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This is the red tape you have to go through if you file a claim under the Claims Act.

How to file claims relating to personal property

Claim—Any claim filed by an employee of the Department of State, the International Communication Agency or the Agency for International Development, for damage to, loss, destruction, capture, or abandonment of employee's personal property incident to service (6 FAM 310.3o).

FOR MANY Foreign Service personnel, it's time to change assignments, which means shipping personal property all over the world. Inevitably, some cases of damage do occur. All State, ICA or AID employees should use this article, in conjunction with 6 FAM 300, as a guide to filing a claim correctly.

Your claims assistance officer, usually in the post's administrative section, will be able to supply the claims form, DS-1620, and whatever information you need. When the form is submitted to the Office of Operations (A/OPR, ATTN: FMAS/CL) at the Department, all necessary documentation must be attached. This *always* includes a copy of your assignment orders. For items damaged in shipment, include all accompanying travel documents. For items destroyed or damaged beyond repair, include whatever documentation is available to show their cost. For repairable items, include estimates of repair costs (done by a professional, if one is available), in addition to information concerning the value of the damaged items. If the loss was incurred through theft, the post security officer's report and the local police report (if available) must be enclosed.

The minimum amount of loss necessary to file a claim is \$50. The maximum allowable payment is \$15,000. This maximum applies per incident. For example, if your automobile is destroyed in the embassy parking lot when hit by a runaway truck, and a fire at your quarters destroys your furniture, the maximum payment in each case could be \$15,000. If, however, a fire in your garage destroyed your car

and spread to the house and destroyed the furniture, a single \$15,000 limit applies. The only exception to this limit are losses due to an evacuation, at which time the maximum payable claim rises to \$40,000.

A claim must be presented in writing within two years after the date on which the loss occurred or the prospective claimant was officially notified of the loss (in cases where the loss did not occur where the claimant was located). This date is known as the claim accrual date. Since someone filing a claim usually wants to do it as soon as possible, this deadline rarely presents a problem. Occasionally, however, potential claimants decide to wait until returning to the Department at the end of their assignment abroad. If this is more than two years after the claim accrual date, the claim will be disallowed.

State, ICA and AID employees should also be aware that carrying insurance coverage on their belongings almost always is to their advantage. Through insurance, an individual can set the limits of coverage and, in nearly all cases, be assured of more rapid claim processing than is possible in the Department. If you do have insurance coverage, or a valid claim against another party, such as a moving company or ocean freight carrier, a claim must be made against and settled with that entity prior to filing a claim with the Department.

The importance of insurance coverage was made apparent to one employee when all his possessions were destroyed in a warehouse fire. His insurance had lapsed; the warehouse's settlement was by weight of the items stored, not their value; and the only other party to whom a claim could be made was the U.S. Government. The claim was completely documented at more than \$90,000, with bills of sale, receipts or professional appraisals of the items destroyed. Due to the limit per incidence of loss, the Department could make reimbursement of only

\$15,000.

Even for claims of less than \$15,000, claimants often find the amounts of reimbursement have lesser dollar amounts than those listed on their DS-1620s. Values of destroyed or damaged items are modified by two separate factors, one for inflation and one for depreciation. As an example, consider a claimant's sofa, destroyed when the embassy truck transporting it was involved in an accident. The sofa was purchased in 1975 for \$300. That amount is multiplied by an inflation factor of 1.63, giving a replacement cost of \$489. This is then depreciated at a rate of 5% per year for the seven years from 1975 to 1982, giving the claimant a payment of \$317.85.

One final reminder: When filing a personal property loss claim, be sure to keep a copy of all the documents involved. In case any problems occur in adjudication of the claim, you will have all the information necessary to provide additional documentation or answer any questions which may arise. Any inquiries about claims should be sent to the attention of the Office of Operations, using TAGS of "ACLM". □

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When it comes to the foreign affairs budget, too many cooks spoil the broth. Beginning on page 38, Harry J. Shaw discusses how the budget could be improved by eliminating the parochial interests of each independent agency. Cover art by Henry Payne.

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"The Independent Voice of the Foreign Service"

The FOREIGN SERVICE JOURNAL is the magazine for professionals in foreign affairs, published monthly except August by the American Foreign Service Association, a private non-profit organization. Material appearing herein represents the opinions of the writers and does not necessarily represent the official views of the foreign affairs agencies, the U.S. government, or AFSA. The Editorial Board is responsible for general content, but statements concerning the policy and administration of AFSA as employee representative under the Foreign Service Act of 1980 in the ASSOCIATION NEWS and the ASSOCIATION VIEWS, and all communications relating to these, are the responsibility of the AFSA Governing Board.

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ASSOCIATION VIEWS

Preserving Diplomatic Immunity

The American Foreign Service Association is very concerned about Secretary of Defense Caspar Weinberger's recent criticism of diplomatic immunity, which he claims allows terrorists to use embassies as sanctuaries. The Foreign Service certainly is concerned about terrorism. As America's representatives overseas, we are on the front lines everyday. Almost all of us have lost friends to terrorist attacks, and we often live and work under constant threat.

But it is essential that the practice of diplomatic immunity be preserved. The world should not slip back to the time when the diplomatic messenger who delivered an unacceptable proposal to a rival government had his head sent back home on a plate to indicate a negative reply. Without diplomatic immunity, nations would find it nearly impossible to pursue their objectives effectively short of resorting to armed struggle.

Since ancient times, governments have found it in their interest to grant each other's diplomats safe passage and other privileges and immunities. Today these practices are enshrined in the Vienna Convention on Diplomatic Relations, to which the United States is a party. If Washington were unilaterally to revoke or revise its responsibilities under this treaty, we would not only be abandoning our international legal obligations, we would be endangering the well-being and perhaps the lives of our own diplomats, many of whom work in countries where there is no due process, and where the authorities would find it easy to frame them for imaginary crimes.

We of course find it unacceptable that the privileges that allow governments to resolve their differences through negotiations should be abused by those whose primary purpose is to cause destruction and death. In such cases, we believe it appropriate to expel offending diplomats or break relations entirely. In extreme cases, such as Libya, we believe the use of a limited military response is very appropriate.

While no one disagrees when Secretary Weinberger says "Diplomatic title must not confer a license to murder," we are concerned that tampering with diplomatic immunity will threaten U.S. interests—and diplomats—more than those of terrorist nations. If our ability to resolve problems through normal diplomatic channels were greatly diminished, Secretary Weinberger would probably be called upon much more often to use his military resources to resolve problems that were formerly handled by diplomats.



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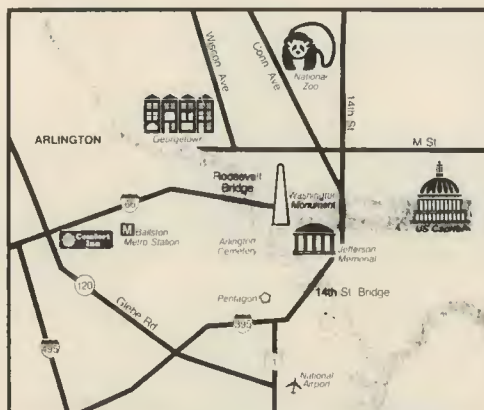
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LETTERS

A Winner

As an official U.S. delegate to last year's U.N. International Conference on Women in Nairobi, I was particularly impressed with Gray Handley's article "A Case of Consensus" [February]. It was a well-researched, documented article that factually outlined the events of Nairobi. To my reading, Mr. Handley presented a credible case. He analyzed the data and came to the logical conclusion that the U.S. delegation led and directed by Maureen Reagan, with the able help of Ambassador Allan Keyes, did a credible job and brought home a winner: The "Forward Looking Strategies," a document for planning and dealing with women's issues to the year 2000. I'm delighted that someone has recognized the accomplishments of the delegation, and that you found the space to print the article. "How sweet it is" to have been part of a winning team.

RUTH R. MILLER
President
 Tower City Properties
 Cleveland, Ohio

Suggestion Box

You served an important purpose in printing Hedley Addison Wooltham III's article on "Embassies for Sale" [April]. His proposal will go far toward the aims of Gramm-Rudman-Hollings. But it does not go far enough.

