbox"/> BMW	<input type="checkbox"/> MERCEDES	<input type="checkbox"/> TRIUMPH
<input type="checkbox"/> DATSUN	<input type="checkbox"/> PEUGEOT	<input type="checkbox"/> VOLKSWAGEN
<input type="checkbox"/> FIAT	<input type="checkbox"/> PORSCHE	<input type="checkbox"/> VOLVO
<input type="checkbox"/> JAGUAR		

Name _____ Rank _____

Social Security No _____ Date of Birth ____/____/____

Address _____

Date of Rotation _____

Delivery Place _____

Nemet Auto International

World's Largest Distributor of Tax-Free Cars

153-03 Hillside Avenue, Jamaica, New York 11432

Telephone (212) 523-5858 / Cable NEMETAUTO

Toll Free 800-221-0177



monizing and vituperation weaken the valid legal points made in the articles. The most interesting and valuable portion of the book deals with international view of Palestinian identity.

All in all, the scholarly patina of both books does not disguise the subjective and propaganda purposes behind them. This is neither surprising nor bad if it is recognized by whoever undertakes these volumes. Nevertheless, these books offer only a modest amount of light when compared with the heat they will inevitably create.

—VICTOR WOLF JR.

Mideast Compendium

INSIDE THE MIDDLE EAST. By Dilip Hiro. McGraw-Hill Paperbacks, 1982. \$8.95 (paper), \$19.95 (cloth).

If the rapidly escalating price of books in recent years has you concerned and you are an observer of Mideast developments, take heart! Dilip Hiro's new book *Inside the Middle East* provides a handy and inexpensive alternative to purchasing a bookcase full of reference works on the area. In one volume of less than 500 pages, the author, a journalist whose articles have appeared in the London *Sunday Times* and other British publications, supplies more useful factual data than would be found in most small reference libraries.

Beginning with a glossary of common Arabic words, the book covers important developments in the region, from the birth of the prophet Mohammed and the spread of the Islamic religion to the assassination of Egyptian President Anwar Sadat and the Senate approval of the sale of AWAC's aircraft to Saudi Arabia in October 1981. Unlike many modern scholars, Hiro does not ignore pertinent events of the 19th and the first half of the 20th century in the region. For example, many contemporary observers would conclude from the sparsity of elected assemblies in the Mideast today that democratic traditions were entirely foreign to the area, but, as the book relates, there were elections to an advisory committee in Kuwait as early as 1921, and relatively free parliamentary elections in Egypt in 1923 and in Jordan in the 1950s.

To be sure, there are flaws. Although the writing style is clear and concise, the abundance of factual material makes reading the book much like reading the *World Almanac*. Again, the chapters are divided somewhat clumsily, so that, in a chapter on the Arab republics, the reader goes with minimal transition from a discussion of Iraq to one of Yemen. Nonetheless, an excellent index makes the information contained in the book easily

obtainable. This work, which could be subtitled "All You Will Ever Need to Know About the Mideast," is highly recommended to everyone desiring a good reference book on the area.

—BENSON L. GRAYSON

Terrorism in Prose

INTERNATIONAL TERRORISM. By William L. Waugh Jr. Documentary Publications, 1982.

This self-conscious exercise in ivory tower pedantry deserves reading if one is a graduate student writing a thesis on the subject of terrorism, or if one is an admirer of the kind of prose which these days is passed to unfortunate college students in the guise of textbooks. The book is a summary of other writings on terrorism glued together with the author's few bits of opinion. Waugh, a professor of political science at Kansas State University, has compiled a 243-page text which looks like it was xeroxed rather than printed and reads like a government memorandum. The most valuable portion of this book is the bibliography, which may well be of use to students in this important field.

Unfortunately, Waugh either failed creative writing or has succumbed to the worst tendencies of academic-bureaucratic double-speak. Some examples:

"The question of whether terrorist violence can be justified by the political ends sought has created a major bifurcation within the arenas of international dialogue." Or, in discussing the problems of reaching an international agreement on the definition of terrorism: "The definitional problem cannot be pushed aside; it complicates a policymaking environment already convoluted by a multiplicity of national and subnational actors." The author concludes that the best response to terrorist acts is that which the government involved feels will permit it to come out ahead.

While there is no price on the dust jacket, the bottom line is that if one needs access to such a shallow work, it can be borrowed from a good library.

—MICHAEL F. SPEERS

Incomplete Imperialism

EUROPEAN IMPERIALISM IN THE NINETEENTH AND TWENTIETH CENTURIES. By Woodruff D. Smith. Nelson-Hall Publishers, 1982. \$20.95 (cloth), \$10.95 (paper).

Professor Smith has, by his own admission, written an unfashionable book. During a time when imperialism has become

the *cause célèbre* of the Third World and the Fenner Brockways of the first, Smith has resumed the Eurocentric perspective all but suppressed in the western mind. On a subject drenched in polemics he has taken a dispassionate approach. Most unfashionable of all, his book is at once comprehensive and short, "a small book on a very large subject" for the reader wanting an overview of modern European imperialism.

Smith argues that modern imperialism was promoted largely as an antidote to social and economic changes in Europe, particularly to the effects of industrialization. Threatened by political fragmentation at home, national leaders sought to generate domestic political consensus by promoting overseas expansion, immigration for the poor, investment for the capitalists, and trade for the businessmen. However, with the exception of the Dutch in Indonesia, the British in India, and the French in Algeria, the primary motive for this expansion was the promotion of economic development and modernization in a growing global economy. Furthermore, their own poverty and weakness obliged colonial administrations to depend on indirect rule and economic *laissez faire*. "Free trade imperialism" sufficed, in Latin America, for example, where direct intervention was impossible. Thus in the final analysis, nineteenth and twentieth century colonialism emerges as part of a larger process of global economic integration which has superseded traditional empires and continues on inexorably without them.

This is a solid, even a majestic theme, a welcome relief from the contemporary polemics that pass for history, but its wholeness is deceptive. For the sake of thematic unity, Smith chooses deliberately to avoid consideration of the parallel process of international competition for economic and strategic real estate. This was, itself, a primary driving force, especially in late nineteenth century expansion (Gladstone and Egypt, for example), and produced fifty years of international crises and diplomatic lunacy, culminating in World War I. We may sympathize with the author's sidestepping of this topic, for North-South relations today present an even less manageable problem in terms of numbers, issues, and conflicts. But, as a result, the book leaves one in an argumentative frame of mind, with a sense of something missing, of a frame without a picture, a story without a plot.

—ROBERT K. OLSON

Members of the professional diplomatic community who have had books published recently are invited to submit them for review in the Foreign Service Journal.

There's a New State in Washington

And, we're located right where you want to be . . . the State Department, George Washington University, the Kennedy Center and most government agencies. Our guests stay in spacious suites, with fully equipped kitchens, for less than the price of most rooms in Washington. Our rates for weekends, and longer stays, are equally attractive.

Should you require a meeting/conference/entertainment room, we have several to meet your needs, seating 10 to 75 associates. Catering is also available. For your dining pleasure we recommend our Sherry Cafe, featuring a wide range of appetite-pleasing entrees. Come by and visit our new state in Washington.



STATE · PLAZA

FORMERLY SHERRY TOWERS HOTEL

(202) 861-8200 2117 E St. NW, Washington DC 20037 (800) 424-2859

FREE SQUASH MEMBERSHIPS FOR AFSA MEMBERS



ASFA members can now play squash at the Capitol Hill Squash Club without paying the \$80 membership fee. By simply showing your AFSA membership card, you will pay only the court fees at Capital Hill's most luxurious fitness facility. Located only a block from the Capital South Metro stop, the Club also offers free use of changing rooms, showers, and saunas before and after playing squash. (There is a \$10 annual processing fee.)

Capitol Hill Squash & Nautilus Club
214 D Street, S.E. • (202) 547-2255

SPARE YOURSELF

the cost of luxury
without sacrificing
comfort.

We offer the finest blend of convenience and economy (suites with built-in kitchens, and central location — within easy walking distance of the State Department, Federal Reserve, OPM, GSA, Metro . . .). Take it easy on yourself at

Riverside Towers
Hotel 

2201 Virginia Avenue, N.W.
Washington, DC 20037
(800) 424-2870 or (202) 452-4600

CANCER. NOT KNOWING THE RISKS IS YOUR GREATEST RISK.

A lot of people think cancer is unbeatable.

That simply isn't true. In fact, over two million people have had cancer and survived to lead happy, normal lives.

And not only can cancer be beaten, it can also be prevented.

There are definite precautions that have been proven to decrease your risk of getting certain cancers.

Ask your local American Cancer Society to send you a free booklet about cancer risks.

Learn the facts about cancer.

And make not knowing the risks, one less risk.

 **AMERICAN CANCER SOCIETY**[®]
How you live may save your life.

PLUS ÇA CHANGE . . .

Foreign Service Journal, April 1973: "Tomorrow, in respect to these men who have died in the service of their country and in service of the cause of peace for the whole world, the flags, not only in embassies abroad and in the State Department, but all over America, have been ordered to be at half-mast. I have taken this extraordinary action of lowering flags even though the individuals involved were not members of the Congress or members of the Cabinet, where normally such action is only taken, because I think it is well for the nation to be reminded of how much we owe to the men and women who serve America in the cause of peace as members of our Foreign Service, in the civilian activities that we have in farflung areas around the world.

"I think of these two men, Ambassador Noel, Mr. Moore, of the country to which they were accredited, the Sudan; I think of the minister from the Sudan whom I saw this morning. I know that the incident which led to their deaths was one that was not of this country's making and not of theirs, and yet, they were willing to take this risk. And for their bravery and for their courage, our country can be very thankful."

—PRESIDENT RICHARD M. NIXON

Foreign Service Journal, April 1958: "U.S. Army missiles have penetrated deep into space and have reached unprecedented altitudes. Aircraft and balloons of the U.S. Air Force have carried men beyond most of earth's atmosphere. The accomplishments of Soviet rocket developers have demonstrated a capability which can only lead to a conclusion that at least two major powers possess space hardware. . . .

"Some legal authorities, at least in this country and England, have explored the moot question of who controls space and where outer space begins. In the main they are inclined to look to the United Nations as a guardian against the threat of military domination by a single power or group of powers. . . .

"Would a body of space law akin to maritime law eventually develop to support 'freedom of space' in the same sense that 'freedom of the seas' is employed? The

parallel hardly suits a situation in which one satellite station, equipped with guided thermonuclear glide bombs, can dominate the earth."

—WERNHER VON BRAUN

Foreign Service Journal, April 1933: "It is strongly intimated on President-elect Roosevelt's behalf that he is not inclined to disturb at least two of America's career diplomats now at strategic points abroad—Ambassador Grew in Japan and Minister Johnson in China. . . . To remove Mr. Grew from Tokio or Mr. Johnson from Peiping, even though each owes his present assignment to the outgoing Republican president, would be to strike a blow at America's efficient representation abroad, which, it is gratifying to learn, is remote from Mr. Roosevelt's mind. . . .

"Some 25 or 30 career men are now chiefs of missions at foreign capitals. . . . The career principle finds its widest expression in the United States' corps of diplomatic officials throughout Latin America. Virtually all the American legations in Central and South America are now headed by men who are not only familiar with the languages of the countries to which they are accredited, but through long service in them have acquired expert knowledge of the Latin temperament, economic conditions, and political factors. In only two or three cases are there among them those who can be classified as deserving politicians who were rewarded with their present jobs under the patronage system.

"Under the Rogers law, which protects all grades of the Foreign Service under ambassadorial and ministerial rank from coming within the patronage orbit, there has developed an esprit de corps which is steadily, building up a diplomatic organization worthy of the name. Young men of fine educational background are entering it in increasing numbers. They begin at low ratings and small salaries. They are justified in looking forward, in the course of time, to that promotion and higher status to which long and faithful service entitles them. The more luscious plums, like the ambassadorships to the great European capitals, can probably never be rescued from the patronage roll. But where meritorious records have been achieved at important points throughout the world by career men, it is the part of common sense and in the fundamental national interest not to displace them with mere place-hunters hankering for the lure and glory of foreign residence. America's international relations today are too vital to be risked in inexperienced hands."

—*Washington Evening Star* EDITORIAL

Breach of Faith

Patriotism . . . professional pride . . . thirst for adventure . . . a chance to have a meaningful impact on the world. Ask members of the Foreign Service why they chose the career they have and you will receive a list of reasons as varied as the individuals. Yet, there is one reason which will probably not spontaneously appear on any of the lists but nevertheless is the foundation of our entire career—the conviction that the “system” works.

Today’s Foreign Service could not exist without our shared belief that in the long run excellence will be rewarded, that a “bad” assignment will be followed by a “good” one, that sacrifice will be recognized and compensated for. It is our faith in the integrity of the system that makes possible our competitive, up-or-out personnel system, and which makes the phrase “worldwide available” meaningful. This is not to say that there isn’t the occasional injustice or that a few grumbles and complaints aren’t heard in the corridors or at cocktail parties. But deep down, we believe that equity and common sense will prevail.

The administration’s proposed changes in the Foreign Service retirement program have rocked this faith to the core. Suddenly, the basic conditions of service under which we thought we operated are being turned inside out. The unprecedented level of interest in these proposals (more than 150 cables have been received by AFSA to date) demonstrate the degree to which members of the Service are concerned by what can only be seen as the shredding of everything we based our professional lives on. In the ASSOCIATION NEWS section of this issue and others we have gone into what these proposals will do and the impact they will have, but here we wish to make one point. A breach of faith has taken place—a breach which it is in everyone’s interest to heal. We call upon the administration to withdraw these proposals; failing that, we urge Congress to reject them overwhelmingly as a demonstration of its confidence in the skill, integrity, and dedication of the Foreign Service.

Soviet diplomat Maxim Litvinov explained the failure of U.S.-Soviet understanding in 1921 as: "Complete lack of confidence on the one side; absolute distrust on the other." Despite brief spells of cooperation, the U.S.-Soviet relationship remains one of underlying antagonism, competition, and distrust. Today each side claims the other is most responsible for the mutual collapse of confidence that followed détente.

U.S.-Soviet trade increased dramatically during the 1970s, but attempts to expand and normalize the bilateral relationship in other areas were aborted on numerous occasions because of political strains. The broad areas of conflict between these two superpowers present tremendous obstacles to taking a common sense approach to commercial relations. Yet the benefits of subjecting trade to the fortunes of the political relationship are far from clear. The United States seldom dominates a market to an extent that its refusal to trade could produce such severe and lasting consequences that the Soviets would be willing to alter their policies or behavior to secure continuation of that trade. By using trade as a political weapon, the United States often harms its reputation as a reliable trading partner, doing more damage to its own export-oriented businesses than to its intended target.

During the first half of the 1970s, relations between the United States and the Soviet Union improved substantially. But for those with high expectations on both sides, détente was a disappointment virtually from the start. The policy of détente was not meant to entail the sudden disappearance of all antagonism and rivalry from the superpower relationship. Rather, according to Soviet specialist Marshall Shulman, it was merely "a series of groping efforts toward putting the relationship on a somewhat less hostile

Carol Brookins is president of World Perspectives, Inc., a news and consulting firm specializing in international agricultural trade. This article is adapted from a chapter in a forthcoming book on East-West trade to be published by the American Committee on East-West Accord.

Carrots & Sticks

*Constructive commercial relations
between the
United States and Soviet Union
depend on both countries'
acting on the basis of reality
rather than prevailing myths*

By CAROL BROOKINS

basis." Détente was intended to reduce confrontation and encourage Soviet restraint by developing a network of ties in critical areas between the two countries. It was hoped that increased economic interdependence would contribute to a lessening of tensions.

Popular Beliefs

Today it is popularly believed that the United States was naive and thus easily deceived into expanding trade without restraint, thereby granting enormous benefits to the Soviet Union, while getting little in return. In fact, the United States did not separate trade from political considerations during détente. Secretary of State Henry Kissinger attempted to build a network of economic interdependence as a means of gaining leverage and reducing potential areas of conflict. But although U.S.-Soviet trade did expand, it was rarely without some interruption or restriction imposed by the United States. Kissinger was never able to deliver the substantive incentives or "carrots" of most-favored-na-

tion status and credit arrangements to the Soviet Union. Moreover, the trade pattern was generally one of U.S. exports to the U.S.S.R. rather than of imports from the Soviet Union. Finally, though nonagricultural trade grew modestly, trade with the U.S.S.R. increased primarily due to substantial Soviet grain imports in the wake of several bad harvests. Given the obstacles repeatedly placed in the way—grain-sales suspensions and denial of MFN and credits—one might question whether any significant rise in the level of bilateral trade would have occurred without poor Soviet weather and U.S. dominance in the world agricultural export market.