It is a well-kept secret that the most able, energetic, and youthful staff members of the State Department actually receive no salary whatsoever. Not only this, but these staff members actually pay substantial sums for the privilege of working in the department. I am talking about our student interns, without whom summer and sometimes other seasons would not be the same. They work for no salary, but are charged rather substantially for the privilege by their universities. I am not aware that the university provides any service for the fee, other than a suitably engraved certificate at the end of a certain number of years.

My proposal is that *all* positions in the State Department be placed on this basis.



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Signed Dancer and Prancer

Dear Dancer and Prancer,

If you refer to the section titled "Before the Packers Arrive," in our "New Assignment Abroad Checklist" you will find a helpful "tip" on what to do with things like your German Schrunk, wallmounted bookcase and stereo.

The tip reads:

"Take apart and disassemble those articles of furniture and equipment which cannot be moved in assembled condition, and

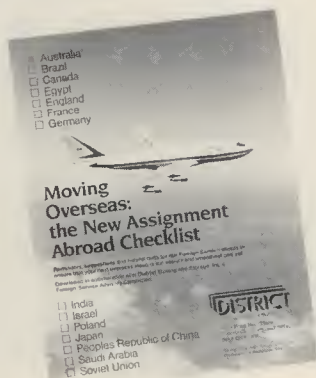
which you have particular care or concern about. You know your own articles best (with all their quirks and peculiarities in handling); it's better then, for you to do it, rather than a packer who may not understand its special characteristics."

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Roland Kates
Vice President

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A schedule should be set up under which the more difficult jobs would go for more than the easier ones—obviously a secretary should pay more for his or her position than an assistant secretary. (I base this conclusion on extrapolations from the fact that the unpaid, paying interns work much harder than the paid, unpaying regular staff members. I can name names if you wish.) The money could go to finance more concrete bunkers around our entrances.

All that remains to be done is to devise a suitable certificate to be awarded to those who purchase positions. (I suggest that this be modeled on a certificate I recently received for 30 years of service, but obviously a certificate that has been paid for by the recipient can be much more extravagantly handsome than one awarded gratis.)

Now I wonder whether persons who make suggestions should not pay a fee to have their ideas implemented, in exchange receiving the privilege of naming the resulting program after someone who deserves the honor.

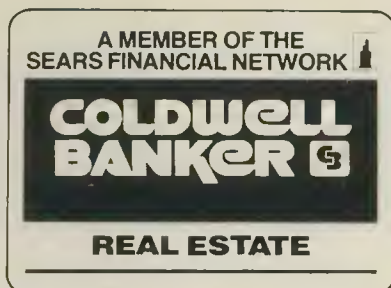
PETER W. COLM
Foreign Service Officer
Arlington, Virginia

The MFO Budget

In the March 1986 issue, James H. Bahti reviewed two books on peacekeeping. Unfortunately, he repeated from Indarjit Rikhye's book a statement about the financial arrangements for the Multinational Force and Observers which was correct only for the start-up costs in 1981-82. Since that time, the United States, Egypt, and Israel have shared equally the budget costs that are currently running at \$90 million annually.

Mr. Bahti's statement that the United States is paying the entire cost of the MFO through its grants to both countries is somewhat misleading. The MFO justifies its budget to all three countries each year at a trilateral meeting, and I assure Mr. Bahti that the states contributing funds scrutinize the presentation closely and representatives are clearly charged with the responsibility to ensure that their countries' contributions are being spent wisely.

As a result of experience gained over the past years, the MFO has been able to implement initiatives that have increased efficiency and substantially reduced the budget without impairing its ability to carry out the assigned mission. Accordingly, the United States, Egypt, and Israel have been able to reduce their own budgets



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for contributions to the MFO and each has expressed great appreciation for the savings. Certainly this would not be the attitude if the amounts paid by each country were considered to be only a pass-through from U.S. grants.

RICHARD W. SMITH
*Director General's Representative,
 Multinational Force and Observers
 Cairo, Egypt*

Correcting Corrections

I was extremely interested in Frances G. Burwell's excellent article on "Mid-Course Corrections" [April], but I think one small correction is needed for the box on USIA's programs. Ms. Burwell's statement that USIA junior officers serve at post for a year, rotating among the various USIA offices is not correct. A great deal of this year is spent rotating among the various State offices at the embassy where USIA officers get their first, and sometimes only, hands-on training with their colleagues in State. This is an extremely important part of our JOT training program and it greatly enriches their training and knowledge of State's overseas mission.

JAMES P. THURBER JR.
*Foreign Service Officer, USIA
 Washington, D.C.*

Title Dispute

"Poison Pens" [CLIPPINGS, April]. Isn't that title a bit of an overreaction? The two items were about actions out in the open concerning clear disagreements. Hardly the venomous, behind-the-hand attack one associates with poison pens or scandal-mongering.

MARGARET DRAY
*Foreign Service Officer, retired
 Venice, Florida*

Career Ambassadors

While reading the April JOURNAL, my eye was caught by the process Ron Spiers has systematized for the nomination of career candidates ["A Difficult Matter"]. It struck me, and favorably, as an evolution of the manner in which Loy Henderson proceeded with respect to more than one vacancy in the Far East area at least. He proposed individuals to the bureau chief, discussed the merits informally, and paid great heed to the bureau's views or alternative recommendations.

In these days when, I judge, the going is yet rougher for career appointments, I

wonder how many still remember that during Walter Robertson's last years as assistant secretary for FE, every post in that area had a career FSO as ambassador. Neither he nor his chief, Mr. Dulles, had started out in 1953 as an admirer of the Service. I believe that this is the only time in our history that a geographic bureau area was so staffed. One of my prouder recollections is that this 100 percent situation was maintained when I succeeded Robertson until, at the outset of the Kennedy administration, Chester Bowles took over from Loy Henderson the responsibility for ambassadorial nominations to the White House, both career and otherwise.

J. GRAHAM PARSONS
*Foreign Service Officer, retired
 Stockbridge, Massachusetts*

April Kudos

While there have been past issues of the JOURNAL that I tended to skim over lightly, I would like to congratulate you heartily on the April issue. I found myself reading virtually everything you printed and both enjoying and appreciating what I read.

The article on Ambassador Bohlen's confirmation ["The Ghost of Yalta"] is the kind of history lesson that should be presented to our membership every once in a while to remind them of the world out there that we live in. Andy Steigman's article ["A Difficult Matter"] on the road to an ambassadorial appointment is the kind of information most of us guess at without ever knowing how close to correct we are. Well done, Andy, and I must confess it was fun guessing the names involved in some of the cases he cited. "Embassies for Sale" was one of the funniest articles I've read in a long time. Not only do I salute the author, but suggest he could have made some real money had he submitted the text to *New Yorker* or *Washingtonian* in addition to the JOURNAL. A great job, everyone!

IRWIN RUBENSTEIN
*Consul General
 Guadalajara, Mexico*

Indian Impressions

"An Indian Initiation" [April], Albert Cizauskas's account of his first overseas assignment, was interesting to me because my first assignment with AID—then known as the International Cooperation Administration—was also Karachi. In 1960, when I arrived at Karachi in the middle of the night, the city had expanded in population and so had the U.S. mission,

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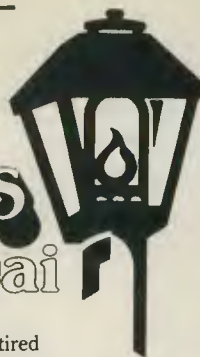
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but other impressions were to become for me the same as they were for Mr. Cizauskas, mainly the friendliness of the Pakistani people.

One item in Mr. Cizauskas's article, however, has nothing to do with Karachi, but does cause one to question his spelling and editorial ability. He says an American businessman, having been diagnosed as manic depressive, was returned to the United States in a straight jacket. Perhaps the jacket was hanging neatly on the man's frame and was thus straight. Or perhaps Mr. Cizauskas should have said the man, being inclined toward violent behavior, was returned to the United States restrained in a strait jacket.