The concept of détente embodied in the "Basic Principles of Relations Between the United States of America and the Union of Soviet Socialist Republics," signed by Richard Nixon and Leonid Brezhnev in May 1972, was short-lived. Differing perceptions undermined the code of conduct set forth in the agreement. Despite wording that no countries should "be sub-



ject to outside interference in their internal affairs," the Soviet government believed it was not prevented from assisting "national liberation movements" in the Third World. As for the United States, despite Nixon's October 1972 commitment to a bilateral trade agreement that included the granting of MFN treatment to Soviet imports, Congress passed and President Ford signed into law the Trade Act of 1974. The act, with the addition of the Jackson/Vanik and Stevenson amendments, linked MFN privileges to Soviet emigration practices and effectively denied Soviet access to Export-Import Bank credits. The Soviet government rejected the trade agreement under these new conditions.

Controversial Amendments

There is much controversy surrounding the Jackson/Vanik and Stevenson amendments. The impetus for these restrictions is generally attributed to a Soviet decision in 1972 to place an education tax on emigrants, which,

while not put into practice, was left on the books. However, in her book on the subject, *Water's Edge*, Paula Stern points out that Senator Henry Jackson (D.-Wash.) had drafted language restricting trade at least two months before the education tax was announced and reaffirmed by the Soviet Council of Ministers. Despite Kissinger's strong lobbying against the amendments and near-successful diplomatic efforts with the Soviets to resolve the conflict, the ill-advised publicity Jackson gave regarding private commitments of the Soviets on the sensitive issue killed the diplomatic initiative. The effect of the entire controversy was to block implementation of the bilateral trade agreement. Due to the restrictions in the Trade Act of 1974, U.S. officials lost significant positive leverage—a critical aspect of the "carrot and stick" diplomacy for dealing with the Soviets. Although Nixon continued to work toward improving bilateral relations until he left office in August 1974, he lost any significant credibility and influence with Congress after the out-

break of the Watergate scandal in 1972.

The relationship did not improve significantly under the Ford administration. Even the boom in agricultural trade did not proceed without interruption. The White House temporarily suspended sales of grain to the Soviets in October 1974 and again in August 1975—the second time at least in part because of domestic price and supply concerns. The United States then proceeded to negotiate a five-year grain agreement, establishing upper and lower limits, for Soviet purchases in the United States, unless the U.S. government granted permission to buy additional corn and wheat during bilateral consultations. Apart from these commercially motivated interruptions in trade, political conflicts also disrupted trade development. In 1976, the United States refused to schedule its regular session of the Joint Commercial Commission and postponed other bilateral meetings in reaction to the Soviet/Cuban intervention in Angola.

After assuming office in 1977, President Carter continued the practice of imposing commercial restrictions on U.S.-Soviet trade. Well before the Afghanistan invasion in December 1979 led to sweeping sanctions against the Soviets, Carter could not be described as "soft" when dealing with the U.S.S.R. His emphasis on human rights contributed to new trade sanctions in 1977 and 1978, imposed in response to Soviet treatment of dissidents and increased Soviet and Cuban involvement in Angola. According to Department of Commerce information, export licenses were denied for an advanced Control Data Cyber 76 computer and for a Sperry Univac computer ordered by TASS for use in the 1980 Olympics. Neither computer was considered sensitive and therefore subject to export controls by the Coordinating Committee on East-West Trade (COCOM). Carter also established licensing requirements for export of U.S. oil and gas equipment.

During the era of détente, U.S. trade with the U.S.S.R. was not unrestricted, nor did all of the advantages accrue to the Soviets. In fact, the United States has maintained a substantial-

ly favorable balance in this bilateral trade, as Table I shows.

Those who support tighter restrictions on U.S.-Soviet trade often center their argument on the subject of technology transfer. In the area of technology there are conflicting images of the Soviet Union as both a giant and a cripple. On the one hand, some see the Soviets as threatening the United States through major technological advances in the Soviet strategic arsenal. On the other, the press is full of reports of the U.S.S.R.'s dependence on western technology and its inability to produce and maintain even simple machinery within the economy. The Soviets do place a tremendous amount of capital and other resources into defense at high cost to development in the civilian sector. And, there is proof that the Soviets seek to obtain specific western technology by both illegal and legal means. However, as Table II shows, the pattern of documented Soviet trade with the West does not show a growing or disproportionate level of trade in high technology.

Moreover, a Trade Information and Analysis Staff Paper released by the Department of Commerce in February 1982, entitled "The Quantification of Western Exports of High Technology Products to Communist Countries," concludes that the composition of western exports to Communist countries does not differ significantly from the general pattern of western exports to the world as a whole. The share of high-technology-product exports to the U.S.S.R. from the industrialized West was 16.2 percent of the total in 1970; this decreased steadily to 11.7 percent in 1980, virtually the same level (11.6 percent) as the share of western high-technology-product exports to the entire world in 1980. These figures, of course, do bear out the fact that the Soviets have been able to maintain a level of high technology imports despite controls.

The Soviets obviously want western and U.S. technology in certain key areas, particularly those relevant to the military. Yet, that desire may not necessarily be due to inadequacy in their own capabilities. In a research paper prepared by the CIA in 1979, "U.S.S.R.:

Role of Foreign Technology in the Development of the Motor Vehicle Industry," analysts concluded that the Soviets have made strides toward self-sufficiency. "If the U.S.S.R. has turned to the West, it is mainly for economic, not technological reasons," the report states. The controversial Bryant Grinder case, in which the Commerce Department approved the sale of 168 precision micro-ball-bearing machines to the Soviets in 1972, less than a year before they first began flight-testing MIRVED missiles, led some analysts to conclude that the U.S. sale had contributed significantly to the production of the new Soviet weapons. However, an April 1981 Rand study, "Selling the Russians the Rope?" concluded that U.S. technology did not play a "crucial gap-filling role in the development of the Soviet fourth-generation missiles." In assessing the Soviet decision to act on this machine-tool project when it did, the authors say, "It is perhaps closer to the truth . . . that the Soviet move was motivated by the rapidly growing demand for micro-ball bearings in Soviet industry and the growing liabilities of importing them, and not by any particular event in the West."

Erroneous Assumption

If Soviet planners import western technology for economic reasons, then an argument could be made that this is still critically relevant to western security—as denial of technology would force the Soviets to pay an ever-increasing cost to keep their economy growing. There is some truth to this, but it assumes erroneously that technology transfers only move from West to East, and that the Soviets would be the only ones damaged by cutting off the flow of technology. A small, but important, transfer of technology from the eastern bloc to the United States still exists, and the United States also stands to benefit from scientific exchanges. Of U.S. imports of eastern bloc technology, the most celebrated is the soft contact lens, introduced by Bausch & Lomb under a Czechoslovakian sublicense. A recent Soviet pipe-welding license was granted to a U.S. company and the rail-welding versions of the technology are used on

the Washington, D.C., Metro as well as hundreds of other sites. Hungarian technology for producing armored drilling hoses is used by U.S. oil companies as well.

Further, since imports compose such a small percentage of the Soviet GNP—and high-technology imports are barely more than 10 percent of total imports—the extreme view that the United States is transferring a major advantage to the Soviet Union appears somewhat misleading. This is particularly true in light of the tight controls already in place on technology and equipment with military applications.

Finally, the United States imports not only eastern bloc technology but also important strategic minerals—gold, chromium, and platinum-group metals. The export of these minerals from the Soviet Union has continued without interruption even when trade sanctions were imposed on exports to the Soviets. This is not to dismiss the importance of export controls on strategic technology nor to deny the vital importance of western technology in some priority programs of the Soviet economy, particularly the energy sector. Yet, the available evidence does not suggest that the Soviets have been able to make massive strides in their military capabilities or economy because of a generous flow of western technology.

Those who favor restricting U.S.-Soviet trade believe that economic leverage can produce political results. But, some recently released CIA studies counter the popularly held view that the Soviet Union is on the verge of economic collapse. Rather, analysts portray the U.S.S.R. as generally self-sufficient and predict that the Soviet economy will continue to grow through the 1980s, albeit at a lower rate than in recent years. Also, the impact of the 1980 agricultural embargo and energy-technology sanctions on the Soviet Union, as well as that of the 1982 gas pipeline sanctions, was not as severe as projected. In fact, the adverse effects of these actions on U.S. agriculture and industry call into question the ability of unilateral sanctions to provide enough strategic and foreign policy benefits to offset the adverse eco-

conomic effects. It is doubtful whether unilateral sanctions provide a strategic benefit over the long term. Generally, short-term gains are offset by long-term losses.

The misconception that the United States can affect the behavior of the Soviets, or any other government, by denying trade benefits should be examined in the context of U.S. history. Traditionally, the United States has not been a major trading nation. Only recently has it become more dependent on exports and imports. Even so, trade accounted for less than five percent of GNP in 1972; today it is only around eight percent. U.S. administrations considered trade to be a privilege ex-

el. Therefore, the possibility of building a multilateral consensus for trade sanctions is limited even in the best of circumstances. During periods of economic recession, the resistance to sanctions is even greater.

Furthermore, contrary to popular U.S. opinion, many Europeans believe that détente and the accompanying trade has had a moderating effect on Soviet conduct. Some will argue that one of the reasons the Soviets did not intervene directly in Poland was for fear of losing the valuable commercial and financial ties with Western Europe. West German Foreign Minister Hans-Dietrich Genscher, writing in the Fall 1982 issue of *Foreign Affairs*,

sanctity of registered agricultural export contracts for delivery for up to 270 days if an embargo is imposed. Additionally, there is strong support for revisions in the Export Administration Act of 1979 that would tighten the criteria under which the President can impose export controls for foreign policy reasons. Although the early impetus for these limits on executive authority came from the agricultural community, the pipeline sanctions of 1982 spurred the industrial community into supporting such limitations as well.

President Reagan's decision last June to impose extraterritorial sanctions on exports of technology and equipment for use in construction of the Yamal gas pipeline brought out strong congressional opposition and European defiance. The Soviets claimed they would complete the pipeline on time and began working on production of substitute turbines to replace those contracted from General Electric and its European licensees. The governments of Britain, France, Germany, and Italy rejected the sanctions and proceeded to ship compressors to the Soviet Union to meet their contract schedules. Following a series of negotiations between U.S. and European officials, President Reagan lifted the extraterritorial sanctions in November, as well as those originally imposed on U.S. companies in late 1981, in exchange for an allied understanding to develop closer coordination of trade and commercial arrangements with the eastern bloc. Although the sanctions caused the Soviets to adjust their plans and undergo delays, the short-term effect was marginal, given the European suppliers' refusal to comply. Over the long term, the adverse effect of unilaterally imposed sanctions on U.S. companies will be far greater. Buyers may lose faith in the reliability of American suppliers due to volatile national policies which violate the sanctity of export contracts.

The adverse effects of trade sanctions have been much more far-reaching on agriculture, however, due to its relatively larger share of Soviet trade. A look at the U.S.-Soviet grain-trade relationship and the effect of the 1980 embargo and subsequent sanctions re-

TABLE I: U.S.-Soviet Trade 1974-81

	(millions of dollars)							
	1974	1975	1976	1977	1978	1979	1980	1981
U.S. Agricultural Exports	300	1,136	1,487	1,037	1,687	2,855	1,047	1,665
U.S. Total Exports	608	1,833	2,306	1,624	2,249	3,604	1,510	2,339
U.S. Imports	350	254	221	234	254	324	453	347
Turnover	957	2,087	2,527	1,858	2,503	3,928	1,963	2,686
U.S. Surplus	257	1,579	2,085	1,389	1,995	3,279	1,057	1,991

Source: Department of Commerce (figures may not add due to rounding)

tended to those nations complying with U.S. standards or principles. In recent years, both Congress and the President have used trade sanctions repeatedly—and not only against Communist countries—to make a political statement opposing other countries' policies. Yet these attempts at using economic leverage have generally been ineffective. The United States does not dominate international markets and has been unsuccessful in getting multilateral support. America's allies are very dependent upon trade; commerce is part of their tradition and their economic lifeline. Trade composes more than thirty percent of the GNP of the European Community; Japan's dependence on trade far exceeds that lev-

claimed that "true pressure for reform in the Soviet Union and the eastern bloc as a whole comes from within. External pressure would paradoxically reduce this pressure from within."

Obviously, there are actions which warrant a strong official response. In addition, it is in the nature of American politics to demand action, and in today's world, political or military response may be viewed as too precipitous and dangerous. In such a case, making a necessary "statement" may suggest a need for use of economic sanctions. Yet, the risk/reward ratio of economic sanctions is far from positive and highly debatable. Recognition of this is reflected in current policy shifts, including legislation guaranteeing the

veals the extensive, long-term negative impact of sanctions on the growth of U.S. agricultural exports.

U.S. companies first sold grain to the Soviet Union in 1963, although no additional grain was sold until 1971. Massive sales in 1972 were welcomed by farmers but triggered a strong domestic protest against the resulting higher prices. The erratic Soviet buying pattern led U.S. and Soviet officials in 1975 to negotiate the long-term grain agreement in order to regulate and control Soviet access to the U.S. market. From 1974 to 1979, the U.S. share of Soviet agricultural imports rose from 50.4 percent to 70 percent. Over the same period, the U.S. share of total Soviet imports rose from 8.6 percent to 20 percent, primarily because of the increase in agricultural imports. But in January 1980 the United States forced the cancellation of contracts covering 17 million metric tons of grain and other agricultural exports not included in the agreement. The Carter administration did allow 8 million metric tons to be shipped as guaranteed by article II of the long-term agreement. In 1980 the U.S. share of the Soviet agricultural import market fell below 20 percent.

The embargo was lifted in the spring of 1981, after Reagan's election and another poor Soviet harvest, and Soviet purchases did increase somewhat. However, the United States has now become the residual supplier to the Soviet Union—its share of agricultural imports is estimated at 30 percent. The 1980 embargo had forced the Soviets to scramble for supplies at a time when their own harvest was poor. Although the Europeans, Canadians, and Australians generally agreed not to replace U.S. sales at that time, their eventual sales did just that. The EC switched already-issued pre-embargo licenses to Soviet destinations and issued new export licenses for replacement grain to other eastern bloc countries. West German soybean crushers imported large quantities of U.S. soybeans, which they processed into meal and oil to sell to the Soviets. European sales of compound feed and flour were also widely reported, while port traffic at Hamburg expanded significantly due to transshipment of grain to the

Soviet Union. The Canadian government promised not to sell more than its traditional share to the Soviet market, but the figures it used for defining "traditional" allowed it to expand its base substantially. The Soviet Union is now the market for more than 35 percent of Canada's grain exports, against 10 percent before the embargo. Argentina has substantially expanded its sales to the Soviets; Australia and such smaller exporters as Thailand and Brazil have also followed suit. In 1982-83, the U.S. export share may drop to 6-8 million metric tons out of projected Soviet imports from the world of between 30-35 million metric tons. Nor was grain the only U.S. export affected; an embargo on superphosphorus fertilizer sent Soviet buyers to other phosphate markets like Morocco.

Lost Leverage

How effective was the embargo? The U.S. lost any potential leverage it retained when it was supplying the lion's share of grain to the Soviet market. The embargo forced the Soviets to diversify their sources of supply and improve their own feeding efficiency. Spurred by very poor harvests and fear of supplies being used as leverage, the Soviets are diverting major resources to a new food program aimed at sharply reducing the country's dependence on imports by 1990. The chances of the Soviet Union reaching self-sufficiency are slim, given climatic conditions. However, changes in production, marketing, processing, and management could improve overall agricultural output and performance.

In the meantime, the Soviets have signed a series of long-term supply agreements with other major exporters and because of the current glut of grain are in a much better position to negotiate a new long-term agreement with the United States. For foreign policy reasons, the U.S. administration refused in both 1981 and 1982 to negotiate a new multi-year agreement with the U.S.S.R. The embargo cost the United States billions of dollars in agricultural-support programs, and it is now carrying 50 percent of the world's grain stockpiles. This is not to say that lower exports to the Soviet market are

the only reason for U.S. agricultural problems today. It seems clear, however, that sanctions have contributed to a broad shift in worldwide agricultural production and trading—to the detriment of U.S. agricultural exports.