MARY NELL HANKS
Foreign Service Officer, retired
Falls Church, Virginia

Career Commitments

When I joined the Foreign Service 16 years ago, I was not just taking a job. Nor was I just entering a career. Rather, I was signing on for life—a 24-hour-a-day, lifelong commitment to the Foreign Service. My family also agreed to this commitment, and none of us—myself, my wife, my two boys—regrets it.

Sixteen years ago, the Foreign Service made a similar commitment to me. I would receive increasingly responsible jobs. I would be trained when necessary. I would spend my productive years in the Foreign Service. During most of this period, the Foreign Service delivered on its commitment. The job has improved as have the working and living conditions.

This has changed. The Foreign Service is breaking the agreement it made with me 16 years ago, and I feel betrayed. I gave myself, body and soul, to the Foreign Service, and the Service has turned on me.

IRA WOLF
Foreign Service Officer
Tokyo, Japan

Iffie Rogers

The *Washington Post* published an article recently on the late Joseph Kraft saying that he "wanted to be better himself and he wanted others to be better too, and he did everything in his power to bring about both results." The same could be said of Iffie C. Rogers, who died January 1. Iffie was a management officer for AID and its predecessor agency from 1958-71. He was the kind of officer who expected the best of his staff and, therefore, brought out the

best in them. He treated his subordinate staff as co-workers and was never condescending.

He believed in equality and fought to get fair treatment for all employees regardless of rank or position. In the early 1960s, knowing that the cost of government-leased housing for single employees was within the allowances established by the standardized regulations, Iffie stood up to administrative officers of other agencies and refused to force the AID support staff, most of whom were single females, to share apartments. This is just one of many examples of his willingness to fight for what he knew was fair. He could also say no, but in such a way that a negative response was accepted gracefully. His clients usually left smiling.

Having Iffie Rogers as a friend was a pleasure. Having someone like him to work for was a rare pleasure.

MARY NELL HANKS
Foreign Service Officer
Vienna, Virginia

The JOURNAL welcomes letters to the editor, but reserves the right to edit for clarity and space considerations. Address letters to: LETTERS, Foreign Service Journal, 2101 E St., NW, Washington, DC 20037.

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BOOKS

Reviews

Shared Destiny: Fifty Years of Soviet-American Relations. Edited by Mark Garrison and Abbot Gleason. Beacon Press, 1985. \$16.95.

This book of essays on U.S.-Soviet relations is a major disappointment; the contributions are several cuts below the level of scholarship one would expect from such distinguished authors. George Kennan's reminiscences of his involvement in Soviet affairs are fascinating, but curiously detached from policy concerns. John Lewis Gaddis provides a balanced review of U.S.-Soviet relations, but his conclusion that U.S. policy should be firm, flexible, consistent, and civil ducks the hard questions about arms control and Soviet regional policy. Adam Ulam carefully probes Soviet motives in the Berlin crisis of 1958-62

and the Cuban missile crisis. He concludes that the key to effective policy is for "our policymakers and our public opinion to perceive more clearly the real nature of what the Soviet Union fears, but also what it hopes for," but he offers no suggestions to that end. Robert Dallek's psycho-historical approach stresses deep-seated insecurities about U.S. institutions in explaining U.S. policy, but his essay contributes little to serious policy debate. The lone essay that merits close reading is by Hans Rogger, who provides a fascinating and stimulating study in intercultural history that indicates the difficulty any U.S. policy will encounter in Moscow.

Reflecting on the history of U.S.-Soviet relations is a valuable enterprise, since, as Ernest May has argued, every policymaker operates from his own personal understanding of history. Unfortunately this collection fails to provide much useful

guidance for those currently managing relations with the Soviets.

—ERIC EDELMAN

Fighting Back: Winning the War Against Terrorism. Edited by Neil C. Livingstone and Terrell E. Arnold. Lexington Books, 1985.

On Terrorism and Combatting Terrorism. Edited by Ariel Merari. University Publications of America, 1985.

Terrorism has become a significant national-security issue for the United States, as well as a personal concern for many Americans, and the literature on the subject has grown tremendously. These two books are examples of the range of current offerings in the field. One is excellent, the other is outdated and trite.

Fighting Back: Winning the War Against Terrorism accomplishes two important things. First, it provides readers with an up-to-date picture of the status of U.S. counterterrorism programs and their effectiveness. Second, it focuses on new threats from terrorists and techniques for countering them. Livingstone and Arnold draw on many years of practical experience in the field and are backed up by an assortment of specialists contributing commentaries on

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diverse topics ranging from the effectiveness of diplomacy to the techniques of executive protection.

The book consists of chapters on active responses to terrorism, covert operations, the media, and the rule of military engagement. There is also a surprising chapter dealing with the moral issues involved in countering terrorism. Livingstone argues that U.S. efforts to date have been defensive rather than preemptive. In discussing the uses of force, he recognizes the bounds within which a democratic society must operate, noting that force must be proportionate, timely, and precise. Arnold's chapter on the rules of engagement demonstrates the importance of operational guidelines that are in tune with the environment, noting that the difference between successful defense and disaster can depend upon dynamic and constantly reviewed guidelines.

The chapter "Moral Response to Terrorism" by Father James Burtchaell provides a viewpoint that is usually ignored in books of this type. In examining the morality of terrorism and our responses to it, Burtchaell squarely addresses the political nature of terrorism. He refutes the view that one person's terrorist is another's freedom fighter. Predicting that terrorism will eventually be seen as a form of warfare, Burtchaell supports the applicability of the concept of the just war in the fight against it.

The importance and quality of this book is demonstrated by the presence of a foreword written by Robert McFarlane while he was still national security adviser. McFarlane captures the spirit of the book when he writes that terrorism can be defeated, but that it will not be an easy task to do while preserving our rights and democratic institutions. This book is as timely as it is well-written and contains the type of policy recommendations that will be valued by the most senior government officials.

On Terrorism and Combatting Terrorism, on the other hand, is an irrelevant book consisting of the proceedings of a seminar held at the Jaffee Center for Strategic Studies at Tel Aviv University in 1979. Although the Center felt that the passage of six years had not diminished the seminar's relevance, it is clear that its publication is mainly the result of the popularity of this subject.

The book consists of a predominantly academic examination of terrorism and governmental responses. Most contributors are Israeli, so the concentration is predictably on Palestinian terrorism of the 1970s. I found the book outdated and dull. Its only relevance to contemporary

terrorism is to show how little has been accomplished to date in countering it. But even the contributions of recognized experts such as Brian Jenkins of the Rand Corporation and Professor Paul Wilkinson of Aberdeen University have become stale with the passage of so much time.

—MAYER NUDELL

Diplomacy in a Dangerous World: Protection for Diplomats under International Law. Edited by Natalie Kaufman Hevener. Westview Press, 1986.

Anyone still harboring illusions about the near-term prospects for protecting diplomats through legal mechanisms will find this work a useful corrective. Attacks on diplomats and diplomatic premises have risen sharply over the past two decades, even as the international legal system intended to protect them was being strengthened by new multilateral agreements. The authors see little immediate hope for making legal remedies more effective.

Although the law remains a dubious shield for diplomats, practitioners should know just what that law consists of and how it affects them. To that end, this volume offers a useful set of reference materials. After opening essays (by ex-FSO Paul Kattenburg and two legal scholars, including editor Hevener) that examine the strengths and shortcomings of relevant international law, most of *Diplomacy in a Dangerous World* is devoted to the key documents, including the World Court decision on the Iranian hostages and the operative provisions of the principal U.N. and regional conventions in this field.

The most provocative note in the book is sounded by Kattenburg and Hevener, both of whom argue that the United States and other major powers that run covert operations and other intelligence activities under diplomatic cover weaken the international legal structure to which they appeal for protection and in the process weaken the legitimacy of their own case against those terrorists who choose diplomats as targets. Hevener makes a further plea for more consistent support of the World Court as a key element of the international legal system, noting that recent U.S. actions limiting the court's jurisdiction will inevitably weaken, rather than strengthen, the entire structure. The last word belongs to Kattenburg: "The sad truth remains," he comments ruefully, "that this is an area in which the world community still has a very long way to go."

—ANDREW L. STEIGMAN

Impulse to Revolution in Latin America. By Jeffrey W. Barrett. Praeger, 1985. \$37.95.

That Latin Americans suffer from an inferiority complex regarding the United States is a staple of cocktail-party conversation among American expatriates from the Rio Grande to the Rio de la Plata. The author of *Impulse to Revolution* not only agrees, but goes on to argue that a "negative national image," based on the realization that their nations have fallen far behind the United States in development, is at the root of much anti-American feeling in the region.

Inappropriate cultural values have contributed more to Latin America's economic problems than has lack of capital, according to Barrett. Since for several centuries the dominant values of that region have included great respect and yearning for conspicuous leisure, contempt for manual work, low regard for cooperation, general admiration for those who engage in anti-social or illegal activities without getting caught, envy of those who succeed, and "machismo," he clearly has a point. But, as with other useful generalizations, it would be wrong to assume that his argument applies to all Latin Americans in every circumstance.

At the heart of the book is Barrett's thesis that the perception of failure has led many Latin Americans to want to change the reigning cultural values, and the more impatient ones to do so by totalitarian means. He places Fidel Castro and Juan Peron in this category and regards them only secondarily as Marxist or fascist.

The book is original in concept and presents many penetrating insights. It vividly describes the risks to U.S. interests inherent in the turbulent modernization process, but it is short on policy recommendations. Since our ability to influence the process is clearly limited, the author's chief advice is that the United States should remain militarily strong, help defend democracy where it exists, and strive to improve our own civic virtues as an example to others.

—JOHN J. CROWLEY JR.

From the Think Tanks

Lebanon: The Politics of Revolving Doors. By Wadi D. Haddad. *Washington Paper* #114, Center for International and Strategic Studies, Georgetown University, 1985. 152pp. A former national security adviser to the Gemayal government writes that any solution must address four principal issues: Lebanon's identity crisis, sectarian division, role in Arab-Israeli conflict, and

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embattled sovereignty. But because resolving these matters is in the interest of most parties involved in that region, there is still a chance that Lebanon will survive its difficult maturation process and become a unified, independent nation.

From the Think Tanks

The Conventional Defense of Europe: New Technologies and New Strategies. Edited by Andrew J. Pierre. Council on Foreign Relations, 1986. 185 pp. These essays by five military and political analysts consider the relationship between conventional and nuclear forces in Europe, as well as the constraints and strains on the NATO alliance. Gramm-Rudman-type budget restraints and each country's internal politics, as well as the imbalance between NATO and Warsaw Pact conventional weapons, are some of the problems the western countries now face. While three of the authors argue for technological improvements to the conventional defense of Western Europe, the others argue that other forms of defense are more reliable and less costly, both monetarily and politically.

Global Interventionism and a New Imperial Presidency. By Ted Galen Carpenter. *The Cato Institute Policy Analysis* #71, May 16, 1986. The author argues that President Reagan has tried to usurp congressional authority, seen most recently in the decision to bomb Libya without first informing legislators. Such actions, according to Carpenter, are symptomatic of a return by the United States to the type of interventionist foreign policy it held to during the Vietnam era. Congress must regain its control over foreign policy, he writes, and fight Reagan administration efforts to ignore the War Powers Act.

The New Russian Nationalism. By John B. Dunlop. *Center for Strategic and International Studies, Georgetown University. The Washington Papers* #116, 1986. 92 pp. Although ignored until recently by western scholars, says the author, Russian nationalism has become a significant force in the Soviet Union with widespread sympathy. Soviet leaders are also showing concern for the movement, especially since it is in direct contrast to the lessening of support for Marxism-Leninism. The west, Dunlop argues, should take advantage of this sentiment as a means of breaking off the Russian people from their country's expansionist ideology. He further argues that any resultant nationalistic government, even if authoritarian, would be preferable to the ideocracy that exists in the Soviet Union today.

DIPLOMACY

The Role of Morality

By STEPHEN M. BLOCK

What is the role of morality in foreign affairs? Most members of the Foreign Service would quickly answer: "Not much." Diplomats, Americans included, have long been noted for their attachment to the idea that foreign policy should be determined by considerations of concrete "national interest," not emotional beliefs about right and wrong. Foremost among the proponents of realism is George Kennan, who argues in the winter issue of *Foreign Affairs* that morality and foreign policy should be kept separate. He takes strong exception to the compulsion of U.S. administrations to pass judgment on how other governments treat their own nationals. (Of course, Kennan also addresses other facets of the relationship between morality and foreign policy, but they are not considered here.) We must be restrained in our conduct, he writes, because of our limited resources and the overriding need to avoid war and preserve our environment. Our political leaders have failed to confine themselves to the appropriate role of government: attending to the business of protecting the "interests" of the United States. They have failed to worry about the morality of their own behavior. Instead they have taken foreign policy far afield at a time when we cannot afford it.

Kennan is right about the need for restraint in the conduct of foreign policy. Our resources are limited, and our foreign policy objectives should be placed in some kind of priority. And, undeniably, there has been and is a tendency toward self-serving moralism in U.S. foreign policy. Nevertheless, we cannot do as Kennan recommends in his article and divorce morality from foreign policy in the hope of inducing greater restraint in the United States' conduct.

Kennan's views rest on a belief that gov-

Stephen M. Block is a Foreign Service officer currently serving on detail to the Intelligence Community Staff. The views expressed here are his own and do not necessarily represent those of the Department of State or the U.S. government.

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ernments are properly limited to serving the "interests" of the people, by which he means military security, the integrity of political life, and their well-being. Because these needs arise from the very existence of the national state, he says, they have "no moral quality." But he goes on to explain that well-being encompasses material prosperity and the "pursuit of happiness." While one could endlessly discuss what constitutes the stuff of which happiness is made, presumably it is not only material gratification. In short, can well-being exist in the United States, if there is injustice and oppression in other countries? Our very humanity requires a negative answer. Such an answer does not require that U.S. foreign policy attempt to deal with all the world's injustices; limitation of resources and overriding policy priorities preclude that implication. What it does mean is that U.S. foreign policy should not be barred from addressing the issues of injustice and oppression in other lands.

But even if the advancement of national interest permits the door of morality to be cracked open, Kennan would still deny us entry into the foreign policy arena because, he argues, there are no workable standards of international morality to direct our passage. This is so, first, because principles concerning human rights, as are contained in the 1975 Helsinki accords, are merely "declaratory," not "contractual." Thus, they do not provide the basis for regulating international conduct. Kennan implies that such accords are not enforceable because they are either too vague or lack a mutual exchange of obligations. Yet, whatever the deficiencies of the Helsinki accords, there is nothing inherently defective in the domain of human rights that precludes contractual agreements. We can, if we choose, introduce precision into our terms and ensure mutuality in the exchange of obligations.

Drawing this dichotomy between declaratory statements and contractual obligations would wipe out large areas of international law that are important to our security. Moreover, a violation of international law does not mean that there are no standards of international conduct or morality; rather, the defiance of such standards argues for their existence. Similarly, the fact that such standards are not enforceable by an effective court of law does not negate their existence. Governments are influenced—in their behavior and their rhetoric—by the principles of human rights.

The second component of Kennan's argument is that we—or for that matter, any one nation—are incapable of making valid

moral judgments concerning the behavior of others. This implies a moral relativism that requires each society to operate within its own moral framework and to tolerate the morality of others. Yet, in reality, we are able to make judgments that can be applied across a variety of cultures. The notion of tyranny, for example, is well understood by all peoples, even though a method of avoiding it may not be easily translatable into a single political formula. That our moral acuity is imperfect does not negate our ability to make valid moral judgments.

Perhaps the most important drawback to Kennan's attempt to divorce morality from foreign policy is that it rests on the assumption that there is a neutral, that is, non-moral, ground. The notion that a government can conduct normal state-to-state relations without passing moral judgment on the way the other state treats its nationals is wrong on two counts. First, pursuit of a non-judgmental position supports the continuation of the status quo by favoring the government in power against those within the country opposed to it. Nor is reducing contacts with an oppressive regime to the bare diplomatic minimum a neutral policy; it will be understood as a judgment against the regime. The notion of a non-judgmental policy is nothing more than a chimera. Secondly, whatever may have been possible in the past, today's pace of international change no longer permits us to conduct a neutral foreign policy. By attempting to do so, the United States will only succeed in allowing the world to change in ways that are inimical to its interests.