Nevertheless, the United States probably still retains some potential political leverage in the supply of grain. The Soviets will still want to retain formal and continuing access to the U.S. market as a means of gaining leverage with their other suppliers. The U.S. market is the most cost-effective in terms of transportation costs, shipping facilities, and available product. And, Soviet buyers know how difficult it was to gain access to U.S. supplies in the early 1970s when their needs were great. If world supplies contract and Soviet production fails, the United States is the only supplier large enough to handle Soviet requirements. Finally, trading with the United States allows the Soviets to increase their influence in the bilateral relationship and demonstrate their legitimacy to the international community. What has changed, however, is that the Soviets are now aware of the danger of depending on the United States as a principal supplier. This has and will affect Soviet buying patterns and agricultural policies for the foreseeable future—excepting a potential crop disaster, only overall improvement in political relations will bring the Soviets back strongly to the U.S. market.

Commerce with the Soviet Union is enmeshed irrevocably in the web of political and strategic considerations that determine the broad direction of bilateral relations. The inherent confrontational attitude between the two governments has deep roots in the past. That strained relationship will continue to underlie all other considerations—including commercial—unless new understandings can be developed.

A leading Soviet economist, Georgy Skorov, deputy director of the Institute for U.S.A. and Canada Studies, recently wrote in *Moscow News* that the motivation for trade sanctions on the part of the United States is rooted in a number of myths surrounding East-West trade. The myths he perceived are, first, that the Soviet Union's great

dependence on western technology, grain, and credits makes the Soviet economy vulnerable to sanctions. Second, that this vulnerability makes it possible for the United States to use trade sanctions to pressure the Soviet Union to change its domestic and foreign policies. Third, that the benefit to the broad U.S. national interest from these sanctions far outweighs their negative impact on the U.S. economy; and, fourth, that the United States has the power to involve the entire western world in an economic war against the Soviet Union and the eastern bloc. Skorov writes, "It stands to reason that trade is developing, not in a vacuum, but in a real political situa-

Perhaps that is one of the main difficulties in taking a common sense approach to the U.S.-Soviet trade relationship: the Soviets do not approach commercial relations from the same perspective as the United States. Nor are there popular pressures in the U.S.S.R. urging that trade be used to respond to political developments. These factors imply that unless political relations improve, the outlook for expanding trade will remain uncertain.

Events of the past decade have proven that embargoes or other economic "sticks" do not increase leverage and control over another nation. In fact, both common sense and historical data

day's realities rather than on past problems or misconceptions. Both sides have legitimate complaints concerning the other's behavior during the 1970s. Both will remain competitive internationally. Although progress will not come easily, a common sense approach to U.S.-Soviet commercial relations can be developed if misconceptions are replaced by clear perceptions of the needs of both nations. What is needed is clear communication of the conditions for developing trade.

In this context, three points might be considered. First, trade sanctions are much easier to impose than remove. If the U.S.-Soviet relationship improves sufficiently in the future, so that all or most existing commercial sanctions can be removed, a coherent long-range policy must be developed to prevent the disruption of short-term sanctions from recurring. Without clear guidelines, commercial interests on both sides will fear that the risk of sanctions outweighs any potential benefit to be derived from expanded bilateral commitments.

Second, trade relationships evolve gradually. Building a bridge of mutual trust and benefit is a step-by-step process. This must be understood from the outset, so expectations are not raised for immediate results which cannot be fulfilled, such as occurred in the early years of détente.

Third, trade terms are only viable if fully understood. The rules of the game cannot be ambiguous and volatile. Many problems arose in the past because of misconceptions on both sides about the nature of the competition and the relative importance of political and economic variables. Trade cannot and does not take place in a vacuum. Objectives must be defined, clearly explained, and accepted in private diplomatic exchanges so that misunderstandings can be avoided in the future.

Trade ties are fibers that link the world together. Competitive coexistence does not negate the possibility for constructive commercial cooperation. Yet, this can only come about when both the U.S. and Soviet governments are committed to dealing with each other on the basis of reality rather than misconception. □

TABLE II: Soviet Trade with Industrialized West (IW) and U.S. 1974-80

	(millions of dollars)						
	1974	1975	1976	1977	1978	1979	1980
Imports from IW	7,032	11,867	12,938	12,914	14,870	18,114	19,837
High Technology	1,059	1,615	1,690	2,085	2,345	2,370	2,330
	(percent of total)						
U.S.	4.3	3.0	2.2	2.0	2.1	4.9	1.9
European Community	52.1	55.2	60.3	59.8	61.5	61.0	64.4

Source: United Nations

tion which itself influences trade in the same way as trade influences politics. But this mutual influence is not infinite. To believe that one can secure political concessions in exchange for some goods is unrealistic, to say the least." Although some may dismiss Skorov's remarks as self-serving, that would not necessarily invalidate his points. There is truth in Skorov's observations, though they do not address directly the issue of linkage between political and economic relations. Nor does he consider the Soviets' lack of realism in believing the United States can be made to isolate trade benefits from other aspects of the bilateral relationship.

suggest just the opposite. There was a substantial drop in emigration from the Soviet Union in the years immediately following passage of the Jackson/Vanik Amendment. "Carrots" seem to work better: in 1978 and 1979, when the United States was considering reinstating MFN for the Soviet Union, Jewish emigration figures expanded sharply. It is difficult, if not unrealistic, to expect any major government to yield to public demands or economic pressure from another power on vital national questions. But the heart of this issue is not who holds how much economic leverage over whom but whether these two governments have the will to base future policies on to-



The Inscrutable Secretary

Sometimes George Shultz acts like a Japanese politician, sometimes like a cautious elephant, and sometimes like a strong but friendly bear

By DANIEL SOUTHERLAND

The first bit of information needed to understand George Shultz is that he operates in a very Japanese manner. The second is that he traveled to China without visiting the Great Wall. Shultz's trip to East Asia last February, while devoid of major accomplishments, reveals a lot about the man, how he operates, and why he is well on his way to becoming one of our most effective secretaries of state. Not only has Shultz placed a renewed emphasis on relations with Japan, but with the caution of a traditional Japanese politician, he has been able to protect himself from the bureaucratic wars that defeated Alexander Haig. And, on the subject of China, Shultz has demonstrated that he is capable of viewing that great nation without the romanticism that has befogged many an earlier American visitor.

In Beijing, George Shultz was all business, with no time for the Great Wall. Past visits to China by high-ranking Americans have often seemed like pilgrimages, with a trip to that symbol of China's strength part of the ritual. But Shultz came neither as pilgrim nor missionary, neither to do homage nor to convert. In choosing to view the Temple of Heaven, the secretary of state did show an appreciation for Chinese culture. For the most part, however, Shultz was simply "Mr. Fix-it"—a diplomatic repairman doing a workmanlike job. Thus, it could be that under George Shultz, U.S.-Chinese relations will move beyond either euphoria or disappointment to a new maturity.

Japan, meanwhile, looms larger for George Shultz than it has for many a past secretary of state, in part because he approaches the world's problems as an economist. In addition, Shultz is the first secretary since Dean Rusk to come to office with a sophisticated knowledge of our principal Pacific ally. It took Henry Kissinger a few years to realize that talking with the Japanese might be worthwhile. Those who fault Shultz for lacking a world-view or grand design, such as Kissinger had, forget that Shultz understands the interrelations of the world's economies. He does not need to be told that Japan is the world's second largest

industrial power as well as the largest overseas trading partner of the United States. It made no headlines, but during his East Asia trip Shultz did a great deal to help correct an imbalance in U.S. policy. There had been a tendency to overemphasize China to the neglect of Japan. It is not that Shultz is de-emphasizing China—he considers it to be immensely important—but the secretary has started to place greater importance on relations with Japan than did some of his predecessors.

Henry Kissinger, first as national security adviser and later as secretary of state, was fascinated with China. He would spend nearly a week in Beijing and then stop for half a day in Tokyo to brief the Japanese. Zbigniew Brzezinski, who took the lead in shaping the Carter administration's China policy, was equally taken with the Chinese. The United States and China faced a common enemy and, at the Great Wall, the visitor would look out toward the wastes from which came the threatening hordes. In a joking mood during his 1978 visit, Brzezinski climbed a steep incline of the wall, saying that the last person to reach the top would have to fight the Cubans (and presumably the Soviets) in Ethiopia. Like Kissinger and Brzezinski, Alexander Haig saw China as a counter to the Soviet Union and envisaged what was beginning to look like a strategic alliance between the United States and China. He offered the Chinese "defensive" weapons from the United States. The Chinese, however, began to feel that they were being manipulated and that U.S. arms sales to China might become a justification for continued arms sales to Taiwan. They also could never be sure that Haig had enough backing from the President to be able to fulfill his promises.

In George Shultz, both the Chinese and Japanese have found a secretary of state who tends to promise less than Haig did but who might be able to

deliver more. This is partly because Shultz has what can be described with only slight exaggeration as a very Japanese manner. The traditional Japanese political leader (the current prime minister being the exception) never makes a move until he is certain of widespread support within his party as well as within the bureaucracy. Once he moves, however, more often than not he moves forcefully. One of Shultz's achievements has been to protect his flanks, acting only once he knows that his decision will not become a target for the Pentagon or the National Security Council. As Joe Laitin, a former press aide to the secretary, says: "Shultz is a slow mover. He's like an elephant. He puts his foot forward to see if the ground is solid before putting another foot forward." And a leading expert on Japan, Nathaniel B. Thayer of Johns Hopkins University, who happens to be close to Japan's prime minister, Yasuhiro Nakasone, says that because Shultz moves by consensus and believes that economics is the key, he is "a superb Japanese politician."

Setting Modest Goals

Shultz also has a modest bearing, which helps him in dealing not only with Asians but also with diplomats from other regions. According to aides, the secretary of state is able to assert himself and make criticisms without seeming to push people around. Shultz expresses his disagreements for the most part in such a low-key manner that his counterpart on the other side of the negotiating table is never in a position of losing face. One of his ploys is to set public expectations for any diplomatic meeting or negotiation so low that any kind of agreement looks like a success. For instance, when speculation began to grow over the possible warming of U.S.-Soviet relations following Yuri Andropov's rise to power in the Soviet Union, Shultz quickly punctured the balloon.

Shultz set goals for his China trip that were modest indeed: getting to know the Chinese leaders, clearing up misunderstandings, finding common interests and objectives, and, finally, exploring ways to put the U.S.-Chi-

nese relationship on a more stable footing. When Shultz appeared to make limited progress in all these areas, the trip looked like a modest success. At the end of it, he acknowledged that Washington and Beijing still had some disagreements. He made no great claims for what had been accomplished.

The contrast with Haig's visit to China in the summer of 1981 could hardly have been more striking. At the end of his trip, Haig declared that the United States and China shared objectives on virtually all regional issues. He spoke of a "common resolve" to coordinate policies. He foresaw a "major expansion" of Sino-American friendship and cooperation. And Haig made it sound like the United States would soon begin selling to China, on a case-by-case basis, certain "defensive" weapons. That idea collapsed within hours, as President Reagan, back in Washington, reaffirmed his support for Taiwan. A top Chinese foreign ministry official was dispatched to the Beijing airport to deliver a finger-wagging protest to Haig even before his plane could take off. Instead of expanding, relations with China grew tense. Instead of cooperating in new ways with Washington against the Soviets, China opened a dialogue with Moscow.

When Reagan agreed to reduce arms sales to Taiwan in a joint communiqué last August, the United States went a long way toward accommodating Beijing. But this did little to restore trust to the relationship. By the time Shultz arrived in early February, he was not coming to consolidate an ever-expanding relationship but to mend fences.

Shultz found the Chinese much more interested in U.S. trade and technology than in arms. Being expert in the ways of trade, Shultz might indeed be able to deliver more in the economic field than did Haig. But this will have to be part of a process of give and take. As always, Shultz presents the unhurried air of a man who cannot be driven to make concessions—certainly not until Reagan is on board. Shultz's old firm, Bechtel, had lost a lot of money trying to establish itself in China, and Shultz is reported by one China expert

Daniel Southerland has been the Christian Science Monitor's diplomatic correspondent in Washington since 1976. Prior to his current assignment he was its Asia correspondent, based in Hong Kong. He covered George Shultz's trip to East Asia for the Monitor last February.

to believe that this was the result as much as anything else of a failure on the part of the Chinese to take intelligent advantage of what was being offered. Perhaps this explains—although he was too discreet to utter a word on the subject during his trip—why Shultz is believed to be less than overwhelmed by China's chances for success in carrying out its ambitious economic modernization program.

Some reporters now believe that the success of Shultz's fence-mending mission to Beijing may have been diminished—if not demolished—by remarks since made by the President. In an interview with the conservative publication *Human Events*, Reagan seemed to minimize the importance of the U.S. commitment to the communiqué. In that document, the Reagan administration had agreed to "reduce gradually" the sale of arms to Taiwan, "leading over a period of time to a final resolution." But in his interview, Reagan said the administration "did not give an inch" in the communiqué. He declared that "if the day ever comes that those two [China and Taiwan] find that they can get together and become one China in a peaceful manner, then there wouldn't be any need for arms sales to Taiwan. . . . And that's all that was meant in the communiqué. Nothing was meant beyond that. We're not going to say, 'Well, just as time goes by, we're going to reduce arms to them.'" Reagan also said, without explanation, "We are making progress in other areas that ensure the representatives and people of Taiwan are treated with the respect which the American people demand."

In a statement to the Conservative Political Action Conference in February, Shultz himself may have alarmed Beijing when he said, "We're not going to turn our backs" on the people of Taiwan and claimed that "they fought on our side" in the Korean and Vietnam wars. State Department officials later explained that in the Vietnam war, the United States used Taiwanese air bases for repairs and for logistical support. It was not clear what Shultz meant by the remark about Taiwan's participation in the Korean conflict. Taiwanese troops were not involved in either war.

When it comes to Japan, the secretary of state is interested in an idea which could result in creative give and take. Short of energy, Japan would like to buy Alaskan oil and natural gas. But, remembering the domestic oil shortages, Congress has banned such sales. American maritime unions support the ban, not wanting to see the oil shipped in foreign vessels. And shipping it in high-priced U.S. ships would be much too expensive. Yet an end to this ban might do more than any single action to reduce the trade deficit with Japan, and it would do so to the tune of several billion dollars a year. The situation calls for a Shultz-type compromise: Ship some of the Alaskan oil in American vessels and some of it in foreign ships. Then more oil could be brought into the lower 48 states from Mexico, at cheaper rates than from Alaska.

But until he can achieve a consensus among key bureaucrats both in Japan and at home, Shultz is not likely to push hard on this issue. In the meantime, he has already checked with senators from Alaska, and they are in favor of a deal; that's half the battle. In return for a little Alaskan oil, the Japanese might open their markets a bit more.

Giving Cautious Answers

Asked about Alaskan oil aboard his plane en route to Japan at the start of his trip, Shultz gave a cautious, Japanese-like answer. He said, among other things, that a working group had been established to look at the subject and that for the oil to go to Japan, the ban would have to be lifted. Shultz also said: "The people who are very interested in this development, particularly the Alaskans, many of whom wonder why it should be that oil from 49 states of the Union should be possible to go anywhere the owner of the oil wants to send it, but the oil produced in the most difficult of circumstances is restricted. But the Alaskans, certainly the senators particularly, I know, want to see this subject move forward. . . ." Translated into plain English, this meant that Shultz favors a U.S.-Japanese deal over Alaskan oil. This time Shultz was not being inscrutable; he was just being cautious.

But some reporters aboard the secretary's plane complained that he was being too cautious. One declared that the most colorful thing Shultz uttered during the entire trip was in Tokyo after the Superbowl, when he said to Nakasone, "Hail to the Redskins." Then on the way to Beijing, Shultz was asked jokingly whether or not he could handle chopsticks. Shultz declined to commit himself on this crucial question. "Well, we'll see," he replied.

Does Buddha-like impassivity mask depth or ignorance? wondered one reporter aboard the plane. It does not mask ignorance. Lacking depth, one could not move the way Shultz has less than a year into his job. In his first months as secretary, he grasped the difficult Mideast problem and played the key role in shaping a policy that helped to restore negotiating momentum. He then moved to defuse tensions with Western Europe over the Soviet-European gas pipeline. Next, he managed to prevent what could have developed into a trade war with the Europeans. He is now playing the lead role, through an undersecretary, in preparing for the next summit meeting of the industrialized democracies, set for the end of May in Williamsburg, Virginia. Typically, Shultz is already lowering expectations. He says he wants to make it an informal meeting which will not necessarily produce specific agreements. He wants to avoid a disaster like the Versailles summit of last June, when Haig thought everyone had agreed to principles limiting East-West trade only to find within days of the summit that Europe and the United States were squabbling again.