I would hasten to reiterate my agreement with Kennan's basic position that the United States does not have a writ to enforce its notions of democracy on the world. We are able to discern the extremes of injustice and oppression that exist elsewhere, but that does not mean that we have the ability to prescribe political, economic, or social forms for other people. It is not a case of all or nothing, but rather of exercising restraint in doing what we have the ability—in terms of both moral acuity and other resources—to do. Above all, restraint is dictated by the overriding priority of preserving humankind from the self-destruction of which it is now capable. Since we cannot divorce morality from foreign policy, we are faced with the more difficult task of employing it wisely. □

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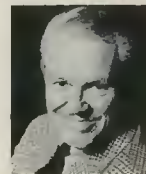


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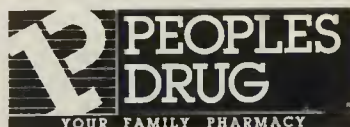


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Changing Rules

"Day by day, official messengers travel from one capital to another, with their diplomatic pouches at their feet, guaranteed freedom from inspection by customs officers when they arrive. But these days the pouches from some countries may contain, not proposals for peace, but plans and even instruments of terror.

"Under the old rules still in existence, the Soviet Union, for example, or Libya, or Syria, could send as many 'diplomats' as they liked to foreign capitals or to the United Nations, calling them 'journalists' or 'students' or 'cultural professors,' though many of them were nothing more than cops, checking on one another, or spies....

"What can be done about all this is hard to tell. There has to be privacy and some kind of immunity for civilized embassies and their servants, but not immunity for murder or parking their cars in the middle of the streets.

"Maybe we need to reappraise the diplomatic rules of the Congress of Vienna: 1815 was a long time ago. And the world is full of experienced and retired diplomats who might like to go back to Vienna and try to bring them up to date."

*James Reston in the
New York Times, May 14*

Budget Perspectives

"Radio Free Europe and Radio Liberty—the vital U.S. radio stations headquartered in Munich—are facing a financial crunch of monumental proportions....

"OMB has approved a \$14.5-million supplemental package, now wending its way through Congress. Unfortunately, this bill has been encumbered by layers of fat added on in the House of Representatives. President Reagan has rightly threatened to veto the bill in its present form....

"While it is possible that the Senate Appropriations Committee will somehow fix up the House bill sufficiently for it to pass muster and be signed into law, this is not likely to happen before July 4. Even more disturbing, the amount of \$14.5 million currently in the bill will not be anywhere near sufficient to save the radios.... The ad-

ministration, however, could transfer the requisite \$22 million from an account in the national budget where a surplus exists (there are numerous possibilities)."

National Review, May 23

"The Gramm-Rudman budget balancing act was billed as a way to force cuts in nearly every government program—or else.

"But across-the-board sacrifice is not what President Reagan has in mind for the U.S. Information Agency (USIA). In the budget proposal he presented to Congress for fiscal 1987, he has requested that the agency not only be spared from cuts, but that it be given a handsome increase of 12 percent. The USIA, by the way, happens to be run by Reagan's close friend Charles Wick, former producer of such Hollywood landmarks as *Snow White and the Three Stooges*."

*Common Cause Magazine,
May/June*

Striking Diplomats

"Diplomats in Sudanese embassies around the world started a two-day strike today to protest a law that authorizes the government to appoint as ambassadors persons outside the diplomatic corps.

"Mustafa Hassan, chairman of the diplomats' association, said that volunteers would keep the embassies open."

Associated Press, April 14

Travel Regs

"What do Asbury Park, USA, and Czeszochowa, Poland, have in common? Both are off limits to the other country's diplomats. Poland, responding to new U.S.-imposed travel restrictions on representatives of some East-bloc countries, has set up a few of its own. Accordingly, U.S. officials in Warsaw, Poznan, and Cracow may not travel outside a 30-40-mile radius unless they have notified the authorities 48 hours in advance; Bulgaria, Czechoslovakia, and East Germany are expected to follow suit. For New York-based representatives of these four, the same condition applies for travel 25 miles beyond Columbus Circle."

The Interdependent, March/April

Dealing with Terrorism

"American Foreign Service officers and their families are on the real firing line. Within days of the Libyans' strike, there were bomb attacks and numerous foiled plots against U.S. diplomatic personnel and facilities overseas. Doubtless in the

coming months there will be many more attempts to kill U.S. envoys—all in retaliation for an American military action....

"Yet, in this climate of ever-increasing peril, there are ill-advised moves afoot to cut the State Department's budget 15 percent, eliminate 50 overseas posts, and reduce severely the ranks of the Service."

*Harry C. Blaney and Julia A. Moore
in the Christian Science Monitor,
May 7*

"A bomb-sniffing dog accompanying U.S. Secretary of State George P. Shultz in Seoul has raised the ire of South Koreans who regard the canine's poking around the Foreign Ministry as rank diplomatic discourtesy....

"Foreign Ministry officials said they protested to the U.S. embassy that they had not given permission for the dog to be brought in. They said the embassy apologized."

Agence France-Press, May 9

Good-bye to Gavin

"The U.S. will miss John Gavin as ambassador to Mexico. A conservative, he annoyed the diplomatic school that believes the role of an ambassador is not to represent the country he comes from but to smooth the feathers of the country he is in. To the contrary, Mr. Gavin publicly instructed Mexico that its long flirtation with quasi-Castroite foreign policy was not viewed favorably by the Reagan administration....

"Mr. Gavin's replacement, it is hoped, will be equally direct with the Mexican government."

*The Washington Times,
April 9*

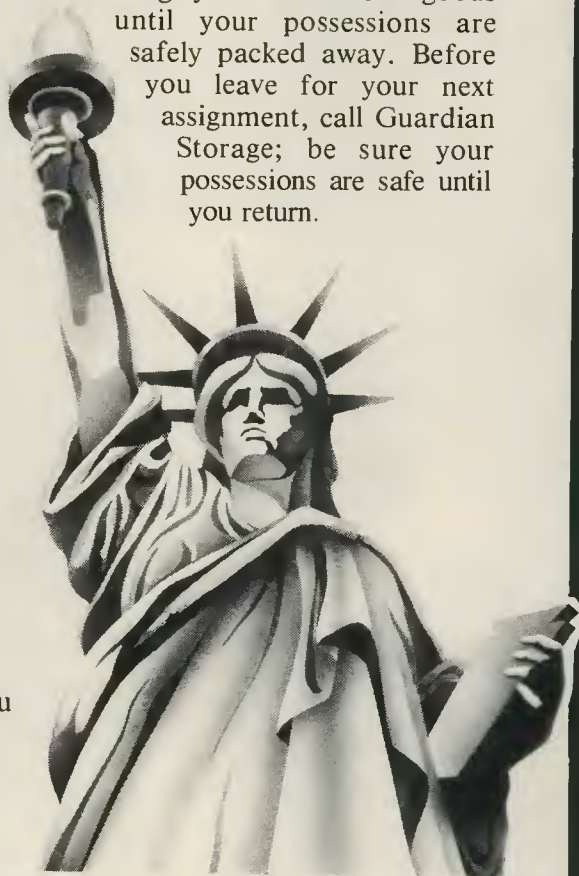
"Ambassador John Gavin, who is calling it quits at his post in Mexico, received a call Monday from President Reagan saying 'Jack, I wish you wouldn't go.'...

"Meanwhile, the Mexican press and many politicians rejoiced. Typical was a comment by political commentator Francisco Cardenas Cruz on the front page of the *Universal* newspaper. 'He is petulant, imprudent, and caught up in our national affairs. The former actor is one of the most abominable American ambassadors we have suffered through in many years,' Mr. Cruz wrote."

*Inside the Beltway,
The Washington Times, April 9*

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10-25-50

Foreign Service Journal, July 1976: For some years now, AFSA has been keeping an eye on this country's efforts against international terrorism, with special concern for the safety of the Foreign Service people overseas whom we represent. Our Committee on Extraordinary Dangers deals regularly with management on these matters, but was taken aback to discover that President Ford had been scheduled to meet with President Nimeiri of the Sudan on June 10.... It had been the Sudanese leader who had released the assassins of Ambassador Cleo Noel and DCM Curtis Moore....