Shultz's seemingly effective involvement in so many disparate areas of foreign policy has made it almost a cliché for many of those attending Washington cocktail parties to refer to him as the Reagan administration's most competent cabinet member. But at some of those same parties, the gossip now has it that he is spread too thin. In addition to all of his foreign policy duties, for instance, Shultz played a significant role at the end of last year in White House deliberations on the federal budget.

The secretary of state has felt sure enough of himself to delegate considerable authority to subordinates, and that has taken off some of the heat. Deputy Secretary of State Kenneth W. Dam does much of the day-to-day work on Lebanon and on arms control, for example. But many observers claim that they now detect an edginess and unevenness in some of Shultz's public statements that indicate that he is feeling the pressure of the job and is being pulled in too many directions. Liberal critics point in particular to some of his remarks on El Salvador made in congressional testimony in late February and early March. Shultz's tone on El Salvador has grown uncharacteristically harsh, they say. Other liberals complain that Shultz is such a team player and consensus builder that it is difficult to know where he stands on some issues or how hard he might fight for a position that he really believed in. "You can never figure out where Shultz stands on an issue, because he just sort of listens," said a member of the Senate Foreign Relations Committee staff.

One sign that Shultz's honeymoon with the press may be ending came on March 6, when *Washington Post* columnist Mary McGrory wrote that the administration's Mr. Calm was losing his cool. McGrory cited his rebuke of a group of American businessmen in Beijing who complained about U.S. trade policies, his comment that Libyan leader Muammar Qaddafi was now "back in his box," and his brusque "no dice" rejoinder to congressmen inquiring about the possibility of negotiations with the guerrillas in El Salvador. But what most upset McGrory was Shultz's criticism, at a Senate Appropriations Committee hearing, of what he described as "churchmen who want to see Soviet influence in El Salvador improved." Shultz later said in an interview with the *Post* that he had misspoken.

Some conservatives, however, have applauded the secretary's hard line on El Salvador. What they find upsetting are Shultz's appointments and the participants he has chosen for some of the briefings he has convened with experts from outside the State Department. *Human Events* pointed out that the

secretary excluded U.N. Ambassador Jeane Kirkpatrick from a briefing on Latin America late last year but included scholars and former officials considered by conservatives to be softliners.

"I think George Shultz is just a big business, country club, moderate, Ford-type Republican," said John Lofton, a prominent though unconventional conservative columnist. But he added that Shultz "will manage the mess in a marginally better way."

Where other critics fault Shultz is in arms control. He was slow to get into this field at a time when the administration could have used more coordination and cohesion. Had Shultz moved faster, perhaps George Bush's rescue mission to Europe in February might

"One of Shultz's achievements has been to protect his flanks, acting only once he knows that his decision will not become a target for the Pentagon or the NSC."

not have been so necessary. And had Shultz been more carefully consulted on whom to appoint as the new director of the Arms Control and Disarmament Agency, perhaps the battle over the White House's hurriedly made choice of Kenneth Adelman could have been avoided.

But one man cannot do it all. Arms control is a field in which Shultz has had no great experience, so he has taken his time in asserting himself. In the end, Shultz will probably lean in favor of a slightly more flexible negotiating position. This willingness to compromise could bring him into debate, if not conflict, with his former business and government subordinate, Secretary of Defense Caspar Weinberger.

But Shultz's style is to avoid a brawl. One former associate predicts that if a conflict develops with the secretary of defense, "Shultz will wrap Weinberger in a bear hug and gradually take over."

Great initiatives should not be expected from George Shultz. In his most comprehensive foreign policy speech to date, delivered last September to the U.N. General Assembly, he cautioned that major progress in international relations cannot be easily achieved. "We must recognize the complex and vexing character of the world," he said. "We should not indulge ourselves in fantasies of perfection or unfulfillable plans, or solutions gained under pressure. It is the responsibility of leaders not to feed the growing appetite for easy promises and grand assurances." Concluded Shultz: "We face the prospect of all too few decisive or dramatic breakthroughs."

Those are the words of a man of considerable experience as well as considerable caution. One suspects that they would not be words that Ronald Reagan would find easy to utter. Although Reagan too has shown a capacity for compromise and pragmatism, George Shultz, the industrial-relations expert and veteran labor-management mediator, has made pragmatism a way of life. He may be a conservative in ideology, but he is constantly testing that ideology against reality. After asking a group of academics to help him prepare a speech for the National Press Club when he was an assistant to President Nixon, Shultz then told his aide Joe Laitin to put into the speech "some things from the real world."

When Shultz attended Princeton University during the war, he prepared an undergraduate thesis on the Tennessee Valley Authority. Having compiled his statistics, he then went to Tennessee and lived with a poor family for a few days. He found the family members to be uneducated yet shrewd and intelligent, and he feels that he learned a great deal from them. Shultz has been testing his ideology and his statistics against the real world ever since. The combination is producing, if not yet a great secretary of state, certainly an effective one. □



The Credit Collapse

By CHARLES MAECHLING JR.

At the same time that the world is stagnating in a deep economic recession, a mountain of public and private debt accumulated by the developing countries and Eastern Europe threatens to destabilize the financial systems of the leading industrial countries. To quote Henry Kaufman, the influential Wall Street economist, the international credit structure is "in a situation of high economic and financial risk." Prescriptions for shoring up the rickety structure abound. Most, however, are variations of traditional nostrums, dis-

tinguishable from each other mainly in the mix or magnitude of the dosage recommended. Few address long-term social and political consequences.

The magnitude of the global debt problem has been clear for some time. Third World countries owe \$540 billion to western creditors, chiefly private banks. Five Latin American countries alone have debts amounting to about \$215 billion. The total debt of the Comecon countries of Eastern Europe has now reached about \$80 billion—over \$100 billion, if Yugoslavia is included. Poland, with an external debt of \$30 billion, was formerly the most publicized basket case; but today Brazil and Mexico, with external debts of \$100 and \$80 billion, respectively, constitute graver threats to international financial stability. In 1982 alone, creditor governments and lending institutions were forced to reschedule debts amounting to \$20 billion.

The present crisis is the direct result of massive OPEC price shocks in 1973–74 and 1979–80 and the resultant flood of petrodollars that inundated capital markets. At times during the 1970s, OPEC oil surpluses reached an annual level of nearly \$100 billion, much of it parked in western banks in the form of short-term deposits at high interest rates before being lent out to developing countries. The non-oil producing developing countries, pressed for hard currency to meet trebling and quadrupling oil costs and caught up in ambitious internal development programs, went deeper and deeper into debt, assured by bankers and development economists that rising productivity and world inflation would enable them to pay off interest and principal with progressively more abundant and cheaper dollars.

Once astride the development tiger, there was no way for Third World leaders to curtail social programs and tailor their economic development plans to the vicissitudes of the global economic cycle; that course was precluded by the revolution of rising ex-

Charles Maechling Jr. is a Washington lawyer with extensive Latin American experience. He is currently a senior associate at the Carnegie Endowment for International Peace.

pectations. What had begun as a reasonable gamble on rising productivity and progressive inflation swiftly turned into a struggle to maintain momentum in the face of pyramiding interest and oil costs, and then simply to stay afloat.

The 1970s, however, except for a steep dip in mid-decade, was a period of relative economic prosperity. The Third World as a whole managed to preserve an average growth rate of 6–7 percent, with higher rates for countries like Brazil, Venezuela, and Singapore. Nevertheless, the combination of OPEC currency surpluses and abundant credit led to an unprecedented expansion of the global money supply. Between 1972 and 1982 all this new money was recycled; \$50 billion was lent to governments and state enterprises in Eastern Europe and nearly \$400 billion to developing countries.

Conventional Wisdom

During this period conventional economic wisdom depicted inflation and overheated economies as the principal enemy of continued economic growth for developed and developing countries alike. This scenario assumed that the voracious demand and high prices for fuel and raw materials would continue. For raw-material producers at least, the practice of going ever deeper into debt seemed to be an acceptable risk. The alternative was to stunt economic growth and end the revolution of rising expectations.

This highly optimistic picture was supported to some extent by the manageability of most countries' debts. Although the external long-term debt of non-oil producing developing countries grew from \$97 billion to \$540 billion between 1973 and 1981, the ratio of debt payments to exports of goods and services remained in the 20-percent range, after taking external reserves into account. However, the economic situation of the debtors became much more precarious after the two oil shocks. The inflationary expansion of the 1970s gave way to worldwide recession and prices of commodities and raw materials dropped sharply. Commodity export prices are now one-third lower than in 1980, while real interest rates—the difference between the ac-

tual rate and inflation—remain as high as ever. Oil import costs have started to decline but not enough to offset the corresponding fall in exports.

As a result, the debt-service ratios of the five leading Latin American debtors—Brazil, Mexico, Argentina, Chile, and Ecuador—are now well over 100 percent, while according to the *Economist*, the ratios of the three highest, Argentina, Mexico, and Brazil, are at 180, 130, and 120 percent, respectively. If external reserves are left out of the calculation and short-term debt is thrown in, all the worst-case debtors of the Third World would show a debt-service ratio of over 100 percent, while Brazil, Mexico, Turkey, and Egypt would have ratios over the 300 percent mark. Thus, if conventional banking standards applied, Argentina, Brazil, and Mexico would long ago have been declared insolvent. So, at various times in the recent past, would Turkey, Zaire, Nicaragua, Sudan, and a dozen others.

Bankers and development economists must bear a large part of the blame for this deplorable situation. After the influx of petrodollars, the worst features of competitive lending took over in the international market. Bankers pursued every tactic from cajolery to bribery to press loans on debtor countries. Various forms of creative financing were devised and, regardless of the long-term consequences, loans were peddled to countries that had only limited capacity to pay back. Economists dressed up this irresponsible borrowing in conceptual finery. They erected a body of theory in which credit became a talisman for unlimited economic growth. Even the piling of debt on debt in order to pay off debt was treated not as a last-resort expedient, but as a normal and indeed beneficial prerequisite to growth. Geometrically rising interest costs were dismissed as being either of little consequence, or manageable through exchange devaluations.

For large parts of the Third World the chickens have come home to roost. Countries are now accumulating debt that can never be paid off, however often rescheduled or buried under new loans. The industrial world has such a stake in not permitting default that,

through one expedient or another, Mexico, Argentina, Brazil, and the other 13 nations with inordinately high debt-service ratios will certainly be given a fresh round of credits to keep them afloat.

The situation is almost as acute in Eastern Europe, but for different reasons. During the era of détente, with its accompanying growth in East-West economic ties, the Eastern European countries embarked on ambitious programs of industrial expansion and economic development financed by an Amazonian flow of western loans that in total exceeded U.S. credits to Europe under the Marshall Plan, even allowing for inflation. When recession struck Western Europe, the lower demand for East European imports combined with rising energy costs to increase Eastern European reliance on foreign loans for debt-servicing, leaving little to expand industrial productivity. Today, according to the *Economist*, the total long-term debt of Eastern Europe to western banks and governments is over \$80 billion. Poland's debt-service obligations are well over 100 percent of exports; the debt-service ratio of East Germany is 54 percent, of Hungary 37 percent, of Bulgaria 38 percent, and of Romania and Czechoslovakia 22 percent.

Holding the Bag

Who holds the bag for this mountain of debt? In the early part of the century, when bank capitalizations were relatively low, governments raised capital primarily through public bond offerings. Ever since the defaults of the 1930s and World War II, the prevailing pattern has been to finance foreign-government borrowing through government or private bank loans, supplemented by development loans from the World Bank and emergency credits from the International Monetary Fund.

Today, more than 1000 banks all over the world are in the business of lending to foreign governments and state enterprises. According to Morgan Guaranty statistics, Poland is in debt to 501 banks, Turkey to 240 banks, Brazil to more than 200 banks, chiefly American—even tiny Nicaragua is in debt to 140 banks. Coordina-



It took the present financial crisis to make the International Monetary Fund's critics aware that the private sector no longer has the capacity to cope with global credit needs, much less to exercise a parental role in correcting profligate practices.

tion of lending has become unmanageable; the Polish debt rescheduling of 1981-82 was handled by a multinational negotiating group of 70 banks. Sixty percent of the Third World debt of \$540 billion and the Eastern European debt of \$80 billion is owed to private banks—\$320 billion of it to U.S. banks.

Again according to Morgan Guaranty, the nine largest U.S. banks have \$66 billion in loans outstanding to non-oil producing developing countries (including, for statistical purposes, Mexico) even though their combined capital—including reserves against losses—amounts to only \$26 billion. Two crisis debtors, Mexico and Brazil, are in debt to these nine banks for \$11.6 and \$10.6 billion, respectively—a sum amounting to 85 percent of the nine's equity. To set the exposure in even broader context, the combined equity of the 30 largest U.S. bank holding companies is \$40 billion, of the 100 largest foreign banks, \$116 billion. Since 1975 the amount of foreign debt in arrears has risen from \$500 million to \$5.5 billion.

For countries like Mexico, Brazil and Argentina, the repayment problem has been aggravated by the fact that a large percentage of their outstanding loans—20 percent for Mexico, 50 percent for Argentina—fall due in 1982 and 1983. Furthermore, short-term loans to developing countries have jumped from \$42 billion in 1977 to \$120 billion in 1982. It is the principal owed on short-term obligations that often brings debt-service ratios to such alarming levels.

With cross-default clauses the rule, even a single default by a major debtor nation, let alone two or more at a time or in close sequence, would be catastrophic to both the international credit structure and national banking systems. For this reason, governments and private bankers have so far turned a blind eye to even the most flagrant instances of arrears: Poland in 1981, Argentina in 1982, Chile and Brazil in 1983. Creditor and debtor are thus handcuffed together, with neither disposed to let the other go under.

The options available to creditors and debtors are limited. Apart from a unilateral decision to impose an auster-

ity program and make it stick, a debtor or government normally has only three ways to avert default. First and easiest is for the debtor to approach the banks for even more credit, to be used to pay off arrears on interest and keep current on repayments of principal. Second is to convince creditor banks to reschedule existing debt; to stretch out the life of loans, thereby reducing payments of principal and interest proportionately. (Rescheduling is normally confined to principal; in most cases bankers draw the line at waiving or reducing interest payments, which changes the original terms of the deal.) Third, the debtor may fall back on the International Monetary Fund, while at the same time undertaking to reform its internal finances and economic practices.

Unfortunately, none of these approaches goes to the heart of the matter, which is the mountain of debt that caused the crisis in the first place. Indeed, from the standpoint of attacking the illness itself—overborrowing—the banking community has been a failure. Banks have a selfish interest in extending new loans, and even when acting collectively rarely have the clout to induce economic reform. Peru, which in 1976 tentatively agreed to stringent economic measures proposed by its creditors, is a classic example. The banks exacted stiff budget reductions as a *quid pro quo* for resumption of loans, but public pressure soon forced the Peruvian government to renege on its promises.

Emergency Credits

One traditional source of emergency credits from the private sector has been the Bank of International Settlements in Basel, which, apart from its regular function of straightening out foreign exchange imbalances, puts together syndicates of private institutional lenders in crisis situations, e.g., the \$1.5-billion package that took care of Poland's 1981 arrears. The so-called Paris Club, consisting of treasury officials from 11 members of the Organization for Economic Cooperation and Development, also provides a first-recourse option for debtors. It puts together packages of government-to-government loans and export-credit guarantees, with debt relief exclusive-

ly confined to rescheduling of principal. The Paris Club does not normally provide new credits to repay old debt, a function assumed by the private lending that usually follows along in its wake, sometimes under the aegis of the BIS. Neither the BIS nor the Paris Club lays down stringent economic programs for insolvent debtors.

The ultimate resort of government borrowers and the most authoritative source of financial advice for insolvent governments is the International Monetary Fund. The IMF provides a reservoir of credit for member countries from which they can draw a minimum of four times the amount of their contribution, and considerably more than that in emergencies. The IMF buys time—time for debtors to tighten up their financial practices, cut back social programs, and change economic course; time for creditors to write off loans gradually, to cushion or disguise the effect of reschedulings on quarterly profit-and-loss statements, and to re-target lending.

IMF credit assistance to borrowers is always in some degree conditional. The principal conditions to which a developing country must agree before getting a substantial chunk of IMF financing are reduction of imports and drastic curtailment of domestic expenditures until the current account is brought into balance—a program analogous to tightening the liquor intake of an alcoholic. Take the case of Argentina, now \$1.7 billion in arrears. Its fundamentally sound economy was brought to the edge of disaster through years of mismanagement. In exchange for a \$1.5-billion line of credit to be made available over 15 months commencing last January, plus another \$500 million in credits to compensate for losses during the Falklands war and the drop in grain prices, the IMF exacted the following conditions: a massive cut in government spending to bring the deficit down from 3 percent of GNP to 2 percent; a rise in the interbank loan rate to levels roughly equal to inflation (now about 500 percent annually); periodic currency devaluations to keep exports competitive; and reductions in subsidies to state-controlled industries. Predicated on acceptance of the IMF

terms, a syndicate of 10 western banks has agreed to make a bridge loan of \$1.1 billion to take care of the immediate arrears. But Argentina is already in trouble on its 1983 payments: in March the Bignone government announced suspension of interest payments on \$1.4 billion of debt.

In the more serious case of Mexico, with \$20 billion in private debt and \$60 billion in public debt outstanding, the Reagan administration first put together an emergency aid package of \$3 billion, consisting of Federal Reserve purchases of pesos, advance payments for oil imports for the strategic petroleum reserve, and agricultural credits to finance Mexican grain purchases. At the same time, the IMF negotiated an agreement to provide Mexico with \$3.9 billion in credits over a three-year period, plus the third tranche of a \$1.8-billion bridge loan. The conditions were that Mexico cut its budget deficit from the present 16.5 percent of GNP to 8.5 percent in 1983 and 3.5 percent in 1984, and also raise taxes, cut spending, and adopt other austerity measures. There is still some doubt as to whether Mexico can meet these terms, since any reduction of the budget deficit below 10 percent of GNP would eliminate social programs considered vital for preserving internal order. The Mexican government is relying on a large increase in oil exports beyond the current 1.73 million barrels per day to restore its balance of payments. But the current drop in oil prices may puncture this expectation.

Austerity Measures

The critical role of the IMF is also apparent in the case of Brazil. With an external debt of \$100 billion—60 percent of it owed to U.S. banks—Brazil at first elected to impose its own austerity program rather than that of the IMF. Last September and October, in accordance with a new plan of the National Monetary Council, the Brazilian government took steps to reduce the budget deficit from the existing 6 percent of GNP to 2.5 percent, impose import restrictions, and reduce borrowing. However, after an expected \$3 billion trade surplus turned out to be less than \$300 million, and after get-

ting over its head in short-term borrowing—which in 1982 rose from \$8 billion to \$14 billion—Brazil was forced to turn to the IMF for \$6 billion in emergency IMF credits and to arrange a bridge loan of \$600 million from a syndicate of New York banks.

None of the above measures is anything but a stop-gap or temporary solution. For countries, as for families or individuals, the best policy is not to borrow at all—at worst, to limit borrowing to what is affordable based on conservative estimates of future income, taking adverse contingencies into account. Nations dependent on fluctuating commodity prices for the bulk of their external income court disaster if they borrow to the hilt for current expenditures instead of accumulating reserves in good times to cushion the effect of recession and falling commodity prices in bad. Indeed, the fourfold rise in oil prices, coupled with the paradoxical coexistence of depression in commodity markets, has taxed even the soundest economies to the limit.

But, for those countries that have already borrowed large amounts and now find themselves in serious economic trouble, the question is not whether they should borrow but how they can meet the next payment. Are lenders who contributed to the present predicament in a position to bail out debtors indefinitely? What are the likely political consequences for impoverished borrowers forced to adopt the remedies prescribed for them by affluent lenders?

Certainly private sector lenders are no longer in a position to bail out debtors on an unlimited scale. OPEC surpluses have shrunk drastically in recent years—from \$80–100 billion in the 1970s to \$6 billion today, with an even more drastic drop in the offing. The bankers are getting cautious, both institutionally and personally. Problem loans of U.S. banks, domestic and foreign, were up 63 percent in 1982. According to the *New York Times*, foreign lending was down from \$100 billion in the first quarter of 1981 to \$39 billion in the first quarter of 1982. New loans by U.S. banks to Latin America in the fourth quarter of 1982 fell to an estimated \$4.3 billion from



In the future, the struggle between left and right in these countries is likely to center around formulas politicians devise to make the prescriptions of the banks and the IMF digestible for the populace — and around the tactics adopted to contain the resultant discord.

\$12 billion in the fourth quarter of 1981. At a recent meeting of leading bankers and economists in Philadelphia, there was general agreement that the borrowing needs of developing countries face a shortfall of \$45–50 billion in 1983.

A recent study by Morgan Guaranty paints an alarming picture of the impact that a slowdown in international lending to developing countries could have on the world economy. Assuming that in the next few years new lending grows by only 10 percent instead of 20 percent (the annual rate in 1979–81), the study estimates that economic growth rates in Latin America would drop by 3 percent. If new lending stays flat, Latin American growth, to the extent it still exists, would fall by 5.5 percent. Since OECD countries ship a quarter of their exports to the Third World, such reductions would cause a corresponding drop in the growth rates of North America, Europe, and Japan. Unless international institutions fill the gap, bankers foresee such a contraction of imports in developing countries that the economic recovery of the industrial world would be indefinitely delayed.

When the risks are too high or amounts too great for private lenders and governments, the IMF and World Bank, in theory at least, act as stabilizers of the international financial system and lenders of last resort. However, the purpose of the World Bank is to foster long-term economic development, not to mount financial rescue operations. Its capitalization, now stretched to the limit, allows an annual lending rate of only \$11 billion, not enough to make a dent in national deficits and at the same time continue development lending.

It is the IMF that is supposed to be the financial stabilizer of the world community. But until recently the fund suffered from a serious disability: it was too-thinly capitalized, and indeed, it may still be. The fund's present \$98.5 billion capitalization, based on quota contributions from member countries, may appear ample at first glance, but the amount of capital actually available for lending, even after the recent increase, is still no more than \$30 billion, with another \$7 bil-

lion available from a Saudi loan.

The economic expansion and inflation of the last thirty years has reduced the IMF to relatively modest dimensions. Before the recent increase in its capitalization, the fund ranked 28th among international banking institutions, just below Morgan Guaranty, the fifth largest U.S. bank. The developing countries had complained for years about the fund's limited capitalization and restrictive lending practices, but during the petro-dollar euphoria, European and U.S. bankers rather welcomed the relative decline of the IMF since it eliminated a potential competitor in the lending free-for-all. It took the present financial crisis to make the fund's critics aware that the private sector no longer has the capacity to cope with global credit needs, much less to exercise a parental role in correcting profligate practices.

Drastic Increases

At the 1982 Toronto meetings of the World Bank and IMF, both developed and developing nations strongly urged a drastic increase in IMF member-country quotas. At first, the Reagan administration took the position that no increase was needed. But when other countries continued to urge an increase of 50–100 percent, the United States in February notified Britain, France, West Germany and Japan—the other contributors to the Special Drawing Rights basket—of its agreement to an increase of 47.4 percent of the fund's capitalization, provided Congress concurs. Such an increase would add \$32.5 billion to the fund's present lendable capital of \$66 billion for a total of \$98.5 billion and should be sufficient to enable the IMF to meet all current demands for credit. In January, 10 industrial nations agreed to make available to the fund for emergencies an additional \$20 billion.

Even with these increases, however, the gross amount of Third World and Eastern Europe indebtedness will still dwarf the fund's capacity to deal with more than three or four major problem debtors at one time. One solution, proposed by Henry Kaufman, is to create a \$50-billion permanent supplementary fund. Another is to develop a more structured reporting system to

provide early warning of deteriorating economic conditions in borrowing countries. But traditions of banking secrecy, national regulations, anti-trust policies, and legal obligations to depositors and stockholders, plus a variety of other constraints, make overall coordination of lending, much less of coordinated banking action, a virtual impossibility. Thus, the present structure is likely to stay rickety for some time to come.

The international credit crisis has not only economic but political consequences, and these should get more attention. An insolvent Poland would be a drag on the European economy, but a full-scale default would have catastrophic consequences on the European banking system. German banks hold over a third of the Polish loans, and since the German government guarantees 50 percent of these loans, it also is a virtual hostage to keeping Poland afloat. Even the recent Christian Democratic victory in the German parliamentary elections will not prevent the political effects of the Polish debt crisis from imposing heavy constraints on German participation in any economic and political measures directed against Poland. Renewed threats by the Reagan administration to impose economic sanctions on Poland would only make matters worse. In this sense, the United States too is a political captive of the Polish debt problem.

In the Third World, the austerity measures imposed by the IMF are political dynamite, and the fund is already included in leftist demonology. In the 1980 Jamaican elections, for instance, Michael Manley, the defeated socialist candidate, ran against the IMF as much as against his conservative opponent.

Latin American countries most severely affected by the credit crisis are already treading a fine line between authoritarian repression and revolutionary explosion. If the austerity measures prescribed by the IMF are imposed, even tighter political controls may be needed to keep societal turmoil within bounds. Mexico, for example, has an annual inflation rate approaching 100 percent and underemployment of 40 percent; to date,

domestic upheaval has been averted only by massive illegal emigration to the United States. For the first time in its history, Argentina has an unemployment rate of more than 15 percent and an inflation rate of an unbelievable 500 percent. Argentina is already in a state of endemic chaos, and if Mexico enforces the IMF prescription of slashing the national budget by eliminating or drastically cutting back welfare and employment programs, the results could be equally disruptive. Neither country has a social welfare safety net adequate to cope with massive unemployment, inflation, and population increase.

The predicament of the Third World is that while leaders are fully aware that to pyramid debt is to mortgage the future, the pressures to relieve hardship and keep up the pace of development create an irresistible temptation to borrow for the present and let tomorrow take care of itself. For the foreseeable future the struggle between left and right in these countries is likely to center around the formulas that politicians devise to make the prescriptions of the banks and the IMF digestible for the populace—and around the tactics adopted by governments to contain the resultant discontent.

Inevitable Compromises

If the past is any guide, compromises in the form of emergency programs intended to stem the tide of unrest are inevitable. The poor in these countries traditionally have borne a much larger burden of sacrifice than the rich and have been taught to accept economic and social injustice as inevitable. But today the media, mass literacy, radicalization of the university population, and a socially conscious Catholic Church have so broadened the political base of social dissent that any effort to dismantle social programs in the name of fiscal prudence is likely to be met by demands for social and economic reform. Chief among these will be cries for redistribution of wealth through land reform and nationalizations, and heavier taxes on the rich.

Until now the policy of the United States in developing countries has been neither the low-profile, limited-scope

diplomacy of Canada and the major countries of Western Europe—with the occasional exception of France—nor full-scale intervention in which the United States at least assumes some degree of responsibility. Instead we have sought to “protect” U.S. interests by identifying them with the established order, regardless of the latter’s brutality, greed, or corruption.

This policy is breaking down in Central America and will break down elsewhere if the credit crisis intensifies. If the oligarchies of the Third World are unwilling to take note of their citizens’ concerns, violence will become inevitable. Agitation from the Marxist left will push governments to the right, and the bloody cycle of repression, state terrorism, and left-wing insurgency will start again. The United States will then face the choice of whether to back the government in power, thereby losing credibility with the masses and remaining the prisoner of the so-called client regime, or to use its financial clout to push for reforms.

The United States is already in the front line of the international credit crisis, not only through exposure of U.S. banks but through our 27-percent share in IMF funding. As a society the United States has intervened on a massive scale at the economic and financial level in the economies and societies of less-developed nations. When the United States insists on making stringent austerity measures a condition for credit, and then tries to disassociate itself from the inevitable consequences, the inconsistency is obvious.

A more realistic policy for the United States would be to assume that if austerity measures are forced on less-developed societies by the IMF and international banks, social unrest will be inevitable. The United States should insist that the preponderant share of the austerity burden be borne by the rich and not the poor. Progressive taxation, rigid exchange controls, land distribution, nationalization of utilities and banks, and criminal penalties for the export of private capital should be part of any austerity package. It is time to end the hypocrisy of intervening at the level of investment and finance and rejecting intervention at the level of social reform. □

A Letter

The true story of a love affair shattered by the aftermath of war

By FRED GODSEY

It is the end of a beautiful late summer day. As twilight approaches, I sit alone with a small glass of wine in my study, surrounded by mementos of half a lifetime spent in various corners of the world. As I turn on the stereo, the soft melody of an old Victor Herbert tune begins to tug gently at my memory. A pleasant female voice is singing *Kiss Me Again*. The half-whispered words are like a lullaby, and my thoughts take the first steps of a familiar journey into the past. I remember Charley, for this was Charley's favorite song. And I remember Leila. Through the growing evening shadows I can see her again, dressed in her sequined gown, standing there on the little stage, as she sang that song for Charley.

Charley arrived in Budapest a few weeks after I did. We were part of the staff sent there to reopen the American legation and the consulate after World War II. He was a young man at his first post, about the same age as I, slim, with curly blond hair and blue eyes shielded by a pair of metal-rimmed glasses.

Hungary was still in a state of chaos. The siege of Budapest had left a large part of the city in ruins. Thousands of people who had been in Nazi concentration camps were returning to the city and attempting to find shelter among the bombed-out buildings.

Fred Godsey was in the Foreign Service from 1942-51. He served in Budapest, Hungary, from 1945-50. He now lives in retirement in West Germany.

They also had to cope with the Soviet occupation forces, who were still looting, raping, and murdering civilians.

Since adequate housing for American personnel was scarce, I invited Charley to move in with me. I had been fortunate enough to find a small apartment in the city, within walking distance of the consulate. The first thing he unpacked was a suitcase filled with books. He also brought a record player and a supply of records, including his Victor Herbert favorite.

A few bars, restaurants, and night clubs soon opened, with meager fare but with good music, and a group of young entertainers reopened the small variety theater just two blocks from our apartment. They had no stage furnishings but managed to assemble an excellent orchestra and several good singers. The costumes were made from curtains and drapes. I didn't know that the theater had opened until the day I had a visit from one of its company. I had just finished interviewing a passport applicant in my office when the secretary came in.

"There's someone from the variety theater here to see you, sir; she says it will only take a minute."

A Raven-haired Vision

I grudgingly said yes and soon the door opened to admit a vision! Her raven hair, drawn into a bun at the back of her neck, accentuated a pair of green eyes and a beautiful complexion. She was probably in the early twenties and had a perfect figure, covered by a dress much too thin for the prevailing weather.

"I am Leila," she said, with a dazzling smile before I could recover my voice. "I am singer at the variety theater."

Her request caused me almost as much consternation as did her beauty. Leila wanted an American parachute.

"You see," she said, "I have not a

proper costume for singing my songs on the stage, but if you would perhaps have an American parachute here in your consulate which you would not need—now that the war is finished—I could make from it a very nice dress for myself."

I explained that I didn't have one at the moment. Then I recalled that Charley sometimes drank beer with one of the sergeants from the military attaché's office. It was just possible the sergeant might be able to find one.

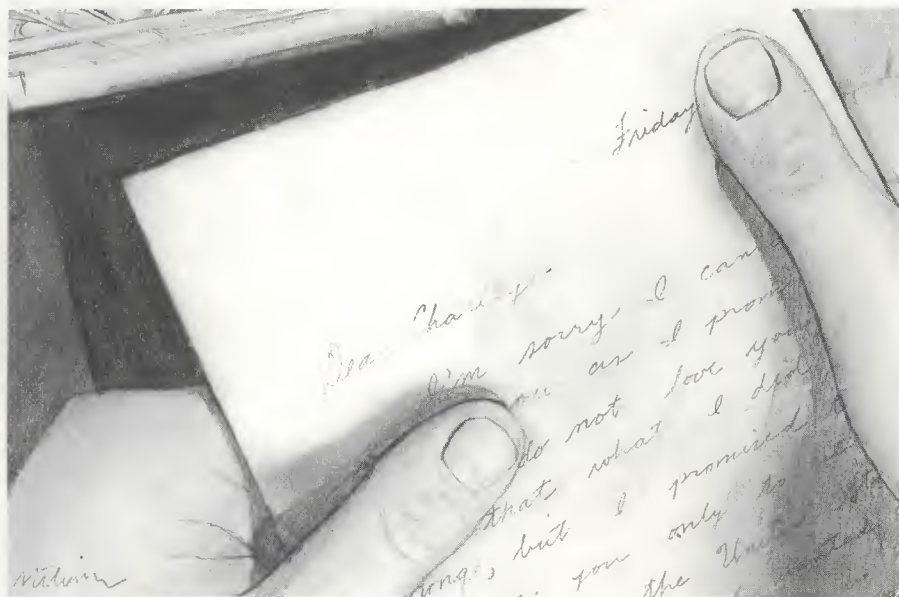
I don't know where or how Charley managed to get the parachute, but he did. The following evening we took it to the theater. I had described Leila in glowing terms, and Charley was looking forward to meeting her. The theater was giving performances only once a week, on Friday evenings. The other days were spent in rehearsals and in making repairs to the stage and the seats, badly damaged by a shell.