We have also written Secretary Kissinger, questioning the hard-line never-negotiate stance vis-à-vis terrorists, calling for a review of our policy, and noting the department's breach of its past agreement to consult with AFSA in matters bearing on the issue.

AFSA News

Foreign Service Journal, July 1961: At least until we have a Foreign Service center, New State must be the very heart of Foreign Service official life.

Pity, then, that our imposing new building is so stark and naked of color within, so devoid of any homelike air. Granted that New State is designed as an efficient place for a large number of people to work without distraction, and that it is a tremendous improvement over our former scattered condition, still it lacks a certain necessary element of restfulness, of repose. It should have more places to sit, ponder, and revive oneself. Somehow the sheer walls and geometric corridors make one want to hurry in, to hurry along, to spare no moment for reflective thought or quiet conversations.

Editorial

Foreign Service Journal, August 1936: The Department of State is planning to conduct the first Foreign Service school for members of the newest class in the American Foreign Service.... It is not contemplated that language officers or those members of the class who have had considerable prior experience in the non-career branch of the Service will be ordered home to attend either of the two schools.



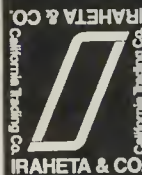
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COMPARATIVE AIDVANTAGE

The agency's success in spurring private-sector development depends on concentrating on programs where it is more effective than other donors

JENNIFER BREMER

■AID's experience with COFIEC, a private-investment bank in Ecuador, bears out its capability to support private-sector financial institutions in the Third World. Stretching back to the bank's inception in the early 1960s, AID involvement has helped the bank to achieve financial success with a portfolio that is more innovative and has a stronger rural focus than public-sector competitors.

■A recent AID Private Enterprise Bureau experiment to promote joint ventures between U.S. and less-developed-country businesspersons foundered on the agency's weak skills in making accurate judgments on specific enterprises and entrepreneurs. The program financed feasibility studies for investments in LDCs but failed to generate a single investment during the two-year trial period; it was not renewed.

SINCE 1981, AID has been struggling to redirect a larger share of its program toward the private sector. Results have been mixed. Now, five years into the effort, it seems appropriate to ask whether the agency has what it takes to be effective in private-sector development. After assessing its institutional assets and liabilities, this article will offer a clear answer: yes and no. Yes, AID has many of the resources needed to support private-sector growth, including a wealth of experience and skilled personnel. But no, AID does not do a good job of working directly with LDC entrepreneurs, and it probably never will.

Like any organization, AID has the potential to expand successfully into a new area, but only if it applies what it knows and does best. If it tries to move into areas that demand resources, information, and operating procedures poorly matched to the existing organization, it will almost surely run into trouble. Therefore, the key to supporting private-sector development effectively lies in picking the LDC private-sector needs most closely matched to AID's strengths, directing resources toward the activities that affect these needs the most, and rejecting activities that put the agency at a disadvantage or where it doesn't be-

long at all. So far, AID has done only an average job at sorting out which is which.

In determining which activities are the most appropriate, AID should consider its strengths and weaknesses in four areas: resources, knowledge, procedures, and policy environment. No matter how important promoting private-sector development may be, AID needs to perform well in these areas if it is going to succeed. Nor is it enough for AID (or any other organization) just to meet the basic minimum in each area. Private sector development only makes sense as an element in AID's strategy if the agency is better than other donors or the private sector itself in at least some of these areas. In other words, the decision on whether (and how) AID should expand its involvement in the private sector should be based on AID's comparative advantage, not just on a belief that private-sector development is good and AID should do it.

AID does have some noticeable strengths in the four areas listed above. First, on the matter of resources, AID has more money than most other bilateral donors (and more than the multilaterals in certain countries), an advantage that should never be underestimated. Second, the agency has a tremendous wealth of technical knowledge, particularly in such specialties as agriculture, health, and education. It also boasts a strong on-the-ground presence in most of the countries where it works, giving AID at least a potential advantage in country-specific information. Third, although procedural flexibility and decisiveness are hardly AID strengths, it can rightly claim clearly established operating methods and approaches to development with a demonstrated track record, especially in such key areas as small-enterprise development. Finally, AID's strong policy commitment to private-sector development sets it apart from several other bilateral-assistance organizations, which have clung to state-oriented outlooks; the agency has been a leader in recognizing the importance of a policy environment that favors private initiative. Moreover, AID's extensive background in what might be called "development technology" should not be underrated. The agency's 10-year commitment to finding methods of reaching the poor majority constitutes an investment that can pay off in private-sector development. In many LDCs, the private sector is largely made up of the very same small farmers, petty traders, and small-scale entrepreneurs who have long been AID's main clientele. No other donor and very few

Jennifer Bremer is a managing associate at Robert R. Nathan Associates, Inc., a Washington-based economic consulting firm. An AID employee from 1977-80, she co-authored a 1985 agency program evaluation report, "A Review of AID's Experience in Private Sector Development."



Checking fishing nets before leaving Pusan, Korea, harbor. The key to supporting private-sector development effectively lies in picking the LDC private-sector needs most closely matched to AID's strengths.

LDC governments can claim more experience with programs to reach these groups.

BALANCED AGAINST THESE STRENGTHS, however, are AID's equally notable shortcomings. Most important is the lack of on-staff expertise in business and commerce. Fewer than five percent of AID's professional staff, for example, have an MBA (although another seven percent have a business-related degree such as a master's in international management). This translates to 19 Civil Service and 112 Foreign Service professionals worldwide, fewer than two per mission. Moreover, many of these MBAs are in management functions such as finance and accounting, where their ability to provide direct support to programming is limited. Of course, an MBA is not the only route to business expertise, but this example demonstrates the serious shortage of agency professionals formally trained in business. Existing staff are barely sufficient to support specialized programs directed at business, much less to mount a major redirection in agriculture and health, the areas where the traditional aid portfolio is concentrated.

True, AID is no neophyte at private-sector promotion. Prior to the New Directions period of the 1970s, AID programs were frequently directed to or implemented through the private sector. Unfortunately, RIFs, retirement, and changes within AID itself have all taken their toll. Little of the experience developed in the 1960s is still available to the agency. Instead,

AID is trying to provide the necessary expertise through thoughtful policy papers, exhortation from on high, and traditional staff training programs. These are simply not up to the task.

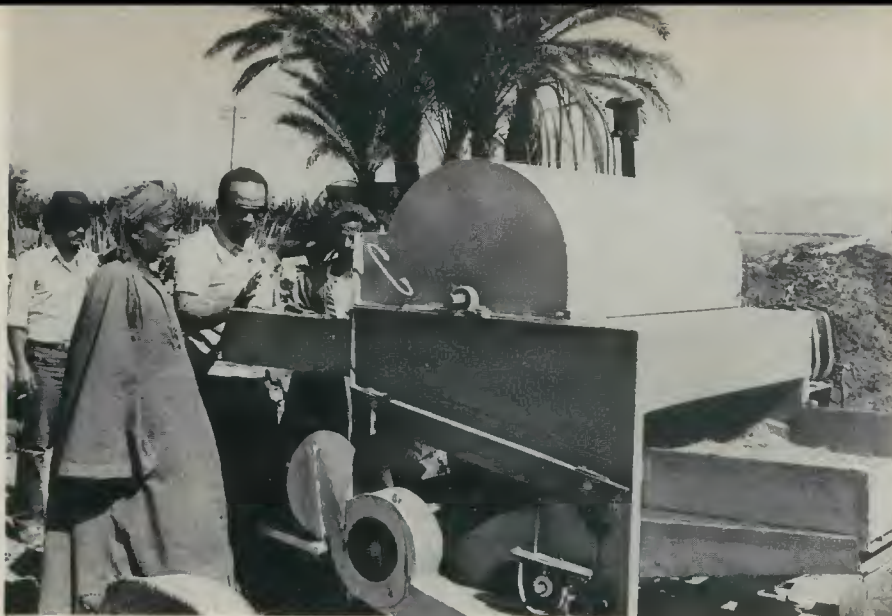
Moreover, staff expertise is only part of the problem. AID also lacks an incentive system that encourages mission personnel to build personal contacts with local businesspeople, rather than host-government officials. Business executives accustomed to life-long relationships are confused by AID's typically rapid staff rotation, in which a single project might have three or four officers in charge as it moves from design through implementation.