The entire troupe, including the orchestra members, were doing the carpentry themselves. When we arrived at the theater we found Leila, with a red bandana around her hair, nailing some boards onto a stage prop. Several of her colleagues were similarly occupied. I introduced Charley, who presented Leila with the parachute. She was jubilant and gave both of us a big kiss.

Since none of us had eaten, we persuaded Leila to join us at the Apostles bar and restaurant for some beer and whatever the cook could prepare. Despite the poor quality of the food, it was a memorable meal. For Charley and Leila, it was the beginning of a love affair.

Leila was a Bulgarian. After finishing high school in Sofia, she had come to Budapest to live with a relative and to take singing lessons. She wanted to become an opera star. She had been trapped in Budapest by the war, spending many days and nights in the

for Charley



cellars, surviving by eating horse meat and a few dried fruits. She later learned that most of the male members of her family in Bulgaria had been deported to concentration camps. She was anxiously awaiting word from her mother about their fate.

Within a month, work on the theater had made such progress that the troupe was performing twice a week, Tuesdays and Fridays. There was usually a large audience. The orchestra and singers learned many of the current popular American songs, and it was not unusual to hear hits such as *Don't Fence Me In*, *Deep in the Heart of Texas*, and *As Time Goes By*.

Charley and Leila were soon spending almost all their spare time together. He would go to the theater and watch rehearsals, then take Leila to dinner. On Tuesdays and Fridays, it became established practice for Charley and me to attend the show in the evening, then go to the Apostles bar, where we would wait for Leila to change and join us for a late supper. On Saturdays, Charley would get a jeep from the legation garage, and they would spend the weekend at Lillafured or some other village in the country-

side. Charley's love for Leila gradually became almost an obsession. From all appearances, she fully returned his affection.

As predicted, the winter was hard. We managed to get a small coal-burning stove for the apartment, and Charley got one for the small room that Leila had rented. There was no heat in the theater, but each performance continued to be sold out—the audience sitting in heavy coats and sipping from bottles of plum brandy. Leila had made a magnificent gown from the parachute, decorating it with sequins which glittered in the spotlight. She also learned a few of Charley's favorite songs, including *Kiss Me Again*.

Winter passed, and spring was turning into lovely summer weather when Charley returned to the apartment that Sunday evening from his usual weekend with Leila. I saw immediately that this was to be a special occasion. He was exultant.

"Pull up a chair and sit!" He brought out a bottle. "I have wonderful news! Leila has finally said yes. We are going to be married."

His news was not exactly a surprise, but he had never talked with me about

his plans. I felt that I should mention some of the consequences of his decision—especially how it would affect his career.

"Of course you know the rules, Charley. Since Leila is not an American citizen, you will be expected to submit your resignation to the State Department at the time you report your intention to marry a foreigner. They may not choose to accept your resignation—but what happens if they do?"

"Couldn't care less," Charley replied. "Leila means more to me than anything else in the whole world. I would take a job digging ditches if necessary. The only important thing is that we are to be married!"

"Fine, Charley. I know how you feel. And when will the big event take place?"

"We haven't set a date. I told her I would have to inform the department. She asked me not to report it yet. She's waiting for a letter from her mother in Bulgaria. I think she wants to have her mother come to Budapest for the ceremony."

It was about two weeks later, on a Friday morning, when Leila came to see me in my office at the consulate. When the secretary announced her, I assumed that she had come with the usual minor request for help in finding some stage prop or other. She was wearing a pair of dark sunglasses, but I could see that she had been weeping.

"I need your help," she said. "It's about Charley. I can't marry him."

"Why not?"

"I'm leaving tonight, after the show, for Bulgaria," she continued, ignoring my question.

"Have you told Charley?"

"No, and I can't. That is why I need your help. I have here a letter which I've written to Charley. Please read it." She handed me a small white envelope which contained a single sheet of paper. The letter was not a long one, and it was certainly no love letter.

Dear Charley,

I'm sorry I cannot marry you as I promised because I do not love you. I realize that what I did was wrong, but I promised to marry you only to get the visa to the United States of America. I wanted only to sing some day in the

opera there and to get the American citizenship. Do not try to reach me. When you read this I will be en route to Bulgaria. I am sorry.

Leila

I read the letter and looked up to see Leila sitting uneasily in the chair, dabbing at her eyes. She was a picture of misery.

"Is this true—what you've written here to Charley?" I asked.

She shook her head. "No, it is not true. It is all a lie. I do love Charley

very much, and I want to marry him. But I cannot."

She took other letters from her handbag. "I received these letters yesterday from Bulgaria. You see, after I finished school in Bulgaria, I became engaged to a boy from my village. We have known each other since we were children. Milko and I had made all of the arrangements for our marriage, but then he had to go into the Bulgarian army. Then the Nazi's came, and he was taken to a concentration camp. Later, his parents received an official

notice that he had died in the camp. When I heard that Milko was dead, I came to Budapest. But yesterday came this letter from Milko and my mother. Milko was among the survivors returning to Bulgaria. He is very ill and needs me. So, you see, I must go back."

"Then why don't you tell Charley the truth?" I asked.

Leila pondered this for a moment. "No," she said, "once I heard a very old gypsy woman in my village say that we forget more quickly those we hate than

DOMESTIC POSTINGS

Moving to Washington?

Become familiar with the housing market before you arrive. Send this coupon for newsletters by Ann Delahanty, Sales Broker serving the Foreign Service for over 10 years.

- Financing
- Local Taxes
- Commuting in Wash.
- Closing Costs
- Schools

Name _____

Address _____

Price Range Desired _____

No. of Bedrooms _____ Bathrooms _____

Probable Assignment Date _____

LONG & FOSTER REALTORS Attn. Ann Delahanty
4600 Lee Highway
Arlington, Virginia 22207



**Experienced Real Estate Agent
With Well-Established Company**

- Buying
- Selling
- Investing
- Refinancing
- Property Management

Please write or call Anita Murchie, Long & Foster,
6300 Richmond Highway, Alexandria, Virginia 22310
(703) 765-3160

25 years as a Foreign Service wife enable me to understand your special needs.




**COME IN CONFIDENCE
COME TO THE EXPERTS**

Luz Marina Robertson
Foreign Service Wife
Licensed Realtor



For All Your Real Estate Needs

MOUNT VERNON REALTY 

8137 Leesburg Pike
Vienna, Virginia 22180

Res.: (703) 938-2648

Office: (703) 893-2510

ASSOCIATION OF AMERICAN FOREIGN SERVICE WOMEN
P.O. Box 8068, Washington, D.C. 20024

- NEWSLETTER
- FORUM
- Monthly Meetings
- Scholarships
- Community Service
- Holiday Ball for Teenagers
- Language and Writers' Groups
- BOOK FAIR (Book Room, Tel. 223-5796)
- Housing Assistance and Information
Room 1248, Department of State, Tel. 632-3573

Foreign Service women, wives, or employees, active or retired, may join AAFSW. The annual dues are \$15.00 which includes a subscription to the Newsletter. Send dues to Membership Chairman at address above.

we do those we love. When Charley reads this letter, he will hate me. I want him to forget me quickly."

"Well, what do you want me to do?"

"I want you to give the letter to Charley—tonight in the Apostles bar, after the performance. I'm not strong enough to talk to Charley. I'm afraid to see him again. I'm afraid I wouldn't have the courage to leave."

So it was agreed, reluctantly on my part, that Charley and I would be in our usual seats at the theater that

night. After the show, as was our custom, we would go to our booth at the Apostles and have a few drinks while waiting for Leila to join us. I placed the little white envelope in the inside pocket of my jacket.

"Wait for me there for one hour," Leila said, "then please give Charley the letter."

The theater was sold out that night; many people who could not get seats were standing. Charley and I went directly to our reserved seats in the center of the fifth row. There were several

comic skits, in which Leila had minor roles, a few juggling acts, and a magician sawed a girl in half. Leila was obviously the star and, after a lively Hungarian folk dance, the audience realized that it was closing time and began shouting for Leila. As always, she would close the show with two songs.

As the orchestra played a fanfare, the curtain parted, and the master of ceremonies walked to the microphone, holding up both hands in a vain attempt to halt the applause.

The audience, ignoring the signals

MGMB, inc. Realtors

362-4480

Experienced competent staff ready to serve your needs in sales, rentals, management, investments.

John Y. Millar*	Carol Owens*	Carolyn Rayfield
William C. Trueheart*	Starke Meyer*	Pauline Barnes*
Lynn Moffly Magruder*	Fran Dixon*	Henrietta Seitz
Patricia Garrison Boorman	Rosemary Dircks	John Turner*
	Susan Raehn	Carole B. Hersman
	Mary Ann Stoessel*	

Foxhall Square 3301 New Mexico Ave.
Washington D.C. 20016

*Foreign Service

Will Your Home Still Be A Castle When You Return?

Personalized Property Management by Mrs. Wyatt

- Serving Foreign Service personnel since 1959.
- Planning for necessary expenditures
- Leases tailored to fit owners' needs
- Updates on real estate laws and regulations
- Frequent inspections • Sales

Call Mrs. Wyatt — 202/362-7397



WALSH, MESMER & ASSOCIATES, INC.

4713 MAPLE AVE., BETHESDA, MD 20814

I CAN ARRANGE FINANCING AT BELOW MARKET RATES FOR A HOME OR INVESTMENT PROPERTY!

Global Realty Corp.



4835 Del Ray Avenue, Bethesda, Md. 20814

TOBIE O. SURPRENANT, FSIO RET.
Owner-Broker

Now is the time to buy! Many properties on the market, prices have leveled off, and interest rates are down. Act now before prices start climbing!



Phones: (301) 881-1372, 881-5986

COMING or GOING

You can count on

PERSONALIZED SERVICE

from

W. C. AND A. N. MILLER

DEVELOPMENT CO.

A Complete Real Estate Service Since 1912

NEW HOUSE SALES • BROKERAGE SALES
RENTALS



4701 Sangamore Rd.
Bethesda, Md. 20816

229-4000
229-4016

Begg Inc. Realtors

SALES • RENTALS • MANAGEMENT • INVESTMENT • COMMERCIAL

2121 Wisconsin Ave., N.W.
Washington, D.C. 20007
(202) 387-2480

Our sales staff of over 100 experienced agents includes the following presently or formerly associated with the Foreign Service.

Mr. James Bowers	Mrs. Harry Heintzen
Mr. Allan W. Brown	Mrs. Dolores Hoover
Mrs. Michael Calingaert	Mrs. Pamela Jova
Mrs. Joseph Carwell	Mrs. Moorehead Kennedy
Ms. Angela Cundell	Mrs. R. Gerald Livingston
Mrs. Georgia Devlin	Mrs. Susanne Madden
Mrs. Monique Dragoi	Mrs. Ellen Ozga
Mrs. Joanne Haahr	Mrs. Joanne Pernick
Mrs. Anne Hawkins	Mrs. Louise Sullivan

Branch Offices:

Bethesda, Md. (301) 657-2760
Chevy Chase, D.C. (202) 686-9556
McLean, Va. (703) 893-2300
Georgetown, D.C. 965-5150

For Caribbean and European properties:

Begg International Inc.
(202) 338-9065

"Specializing in the Finest Residential Properties for over 32 years"



from the stage for quiet, stood and applauded as Leila came from the wings and took her place before the microphone. She was wearing her beautiful parachute dress and seemed not to hear the applause nor to see the audience as she stood, unsmiling, with her hands clasped tightly in front of her bosom. It was cool in the theater, but I suddenly felt sweat on my neck.

The orchestra opened with the first few bars, and Leila sang *J'attendai* in French, to the obvious delight of the audience. I impulsively felt for the envelope in my pocket. It was still there.

Without waiting for the applause to cease at the end of the song, Leila signaled the orchestra, and her rich contralto drifted smoothly into the lyrics of *Kiss Me Again*. The orchestra caught her mood and played a subdued background. She sang the words softly, almost as a lullaby. An enchanted hush settled upon the crowd in the theater.

*Sweet summer breeze—whispering trees
Stars shining softly above . . .*

I mopped the sweat from my forehead and looked at Charley from the corner of my eye. He was sitting very straight in his seat, smiling and proud as a peacock.

Leila turned her head slightly and looked directly at Charley. The spotlight reflected from the sequins on her dress—and from the tears which suddenly appeared on her cheeks.

*Safe in your arms—far from alarms,
Daylight shall come—but in vain!*

I loosened my tie and wished that I could be somewhere else—anywhere else. I looked at my watch. It was eleven.

Leila finished the song. There was complete silence in the theater for what seemed like several minutes before a storm of applause came from a standing audience. She bowed, threw a kiss to Charley, and the curtain closed.

The Apostles was almost empty as Charley and I went to our booth. We usually ordered beer, but this time I suggested that we start with a full bottle of strong Hungarian brandy. Charley was effusive in his praise of Leila's performance.

"What a voice she has!" he said. "She would be a star anywhere in the world!"

With a shaking hand, I poured Charley another double.

As the hour grew later, Charley began consulting his watch more often. "What's keeping her," he moaned, "she's never been this late before."

When the hands on the Apostles' wall clock reached midnight, I poured one more brandy for Charley and placed a hand on his shoulder.

"Charley, I have bad news for you. Leila is not coming." I tried to keep my voice steady. "She has gone back to Bulgaria." I then told Charley the true story—just as Leila had told it to me that morning in my office.

At first, he seemed to be in a trance, and I knew it was not the brandy. As the shock wore off, tears came to his eyes. He began to ask questions. "How could you let her do this? She loves me! I know she loves me! Quick! Let's go to the railway station—we can stop her!"

It was all I could do to restrain him. Finishing the bottle of brandy helped. Even so, it was around three when we returned to the apartment.

As the weeks and months passed, Charley at last gave up hope of receiving a letter from Leila. His spirit was broken. At the end of the year he resigned from the Foreign Service and returned to California. I received two or three letters from him during the next five or ten years, as he drifted from job to job, before I finally lost touch. I heard from friends that he became an alcoholic. Charley never married.

The evening shadows lengthen in my study. The day is coming to an end. The pleasant voice on the record sings the final words of *Kiss Me Again*, and the stereo clicks off. As sounds of the village church bell float through my open window, I reach into a cranny of the old roll-top desk at my side and pull out a small envelope, once white but now yellowed. I don't open it, for I know well its contents.

As I pass the envelope through my fingers, I wonder what happened to Charley, and to Leila. And I wonder if I made a mistake by not giving the letter to Charley—by not doing it Leila's way. □

FOREIGN SERVICE PEOPLE

1983 AFSA/AAFSW Merit Awards to Honor Clare H. Timberlake

Foreign Service volunteers will meet this month in the Levin Library at the Foreign Service Club for an orientation session for the convening of the 1983 AFSA/AAFSW Merit Award panels. The 24 panelists will then review the applications of our Foreign Service high school students who will be graduating this year to determine approximately 22 winners in this academic competition. The awards of \$500 each will be based not only on academic excellence but also on the students' extracurricular and community activities, both at home and abroad.

Similar to the concept of Selection Boards, the four Merit Award panels are chaired by members of the AFSA Committee on Education. They include representatives from State, AAFSW, AID, USIA, and the retired Foreign Service. The panelists will review all the applications and rank each student on transcripts covering four years of high school grades, rank in class, SAT scores, grade-point average, letters of reference, activities list, and the student's personal essay. Last year, more than 100 students entered this competition. They represented 18 states and more than 30 overseas posts. The Foreign Service has good reason to be proud of the high scholastic standings maintained by students in the difficult situations we accept as normal in the diplomatic profession. Serving on a Merit Award panel can be a fascinating and enlightening experience.

This year the awards will be named in memory of the late Clare H. Timberlake, former ambassador and a long-time supporter of the Scholarship Programs. Timberlake began his Foreign Service career in 1930 and served in Toronto, Buenos Aires, Montevideo, Zurich, Vigo, and Aden. Returning to Washington in 1943, he became chief of the Division of African Affairs. After a detail to the National War College, he was appointed consul in Bombay in 1948. Subsequent assignments were to New Delhi as public affairs officer and counselor, to Hamburg as consul gen-

eral, and to Lima as counselor. He was counselor and deputy chief of mission in Buenos Aires, 1957-59, and Bonn in 1959-60.

A minister-counselor, Timberlake served for one year as a faculty adviser at the Air University and then became special assistant to the under secretary for political affairs. In 1960 he was appointed the first ambassador to the Congo (now Zaire). He was named chief of the Disarmament Advisory Staff at the Arms Control and Disarmament Agency in 1963 and became the

department's representative on an 18-nation disarmament commission in Geneva in 1964. His last assignment before retiring in 1970 was to the Board of Examiners for the Foreign Service.

From 1971-74, Timberlake was president of the Greater Washington chapter of the Leukemia Society of America. He also was a trustee and former national vice-president of that organization. Timberlake died in February 1982. He will long be remembered by his Foreign Service colleagues and the many students who have

benefitted over the years from scholarships given in his name.

Birth

COURTNEY ANNE HORMAN-JONES was born on October 7 to Thomas A. Horman and A. Elizabeth Jones. The father, an FSO in USIA, is on detail to the State Department as deputy director, public affairs, in the Near East bureau. The mother is the deputy director of NEA's office for Lebanon, Jordan, Iraq, and Syria.

FOREIGN EXCHANGE

HOUSE-SIT

1983-85. GOING AWAY? Professional couple will house-sit. Serious inquiries only. Top references. Bonding. P.O. Box 6411, Falls Church, VA 22046.

RENT A CAR

AI RENT-A-CAR, featuring new 1983 FORDS, offers economical daily, weekly, and monthly rates. We rent all size cars, from sub-compacts to station wagons. 8 passenger vans and trucks also available. Ask about our weekend specials. For information and reservations call (703) 684-4087. AMERICAN INTERNATIONAL RENT-A-CAR, 2804 Jefferson Davis Highway, Arlington, VA 22202.

PROPERTY CLAIMS

MOVING LOSS & DAMAGE CLAIMS: Professional preparation and processing of claims for the recovery of money due from property loss and damage when moved by the U.S. government. NO UP-FRONT MONEY. Fee for this service is 10% of the amount recovered. We pay for all estimates. Write or call and ask for one of our agents. PERSONAL PROPERTY CLAIMS, INC., 2000 Virginia Ave., McLean VA 22101. (703) 241-8787.

REAL ESTATE

NORTH MYRTLE BEACH. Thinking of a vacation or retirement home, or other investment in coastal South Carolina? If so, call or write Bill Dozier (FSO-retired), Dozier Associates, POB 349, North Myrtle Beach, S.C. 29582. Tel. (803) 249-4043.

HOUSE FOR SALE: Modern 2 story brick, 4 bedrooms, 3 baths in Somerset, Chevy Chase, Maryland, 7 blocks from Friendship Heights. New central A/C; Community swimming pool membership. Currently rented at \$850; lease expires August 1984. Excellent opportunity for FS family due rotation summer 1984 who wants to buy at today's price and can use tax shelter. \$175,000. Write Rudel, 7600 Winterberry Place, Bethesda MD 20817.

VOLUNTEERS WANTED

THE TEXTILE MUSEUM, Washington, DC, wants volunteers for its Docent program. One day a week, starting next fall. Call Nancy Payne at 667-0441 by May 15.

RENT-A-USED CAR

AFFORDABLE RENT-A-CAR offers LATE model used cars for rent from \$16.95 per day, with FREE mileage allowance. Even less by the week or month. Ideal for when on HOME LEAVE or shipping POV. Located one block from FOREIGN SERVICE INSTITUTE — Rosslyn. Write for brochure; and get an additional 10 percent-off coupon — Affordable Rent-A-Car, 1900 N. Fort Myer Drive, Arlington VA 22209. 703/276-8125.

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 return, IRS representation, for one annual fee (\$140). Milton E. Carb, E.A., 833 S. Washington St., #8, Alexandria, VA 22314. (703) 684-1040.

TAX COUNSELING on any problem. No charge to AFSA members for telephone advice. Bob Dussell (ex-FS), enrolled to tax practice by the Treasury Dept., 3601 N. Fairfax Dr., Arlington, VA 22201. (703) 841-0158.

PHOTOS

AUTOGRAPHED PHOTOS WANTED OF FAMOUS PEOPLE including world leaders. B. Hoffman, 739 Boylston St., Boston MA 02116.

OFFICE SPACE

TO SHARE: one office (rent one desk) in National Press Building (annex). Prefer writer or media person. Please send name, telephone, to D.E. Black, NPB, 1250 (box 2002), Washington DC 20045.

INVESTMENTS

INVESTMENTS/IRAs: E.F. HUTTON & COMPANY INC. G. Claude Villarreal (former FSIO), Account Executive, 1825 Eye Street, N.W., Suite 1000, Washington DC 20006. (202) 331-2500 or (1-800) 368-5811.

BOOKS

IF YOU ARE LOOKING for an out-of-print book, perhaps I can find it. Dean Chamberlin, FSIO-retired. Book Cellar, Freeport, Maine 04032.

CURRENT PAPERBACKS airmailed within 5 days at reasonable prices. Send for monthly list to Circle Enterprises, Box 1051, Severna Park, Maryland 21146.

ASIA, CHINA, ARAB MIDEAST, PERSIA. Old and rare books bought and sold. Write for catalogue or send us your offers. ASIAN RARE BOOKS, INC., 234 Fifth Ave., (3/F), New York, NY 10001. 212/259-3732.

EXCHANGE RATES

Classified advertising in the FOREIGN EXCHANGE is open to any person who wishes to reach the professional diplomatic community. The rate is 50 cents per word per insertion. Telephone numbers count as one word and zip codes are free. To place a classified ad or to receive our rate card for regular display advertising, write Foreign Service Journal, 2101 E St. NW. Washington, DC 20037. Checks should accompany all classified insertion orders.

**AFSA ELECTIONS
COMMITTEE
P. O. BOX 57121
WEST END BRANCH
WASHINGTON, D.C. 20037**

In accordance with AFSA Bylaws, and pursuant to the terms of the 1983 AFSA Election Call, the following AFSA members have been duly nominated and have accepted their candidacies for the positions indicated below in the 1983 election of State, AID, and USIA Constituency Representatives of the AFSA Governing Board.

STATE CONSTITUENCY REPRESENTATIVES

1. Francis X. Cunningham
2. JoAnn McMahon Jenkins (Unity Slate)
3. Thomas J. Miller (Unity Slate) (Choose Four)
4. James W. Spain (Unity Slate)
5. James A. Williamson (Unity Slate)
6. John T. Sheely

AID CONSTITUENCY REPRESENTATIVES

1. Herbert L. Woods
2. Richard J. Delaney (Unity Slate) (Choose Two)
3. Juanita Noffler (Unity Slate)

USIA CONSTITUENCY REPRESENTATIVE

1. Jaroslav J. Verner (Unity Slate) (Choose One)

It is each AFSA member's responsibility to see to it that his or her proper address and constituency are on record with AFSA. Ballots will be mailed on or about May 15, 1983, and marked Ballots must be returned by 5 P.M., June 30, 1983. If you have not received your Ballot by June 7, 1983, notify the Chairman of the AFSA Elections Committee IMMEDIATELY in writing at P.O. Box 57121, West End Branch, Washington, D.C. 20037, or by "AFSA Channel" cable marked for delivery to AFSA Elections Committee.

The campaign statements which follow are published in accordance with Article VI(4) of the AFSA Bylaws. In publishing them, AFSA and its Standing Committee on Elections are required by Chapter 10 of the Foreign Service Act of 1980, as interpreted by the Department of Labor, to do so without making any modification of their contents. AFSA therefore disclaims any responsibility for the content of any campaign statements made by the candidates. Content is solely the responsibility of the candidates.

FRANCIS X. CUNNINGHAM

State Constituency (Independent)

I've been a member of AFSA ever since I joined the Foreign Service in 1973. I came from a private sector career in technical project management. I've served as a GSO in Brussels, a consular officer in Manila, in the IO Bureau, and I'm currently on detail to NASA Headquarters, International Affairs. I will return to State this summer. I've been a member of the *Foreign Service Journal* Editorial Board since 1981.



AFSA is doing a very effective job in its dual role of professional society and labor union. But we have entered a period in which AFSA must strive to protect its members' interests even more effectively. It must be alert and forceful in protecting us from any moves to lump the Foreign Service into some of the detrimental changes that are being contemplated for the Civil Service. It must follow up on concerns that were raised by the recent *FSJ* article which was very critical of the Foreign Service personnel evaluation system; concerns that I believe that most of us, staff corps as well as officers, have had for a long time. AFSA should move rapidly to evaluate and comment on the forthcoming report of the Secretarial Task Force, particularly if it does not adequately address concerns of our staff membership.

For AFSA to be fully effective on issues such as these, it must continue to increase both its membership base and its political clout. AFSA might be more aggressive in recruiting new junior staff and officer personnel, and in striving to widen its constituency in the foreign affairs community by vigorous recruiting among Foreign Commercial Service people, for example. Political clout is a function not only of a large membership, but of a concerned, informed, and articulate membership. AFSA must continue to alert its members to issues that concern them, and it must look for more creative ways in which the membership can articulate its concerns to the public, the administration, and the Congress.

I would appreciate your support in this election.

HERBERT L. WOODS

AID Constituency (Independent)



AID foreign service employees have many serious problems facing them: a loophole-ridden open-assignments system despite the Obey Amendment; an unfair and unwise share of AID/W jobs and authority; insufficiently fair and objective promotion system; a retirement system in serious jeopardy; an often arbitrary management climate and decision-making process; selection-out on an unfair basis; insufficient management concern for the rights of our children and the integrity of our families; an overhead pay cap that is unfair to some officers. I am interested in assuring that AFSA assumes a creative as well as firm and dedicated role in resolving these and other important issues such as commissioning, tenure, fair compliance with the Obey Amendment, and increased security for the senior foreign service.

Aside from having the personal qualities and commitment needed to contribute towards resolution of these problems, I have a sufficient level of thoughtful experience and academic background to offer: I am an FS-2 Program Officer with an MPA from Syracuse University (1960). I have served in the East Asia, Near East, and Africa Bureaus overseas. And I have served in the Africa and PHA Bureaus in AID/W. My experience with AID's regulations and practices is both deep and broad. It has also enabled me to understand the AID system from the point-of-view of both the supervised and the supervisory employees. In addition, I have benefitted from working on the AFSA Standing Committee since July 1982 as a capstone to long membership in AFSA. I feel I am well prepared to serve you in the best interests of the foreign service and improved management of the Agency, to the extent AFSA might have influence over the resolution of your concerns. And I am anxious to do so.

Please vote. I hope you will vote for me. Also, I hope you will write to me c/o AFSA so I can better represent your views.

STATEMENT OF THE UNITY SLATE

Last year a coalition of different groups joined together to work for the improvement of the Foreign Service through the building of an active and effective Association. This coalition put forward for the officer and retired positions on the Governing Board a "Unity Slate" of candidates which sought to represent all of the diverse interests of the Service fairly and vigorously. This year, the Unity Slate believes that the need for wide representation remains as pressing as ever. AFSA must continue to focus on both its historic, foreign service wide interests, but also devote resources to the concerns of groups which have their own special regulations and requirements—security officers, senior officers, secretaries, junior officers, communicators, and retired members to name just a few.

As there are only a limited number of constituency seats, we cannot run candidates from every group. Instead, we have chosen individuals who have demonstrated, through long hours of work, a commitment not only to their specific constituency, but to the broader issues which affect us all. Over the past year, the Unity Slate's candidates have worked on:

- Advance of Pay
- Domestic Relocation Allowance
- Danger Pay
- Separate Maintenance Allowance
- R & R to the United States
- Tenuring, Grievance, and Appointment Regulations
- Protection of the Obey Amendment
- Stand-by Pay
- Performance Pay
- The new EER
- Travel of Children of Separated Parents
- Family and Emergency Visitation Rights
- Pay levels for Senior Officers

In addition, many hours have been spent in monitoring compliance with existing AID/State agreements and taking appropriate action when these agreements are not implemented as they should be. In a season of cutbacks and OMB/OPM opposition to federal employees' receiving any benefits at all, AFSA must be represented by skilled, knowledgeable negotiators.

On the professional side, the Unity Slate has taken the lead in working toward a more dynamic, effective Foreign

Service. We have on numerous occasions testified on pending legislation or in opposition to unqualified political candidates.

The Unity Slate is also committed to bringing new services to ASFA's members and to improving those we presently provide. The past year has seen a Phoenix-like rise in the fortunes of the Foreign Service Club as a new manager, new staff, and a major renovation program

have turned the Club into a profitable enterprise. The *Foreign Service Journal* continues to improve its already high standards. AFSA has also gotten directly into the insurance business, providing members with protections unavailable to many Foreign Service personnel before.

This year will be a crucial one in the history of the Foreign Service as AFSA must take the lead in defending our Retirement System and in the continuing

fight over implementation of the Foreign Service Act. *We must have experienced, proven leadership.*

The individual members of the Unity Slate will publish detailed positions on major Foreign Service issues and opportunities in the Election Section of the May edition of the *Foreign Service Journal* and in campaign statements.

Brief biographical sketches of the Unity Slate candidates follow below.

JOANN MCMAHON JENKINS

State Constituency



Born: Pittsfield, Mass. 1940. Education: BA Smith College, MAT Johns Hopkins University.

FS Experience: Asmara, Ethiopia 1967-70 Consular Officer. A/OPR 1970-72 Staff Assnt. S/S 1972-73 Special Assnt. SY/EX 1974-76 Admin Officer. Abidjan, Ivory Coast 1976-78 Budget Officer. Tunis, Tunisia 1978-80 Consular Officer. PER/PE 1980-81 Personnel Officer. EA/EX 1981-83 Post Mgt. Officer.

Present Grade: FO-02.

AFSA Experience: AFSA Keyman 1975-76. AFSA Treasurer 1975-76. Ivory Coast—Keyman 1976-78. Tunisia—Keyman 1978-80.

Active in AFSA affairs both at home and abroad since 1974, I have been particularly oriented toward seeing that AFSA serves the entire community of Foreign Service Personnel equitably and that the concerns of people in the administrative cones and specialties are heard and served.

THOMAS J. MILLER

State Constituency

Since joining the AFSA Board as a State Department Representative a year ago,



Tom Miller (FO-2) has worked actively on a wide range of issues of importance to all Foreign Service personnel (staff, officer, communicator, specialist and retired). Miller has been particularly involved in negotiations involving promotion board precepts, performance pay, retirement issues, and danger pay. He has been an active participant on the State Standing Committee, dealing with the full range of issues of interest to State employees. Since joining the Foreign Service in 1976, Miller has worked in INR, Office of the Undersecretary for Political Affairs, in Thailand, and in the Office of Israeli and Arab-Israeli Affairs. He will join the Bureau of Congressional Relations this summer. He has received the Department's Superior Honor and Meritorious Honor Awards, the Department's Meritorious Step Increase, and several awards from other agencies. Miller received his Ph.D. in Political Science from the University of Michigan. He is married with two children.

JAMES W. SPAIN

State Constituency

James W. Spain is a Foreign Affairs Fellow at the Carnegie Endowment for International Peace and at the Rand Corporation. He joined the Foreign Service in



1951, left in 1953, and returned in 1963. His first assignment abroad was vice consul in Karachi, his latest ambassador in Ankara. In between he served on the Policy Planning Council, as Director of the Near East and South Asia Office of INR, Country Director for Pakistan and Afghanistan, Chargé d'Affaires in Islamabad, consul general in Istanbul, DCM in Ankara, ambassador to Tanzania, and Deputy Permanent Representative at USUN. Educated at the University of Chicago and Columbia University, he taught at Florida State University and at American University and wrote two books about the Pathans and numerous articles on South Asia, the Eastern Mediterranean, and diplomacy.

JAMES A. WILLIAMSON

State Constituency

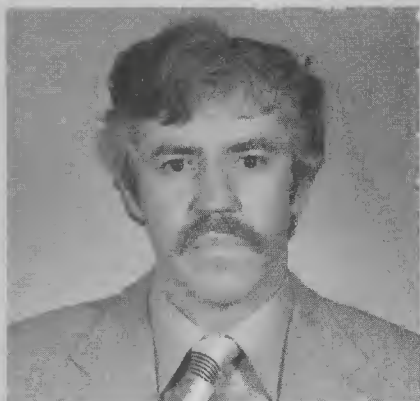
James A. Williamson is an FS-3 economic officer. He joined the Foreign Service in 1975 and has served in Vienna in both the embassy and the mission to the IAEA, Melbourne and the department. In the department he has served in OES and EB. Mr. Williamson has a bachelor of mechanical engineering from the University of Virginia, a J.D. from American University, and an MBA from the



University of Connecticut. He is a member of the State Standing Committee.

RICHARD J. DELANEY

AID Constituency



Joined AID Foreign Service in February 1967. First assignment was Libreville, Gabon, as Assistant AID Operations Officer. Served as Program Officer in Bureau for Latin America from 1969 to 1972; Assistant Program Officer in USAID/Manila from 1973-76; Assistant General Development Officer and Program Officer in Chad 1976-79; Officer-in-Charge in Office of Caribbean Affairs (Jamaica, Haiti, Dominican Republic) from 1979 to present.