Although AID's financial resources are ample compared with many bilateral donors, the form in which they are available can pose serious limitations to private-sector programming. The largest problem revolves around AID's near inability to share in equity financing [see box on page 27]. Unlike the International Finance Corporation and some of the most successful bilaterals, AID cannot undertake commercial activities directly by becoming a business partner, except in a highly restricted fashion. It is thus prevented from participating in business ventures with the same degree of intimacy and oversight that characterize its dealings with fellow government agencies. For example, when AID funds an agricultural research station, it expects to take an active role in designing and implementing the station's program. But when AID funds a loan to a bank that in turn lends funds to a business, there is neither the opportunity nor the requirement for direct contact with the entrepreneur. This may seem a minor barrier to private-sector programming, but other donor experience suggests that equity is a critical element in playing the role of marriage broker between businesses in developed countries and in LDCs and even between LDC businesses and their parent governments.

Few would argue that AID's procedures mesh well with those of the typical LDC business. Even if AID could somehow be put on fast forward, the problem would remain. A close, day-to-day relationship with an LDC business requires both AID and its LDC partner to contend with U.S. source/origin requirements, environmental procedures, travel regulations, U.S. political concerns over potential competitors, and on and on. Over the past twenty years, LDC governments have become adept at dealing with the bizarre regulations of their donor-partners. But it is hard to imagine a legitimate businessman who would welcome a partner with as many restrictions as AID, no matter how well-heeled.

The problem is compounded by common LDC business practices. LDC executives often use seat-of-the-sarung analysis when making major decisions, something that is wholly inconsistent with maintaining acceptable control over U.S. taxpayer funds. More purchases are made from brothers-in-law than through sealed bids and not a few sets of books would fail an AID audit. And what to do when the LDC business partner goes broke, a not-infrequent occurrence?

Of course, no single mix of resources is "right" for private-sector development. Even the term "private-sector development" encompasses too many disparate



PRIVATE OR PUBLIC?

ONE OF AID's recent experiences demonstrates the need to re-examine old assumptions when designing programs for the private sector. In this case, well-intentioned efforts to develop technologies for private-sector agricultural machinery manufacturers in Egypt came to nought, partly because AID project designers (including the author) misunderstood the relationship between the government and private industry and did not have enough information on technology transfer in the Egyptian agricultural sector.

In 1979, AID provided Egypt with a five-year, \$40-million project to promote mechanization. A major element was to be research, with the aim of developing capacity in the Ministry of Agriculture to design agricultural equipment for Egypt's tiny but intensively cultivated farms. Despite spending more than \$1 million on highly skilled technical assistance for the research program and several hundred thousand dollars more in training, equipment, and construction services, this part of the project accomplished very little; a visitor to Egypt today would not find farmers using machinery built to designs developed by the project. Farmers are using a much wider range of equipment than when the project began, and manufacturers and importers are experimenting with further innovations, but the project can claim little credit for this.

What went wrong? The project designers had hoped that the technical and other assistance provided would establish

a mechanization research institute. This facility was to test available machinery designs and develop new ones suited to Egyptian conditions. The designs would then be passed along to local, primarily private sector, manufacturers for production and sale to farmers. The theory behind this was sound: The accepted wisdom in development clearly supports having the public sector play a large role in agricultural research. And although the project certainly had its share of implementation difficulties, the level of resources delivered to the research component was more or less faithful to the generous allocation in the design.

Instead, the disappointing results can be traced to two bad assumptions about technology development and transfer and the relationship between the public and private sectors. First, AID assumed that a government-based operation could develop commercially sound products even without input from private machinery dealers and manufacturers (an effort was made to obtain farmer views). AID believed that the existing dealers and manufacturers were too unsophisticated to make a useful contribution to the process. But in fact, some private firms had larger and better-trained technical staffs than the government research station and had established fairly strong linkages to U.S. or European firms that further strengthened their technical edge over the public sector. The research station staff had good academic credentials, but almost no practical farming or engineering experience.

AID also underestimated the government's isolation from the commercial operations, which bordered on hostility. Private firms regularly supplied the government with equipment in response to tenders, but technical input from the firms was not welcomed by government researchers, nor were the firms overly eager to cooperate with the government. This mutual suspicion was fueled by the government's role as a competitor in the manufacture and importation of agricultural machinery. The research station staff viewed the leading *public* sector manufacturer as their natural client, not the private firms.

AID's second and more serious error was to assume that the private sector would manufacture a product that did not yet have a demonstrated market. AID expected the research-generated designs to be readily accepted based on the performance of the prototypes and the match to farmer needs. In fact, technology development and transfer don't work this way in Egypt, if anywhere. Instead, a dealer identifies a machine already being manufactured (in Europe, for example) that seems suitable for Egypt. The dealer then imports a few models for testing, and depending on the results, may import a small number for trial marketing, working with the supplier to make minor modifications (preferably at the latter's expense), or drop the idea. If initial sales are satisfactory, the dealer imports progressively larger shipments, until convinced that the market exists. Only then does he consider local manufacture, or (more likely) local assembly in cooperation with the supplier. This in fact was the process behind the rapid expansion in agricultural mechanization in Egypt during the past decade.

In other words, AID's concept—design leading to manufacture leading to marketing—was actually the reverse of the reality. Even had the agricultural research station developed superior prototypes (which regrettably it did not), they might well have found no takers among the private-sector manufacturers.

AID made these fairly obvious errors because its contact with private entrepreneurs was insufficient and it relied too much on the government for information. Agency personnel should have made a greater effort to speak with more private dealers and manufacturers and form a clearer picture of their real problems before deciding that research was what they needed and the government should be the one to provide it.



A food processing plant in Honduras. AID's faith that the host government will act as an ally in private-sector development is too often misplaced.

activities for such simplicity, with projects ranging from those that look very much like traditional AID activities (assistance to small enterprises, for example) to those unlike anything AID has ever undertaken. Each type demands its own mix of resources. AID's resource endowment, while flexible to a degree, can meet some of these demands much more easily than others. Thus, AID's comparative advantage lies in certain types of private-sector programming, not in all. Unfortunately, the areas receiving the most emphasis in AID's private-sector initiative do not always correspond to the advantageous categories.

THE AGENCY has been impeded in constructing effective private-sector projects by the prevalence of three myths among its staff: that the private sector's main problem is a lack of credit; that the host government can be counted on to act as an ally in private-sector development; and that private-sector promotion is fully consistent with more and better government planning. Put these myths together and they spell a typical AID-funded private-sector project: a loan fund placed in a state-owned development bank offering medium- and long-term credit to private enterprises, probably with some sort of business advisory service tacked on and including a policy analysis or investment planning unit tucked into a nearby ministry.

Projects falling within this basic description—and there are certainly dozens if not hundreds of them—are not necessarily bad projects. They are easy to

design and relatively simple to implement. Nonetheless, they are not an adequate response to the challenge of private-sector development, because they don't help enough of the private sector, they sometimes hurt it, and they almost always leave the real problems that restrict business development virtually untouched.

AID's belief that the main problem is credit, for example, is natural, given that AID's most abundant resource is money. Since AID's ability to participate in equity arrangements is very limited, a credit fund is the easiest way to package money aimed at the private sector. As a result, most AID private-sector programs include a loan fund of one sort or another.

In fact, credit funds are not necessarily an effective means of assisting medium- or small-scale enterprises. In many countries, medium-size firms have ready access to loan capital from commercial banks, even if the terms may appear usurious to Americans. Established businesses can generally get financing for worthwhile investments through suppliers' credit or by drawing down a line of short-term working capital, if not from existing government investment-promotion programs. Of course, credit can dry up even for established businesses during times of economic chaos, but then investment capital is rarely a primary concern during such periods. The least developed parts of Africa lack private banks or private loan windows, but they also lack private, medium-sized enterprises about which to be concerned.