JUANITA NOFFLET

AID Constituency

Juanita (Bobbie) Nofflet joined the Foreign Service in 1967 and served with AID for eight years in Vietnam. After a year's detail to HEW to work with the Indo-Chinese Refugee Task Force she was assigned to the Philippines as a Project Manager in Rural Development. A native of Oklahoma, she has both her B.S. and M.S. from Oklahoma State University. She is presently the Assistant



Desk Officer for Indonesia. During the past year she has been a member of the AFSA Standing Committee and the AFSA Governing Board.

JAROSLAV J. VERNER

USIA Constituency



A Minnesotan born and bred, I entered the Foreign Service with USIA in 1959 immediately after spending three months in the Soviet Union as a guide at the U.S. National Exhibition. Prior to that time I had taken degrees at the University of Minnesota and the Russian Institute at Columbia as well as having served with the Army in Korea.

Overseas service began in Zagreb as a JOT and then as a Vice Consul in Poznan for four years. In the Fall of 1964 I returned to Zagreb as a Cultural Officer and then went to the Soviet Union as deputy director of two traveling exhibits. Following assignments took me to Moscow, Washington—which included the National War College—Kabul and Hamburg. After leaving Hamburg I was spokesman for the American Delegation to the CSCE talks in Madrid before returning to Washington to assume my current position as Counselor for Cultural and Educational Negotiations.

JOHN T. SHEELY

State Constituency (Independent)



The AFSA 1983 Governing Board Elections concern you!

At times, does it seem like your problems are unique or insurmountable when working through the "System"? This is usually the time when members come to AFSA and ask, "What can AFSA do for me?" I ask you now not to wait until you are in need of AFSA assistance, but take a look ahead by getting to know your candidates for this year's election. Take a look at each candidate. Please do not wait to find out the hard way that the quality of service is not what you expected from your Board. During the ten years I have served the Department in Security and General Services, I have found that very few members show any genuine interest in the AFSA election process. To my alarm, lack of participation in the AFSA Board election process has acutely diminished over the last two years. Please do not remove yourself from the electoral process by not voting. You are only doing yourself and AFSA a disservice.

I want to make you, the members, aware of my desire to sincerely represent *your* interests. You may contact me during the day at 235-8790 or at 922-8199 in the evening. I will do everything in my power to use those mechanisms provided by AFSA and the Department to serve you. VOTE!

Association News



Hundreds Gather to Express Concern on Retirement

Evidencing the considerable concern on the part of government workers about how proposed changes in the federal retirement system may affect them, 800 AFSA members and other Foreign Service employees overflowed the Dean Acheson Auditorium on February 17 for a briefing by the Association on the proposals and on AFSA action to counter those it considers potentially damaging to the Foreign Service personnel system. Two weeks later a similar briefing held in the Loy Henderson Conference Room drew an equivalent proportion of the Association's USIA membership. The proposals also yielded a considerable response from the field, as scores of telegrams and letters came in to AFSA's Washington office protesting the suggested changes. [See related story.]

The majority of questions at the meetings and from the field expressed resentment about attempts to "change the rules in the middle of the game" for those who elected a career in the Foreign Service on the assumption that the provisions of the present retirement system constituted a condition of their employment.

This is the first time that the current administration has proposed retirement changes that would adversely affect those still working for the government, said AFSA Congressional Liaison Robert M.

Beers to the lunchtime crowd in the Dean Acheson room (see picture). The plan "would wreck the Foreign Service personnel system as we know it," added AFSA President Dennis K. Hays. The Foreign Service personnel system was created as a separate entity, he said, for reasons that are still valid, such as the Foreign Service's "up-or-out" provisions and its unusual and difficult conditions of employment, involving hazards distinct from those faced by the Civil Service.

The debate within the Foreign Service was joined when separate telegrams and notices were issued by the State Department and by AFSA describing the proposed changes [for an explanation of the administration plan, see the March *ASSOCIATION NEWS*]. The Association is keeping all posts advised of developments, as well as reporting on its efforts to head off the proposals, through frequent circular telegrams and other bulletins. AFSA will be opposing the changes to the Civil Service system in consort with a number of federal-employee and retiree organizations and, at the same time, stressing the unique conditions of service for members of the Foreign Service. AFSA's main thrust has been on Capitol Hill, where Beers, a retired Foreign Service officer who is now a registered lobbyist for the Association, has been meeting with key legislators and their aides as well as testifying before crucial congressional committees.

In response to questions as to what individuals in the Service can do to help,

AFSA has advised that they have the right to make known their views, as individuals, to their elected representatives. In doing so, however, they should use their personal stationery and place the proper postage on letters when writing, and they should be scrupulous in conducting any such activities on their own time. The Association stressed that individuals' own representatives should be contacted, not just heads of congressional committees.

AFSA is continuing with its intensive efforts to generate congressional support to retain the present structure of the Foreign Service retirement system. Members will be kept advised of developments.

Board Urges Members to Recruit to Fight Retirement Changes

The AFSA Governing Board has asked the Association membership to recruit additional members from the foreign affairs agencies to help in its fight to preserve the present Foreign Service retirement system. "AFSA is only as strong as its membership," said AFSA President Dennis K. Hays. "If we are to successfully prevent the implementation of these proposals, we need adequate resources."

The board emphasized that increased membership will help the Association finance its campaign to preserve the current Foreign Service retirement system.

Retirement Proposals Spur Worldwide Chapter Protests

At the same time that hundreds of Foreign Service employees were meeting with AFSA in Washington to discuss administration retirement proposals, overseas chapters from Amman to Wellington held their own meetings, where comments ranged from "outrage" to "shock." An unprecedented flood of long and thoughtful cables poured into the Association's offices expressing common concerns and offering help in the battle to prevent, in the words of one post, the "rape" of the Foreign Service Retirement and Disability System.

Special chapter meetings were held in Rome, Manila, Santiago, Capetown, Bangkok, Montevideo, Jakarta, Hamburg, Berlin, and dozens of other posts. Individuals, from Foreign Service nationals to ambassadors, weighed in with protests and suggestions. Even a non-career ambassador, who would not be affected, Evan Galbraith in France, won worldwide cheers from diplomats when he cabled the secretary of state: "[These proposals] would weaken a unique and valuable national asset." They would constitute "a dishonorable breach of faith," Galbraith continued, whose "savings [would be] ludicrous. I am certain you will agree with me that this administration should not destroy the Foreign Service retirement system. . . . The result would be a weakened capacity for managing U.S. foreign policy, at higher

cost." Several posts thanked Galbraith.

Most expressions of outrage were in accord. "A breach of contract," said many posts. "Breaking a basic trust," said others. Career ambassadors in Indonesia, Syria, Israel, Colombia, Nairobi, and other posts concurred with their employees and echoed Galbraith's sentiments.

In addition to pledging chapter support, missions throughout the world, in more than 150 telegrams, concurred with AFSA's strategy and applauded its efforts while offering suggestions of their own. Ideas included establishing a lobbying warchest [see related story], emphasizing the separate conditions of employment in the Foreign Service [see EDITORIAL, page 15], noting potential harm to retention and recruitment, and calling on members and other employees to write members of Congress with their views. In addition, several posts called for a media publicity campaign and for forming a panel of former ambassadors, secretaries of state, and even presidents to speak on behalf of the career Foreign Service.

Many posts expressed their concerns for FSNs, who are covered under the Civil Service retirement system. Tokyo pointed out that, particularly in Japan, moving FSNs into Social Security would cause grave concern on their part about long-term employment prospects. Others expressed additional worries. "As with almost every administration," said Rome, "we discovered that the special conditions of the Foreign Service were being ignored. . . . The Foreign Service as a career is in grave danger of mutila-

HAPPY HOUR

drinks at special prices
free hors d'oeuvres

EVERY FRIDAY
5-7:30 pm

Foreign Service Club
2101 E St. NW

tion." Manila noted that a consensus was reached at its meeting that the proposals "would seriously jeopardize the ability of the Service to perform its mission." Foreign Service employees "have worked for years under harsh and unusual conditions," said Amman, "in the expectation that the government would honor its promise of a compensatory retirement." Nairobi noted that the "parallel suggested by these hardships is closer to a military career . . . than a typical career in the Civil Service." But, it continued, a senior FSO at that post of rank equivalent to a major general would, if the proposals were enacted, receive the annuity of an army warrant officer. "No private sector employer would unilaterally alter those conditions without expecting to be hauled into court." Among many of the case-study examples of potential hardship sent in, one secretary noted that her decades of planning to retire with 30 years' service would be ruined four years short of her goal.

One telling point was made by Damascus. Only two and a half years after enacting the Foreign Service Act, it noted, when the legislative and executive branches "crafted a delicate system in which, to function effectively, all component parts must be in balance," such as pay, performance, progression, retention, and retirement, "to radically alter such an integral part of the system without consideration of the effects on the system as a whole is, in any case, imprudent and capricious, and in this case dangerous." Concluded the post: "AFSA Damascus pledges 100 percent participation" in writing Congress. "We challenge our colleagues to do the same."

Space does not allow us to highlight comments from all posts, in particular the lengthy comments from New Delhi, Beijing, Guangzhou, and Shanghai. All of them have been extremely helpful in identifying the crucial issues and consequences. The Association requests all chapters make their views known through cables to AFSA.

AFSA Briefs USIA on Retirement



Braving inclement weather and traveling to the State Department's Loy Henderson Conference Center during their lunchbreaks, some three dozen members of the Association's USIA constituency heard a briefing on proposed administration retirement changes from AFSA President Dennis K. Hays (left) and Congressional Liaison Robert M. Beers [see story on opposite page].

AFSA Acts on Proposed FS Act Amendments

Though the Association supports a number of the amendments to the Foreign Service Act that the State Department and AID are proposing to Congress this spring, it has objected to several of the measures to management and to Congress and proposed some amendments of its own. The House Foreign Affairs Committee was to hold hearings last month.

Some of management's objectionable proposals would broaden exceptions to the five-percent limit on appointment of non-career members of the Senior Foreign Service; delete provisions for automatic annual and biannual step increases, replacing them with a provision for "periodic" salary increases; repeal standby pay and instead provide for combined compensation of standby and on-call duty, at a maximum overtime rate of 10 percent; conform the Foreign Service retirement system to changes made in the Civil Service retirement system during the past year, including requiring employees to make contributions to the retirement fund for military service after 1976 to get credit for such service; exclude AID auditors from the bargaining unit; force the union to share the costs of institutional grievances where the department or AID has violated a collective bargaining agreement; and provide AID additional authority to begin "selection out" for relative performance.

AFSA Establishes Legislative Action Fund

In the wake of the uproar over the administration's proposals which would ultimately dismantle the present Foreign Service Retirement and Disability System, many AFSA members in Washington and overseas have expressed a willingness to contribute to a special fund to help defray AFSA's expenses in carrying out a lobbying effort on Capitol Hill to oppose these measures. Actually, it appears that these changes, which are set forth in the President's fiscal year 1984 budget document, may only represent the first salvo in an upcoming barrage of legislative recommendations looking toward a drastic overhaul of the entire fed-

AFSA favors certain of the department's amendments, such as authorizing storage of household effects at government expense for longer than three months under extraordinary circumstances; extending to AID and USIA provision for extra per diem for employees accompanying dignitaries; extending home service transfer allowance from 30 to 60 days for payment of temporary lodging and subsistence; permitting advance payment of differentials and allowances; providing educational allowances at the time of transfer for dependents where the employee does not arrive at post until after the start of the school year; granting educational travel funds for dependents attending non-degree institutions; and authorizing an educational allowance for handicapped children beginning at age three.

AFSA's additional proposed amendments would codify in the statute AID's Obey regulations to preclude further tinkering with them; allow re-employed annuitants to be rehired at the current grade level of the class they held at the time of retirement; ensure that agency decisions on performance pay and movement within class of Senior Foreign Service officers be made in accordance with Selection Board rankings; mandate that the secretary of state waive limitations on payment of medical expenses where injury was incurred abroad; authorize use of accumulated home leave in lieu of annual leave if the leave is taken in the United States; provide more generous survivor annuities for employees killed in action; make the department's report on

eral personnel system. This process might well extend over the next several years.

Accordingly, AFSA is setting up a Legislative Action Fund, which will be used exclusively to defray the costs of seeking to preserve the present structure of the Foreign Service personnel system by actively opposing any legislation which would undermine or compromise its basic components.

Anyone wishing to assist in AFSA's lobbying efforts by contributing to this fund may send a check to:

Legislative Action Fund	or
AFSA	Room 3644
2101 E Street N. W.	Dept. of
Washington, D.C. 20037	State

Several IRS examiners have indicated that contributions to the fund are tax deductible. We are awaiting a ruling on the issue.

competence of ambassadorial nominees a part of the public record; provide that Foreign Service positions may be filled only by Foreign Service members except in exceptional circumstances; authorize additional compensation for on call duty; and permit travel of children of separated parents from residence to post with no other restrictions (AAFSW has joined AFSA in this amendment).

Filing Requirements for New Jersey Domiciliaries

The State of New Jersey's Division of Taxation has informed AFSA that a New Jersey domiciliary (legal resident) in the Foreign Service is considered a nonresident for tax purposes and is not required to file a resident return if the three following conditions are satisfied:

- The individual maintains no permanent place of residence inside New Jersey during the tax year;
- The individual maintains a permanent place of residence outside New Jersey during the tax year;
- The individual spends no more than 30 days of the tax year in New Jersey.

Copies of this determination may be requested from AFSA in Washington.

FSLRB Issues Complaint on Special Incentive Pay

Last February, the Foreign Service Labor Relations Board issued a complaint against the State Department charging it with refusing to bargain on the AFSA proposal for implementation of the Special Incentive Differential. The differential was established in the Foreign Service Act to serve as a recruitment-and-retention incentive for filling positions at posts with especially adverse conditions. The law provides for a differential of up to 15 percent of basic pay. [See February *ASSOCIATION NEWS*.]

The FSLRB contended that the department had committed an unfair labor practice. A hearing on the matter was scheduled for early this month before an administrative law judge. The department will be given the right to appear and give testimony in its defense. An update will appear in a future issue.

A visit to District Moving and Storage will show you just how we pack, store and forward your possessions—safely, securely and quickly.



If you were about to buy a new car, you'd certainly want to visit a dealer's showroom first. And if you plan to move or put your possessions in storage, you might want to visit the people who will be handling your valuable belongings.

You're welcome to make an appointment to visit District Moving and Storage any time, and you'll see for yourself why foreign service people choose us

over all the others.

You'll see that we have more than 72,000 square feet of space in a new warehouse facility. You'll see how we pack even delicate or large materials for safe storage and shipping, and how our inventory location system means we can locate your possessions immediately. We believe you'll appreciate the way we protect your belongings with full security fencing, a central sta-

tion burglar alarm system, and a dry sprinkler system. Our people know how to keep your possessions clean, safe and dry, and how to forward them to any place on earth.

Seeing is believing. If you'd like to see just how District Moving and Storage can eliminate the headaches from moving and storage, simply call us at the number below.



3850 Penn Belt Place
Forestville, Maryland 20747
301/420-3300

BUY DIRECT FROM CHRYSLER AND SAVE.



Get full diplomatic discount from the manufacturer.

All active members of the diplomatic corps are eligible for Chrysler's 1983 Diplomatic Purchase Program. This means you select any one of Chrysler's wide range of fine cars, deal direct with the manufacturer, and save money. You get the car you want, equipped as you want it, and tailored precisely to fit your personal needs.

Chrysler gives you a choice of quality engineered, smartly styled automobiles, from subcompact to elegant luxury cars designed and built for U.S. or foreign posts. There's Dodge Omni and Plymouth Horizon, beautifully styled front-wheel-drives.

Plymouth Reliant and Dodge Aries six-passenger cars with front-wheel-drive. Graciously styled New Yorker, the magnificent Imperial, front-wheel-drive Dodge 400 and Chrysler LeBaron. New for '83, Chrysler offers the luxury-equipped Chrysler E Class, the LeBaron and Dodge 400 convertibles, and the stunning Dodge 600.

Make your choice and purchase direct from Chrysler at a special diplomatic discount. For full details, write Diplomatic Sales Office, Chrysler Corporation, P.O. Box 1688, Detroit, MI 48288, or use the postage-paid reply card bound into this magazine.

**THE NEW CHRYSLER CORPORATION
QUALITY ENGINEERED TO BE THE BEST**

OVERSEAS SALES OPERATIONS