Small-scale enterprises, on the other hand, do indeed face great difficulty in gaining access to institutional credit, in Africa and elsewhere. And for good reason: lending to this clientele at commercial terms is a dandy way to lose money. The loans are small, so administrative costs are high; small businesses are justifiably perceived as high risks; and the institutional lender can rarely count on informal sources of information or past borrowing records to judge the creditworthiness of small borrowers. There are good reasons for continuing loan programs and other assistance directed at the lower end of the entrepreneurial scale, but the high cost of these activities virtually ensures that only a tiny fraction of small-scale enterprises can be reached.

AID's faith that the host government will act as an ally is too often misplaced. Its status as a foreign-government agency puts it at a real disadvantage in assisting the private sector in many developing countries, because it is virtually forced to work in concert with the local government. Use of a public-sector intermediary to reach a private-sector target raises a host of practical problems, but these are dwarfed beside the state of undeclared war that often exists between the developing-country government and the private sector. Many government officials mistrust the private sector, view business executives as barely more than bandits, and are fountains of misinformation regarding local business needs and interests. In some cases, the senior levels of government have enthusiastically embraced the private-sector model of growth, but the bureaucracy may still be marching to the old public-sector tune. Public-sector employees in particular may regard the private sector as the competition; the evil merchants who take business from the

AID OR OPIC?

WHATEVER AID's shortcomings, it is hard to imagine another agency doing much better at supporting private development on a large scale. An agency-sponsored review found that private-sector activities constituted 17 percent of AID's portfolio in the 1981-85 period. This figure has been taken out of context to criticize the initiative. In fact, 17 percent is nothing to be ashamed of, translating to well over a billion dollars in programming during the first four years. Given AID's inherent inertia and the limited resources fueling the transition, this is not bad.

Certainly the Overseas Private Investment Corporation is not a candidate to take on AID's role, even if it wanted it. The suggestion to this effect last November in the *Washington Post* deserves to be deep-sixed. OPIC is not an alternative to AID; it is a specialized agency doing a creditable job managing a very large

insurance program and a modest direct investment portfolio. AID spent \$597 million in FY 1983 starting new private-sector projects, more than five times OPIC lending to private enterprises in the same year. (No criticism of OPIC should be inferred from this comparison: that organization hit its statutory ceiling of \$110 million.) The 17 percent figure, moreover, is based on a conservative definition of private-sector programs: projects directed at providing credit for private investment, for example. It excludes most assistance to agriculture, even though that is a private activity in nearly every LDC.

In any case, the numbers game does a disservice to AID leadership and, in particular, to its professional corps. The increased use of private-sector channels is not merely a stepchild of current administration politics, but the result of an evolution in development thinking. Pressure from the administration certain-

ly didn't hurt, but the real credit for AID's renewed private-sector focus belongs in the field, where broad dissatisfaction with public sector performance underlies the search for a better way to get the job done.

The United States can do more to expand private-sector programming, but taking the program away from AID is not the answer. The greatest room for expansion lies within AID's traditional activities. Private sector programming should not be the responsibility of one office, but should be incorporated directly into AID's mainstream programming (using rural traders as an alternative to state-run extension systems and private alternatives to state-run training programs, for example). Using this approach, AID could become more effective both at developing the private sector and at promoting broad development purposes. This is the only real 17 percent solution.

ministry's cooperative stores or the greedy manufacturers who sell shoddy merchandise to compete with government factories. In other words, there are strong interests within many LDC governments that simply do not want the private sector to succeed.

As for AID's faith in government planning, it, like many other donors, has spent the last twenty years encouraging developing-country governments to plan, plan, and plan some more. Never mind that we in the United States don't have economic plans, certainly not at the national level, or that the data and analytic tools in most developing countries won't support accurate macro-economic projections for last year, let alone next. When it involves public sector investment, planning is arguably a necessity, since governments must have some basis, however flawed, on which to make decisions. But when the emphasis shifts to the private sector, planning ceases to be a harmless pastime for economists.

The essence of private-sector development lies in assigning primary responsibility for resource allocation to the market. The famous invisible hand does not run its fingers through the five-year plan before deciding to build a textile mill in Upper Chihuahua rather than a steel mill in the president's home town. It doesn't check with the planning commission before setting the scale of operations for a tomato-packing plant or shunting its output toward one market rather than another. At best, the plan becomes an indication of government preferences disconnected from reality; at worst, it serves as an instrument to enforce government control on individual enterprises and the market

as a whole.

AID, like most government agencies, does not always find working with a market system easy. The speed and flexibility of the market's response to changing economic circumstances are among its greatest strengths, but the unpredictability that goes along with this is ill-suited to AID's project approach. Agency professionals have recognized for some time that highly specific blueprints do not fit development realities and have moved to add flexibility to project designs. But private-sector activities are characterized by an even greater lack of detail that AID managers find hard to handle.

In a public sector project it is possible, indeed necessary, to produce a detailed plan describing the level of service to be delivered: 120 input distribution centers supported by 12 regional offices, each center staffed by a trained extensionist and serving so many farmers, with such-and-such a cost. But the private sector doesn't work this way. There might be 150 distribution centers, perhaps 10.

Public sector operations also provide the donor with a degree of control that may be lacking in the private sector. An AID mission in the Middle East, for example, was recently considering private-sector import of agricultural pesticides through a commodity import program. Following the guidelines laid down for funding pesticides, the environmental office suggested a number of control measures, such as training for farmers, limits on the quantity sold at the local level, and specification of crops and application rates. These controls are not unreasonable if the pesti-



A bicycle-parts retailer in Burkina Faso. One of the most important things donors can do to promote rapid private-sector growth is to encourage the creation of a policy and regulatory environment that favors commercial activity.

cide remains under the control of the importing firm all the way to the farmer, as it generally would in the hands of a ministry or parastatal. But private-sector importers in this particular country are wholesalers: They sell pesticides, sometimes in bulk, to retail traders who in turn sell them to anyone who walks into their store. The wholesalers have no practical means of following the procedures outlined by the environmental office, and certainly no interest in doing so.

THE SITUATION is far from hopeless, however. AID has considerable resources; the problem is really one of finding its market niche. AID needs to do a more careful job of examining the private sector, the way it operates, and what its needs are before embarking on projects. Once it has a better understanding of the private sector, AID can do several things to make its support more effective.

■ Say "no" more often. Most developing countries must rely on donor funding to carry out elaborate public sector schemes. The most important action that AID can take, therefore, is to refuse to fund the government when those activities are better left to the private sector and to act forcefully to convince other donors to refrain as well. Only by closing off the public sector option can AID force the host government to take the steps necessary to ensure private-sector action.

AID will also have to look much more aggressively

for private-sector alternatives, in areas such as agricultural extension and social services. By searching out innovative ways that services vital to development can be provided on a for-profit basis, AID will not only increase private-sector activity and save scarce government resources, but use its own dwindling resources more effectively.

■ Redirect traditional assistance to private-sector targets. For example, long-term training is regaining its well-deserved position as one of AID's most effective strategies, but relatively few participants are drawn from the private sector. Particularly in Africa, a relatively modest expenditure would enable AID to train the next generation of businesspeople and engineers.

■ Follow up on AID's current and past strengths. AID leads the other donors in programs directed toward the small entrepreneur, particularly at the lower, micro-enterprise end of the spectrum. This programming provides assistance to labor-intensive economic activities, often in rural areas, and so is consistent with both the private-sector focus and AID's traditional emphases on relieving poverty, expanding employment, and improving equity.

One of the most important things that donors can do to promote rapid private-sector growth is to encourage the creation of a policy and regulatory environment that favors commercial activity. In this area, AID is already ahead of the other bilateral donors and even some multilaterals. But AID does need to devote considerably more resources to understanding the policy environment and devising politically and economically appropriate reform packages: too often the agency relies too heavily on pat formulas of the "get the prices right" sort.

Although AID is a bit out of practice at building roads and power systems, few activities are better suited to donor funding than improving the basic infrastructure. Even the most energetic entrepreneurs may find profits out of reach if they cannot transport goods to and from the production site, cannot call across town to potential customers, and must constantly replace expensive equipment that burns out due to power drops.

Support for research, especially in agriculture, is another of AID's long suits and one that should be played out to the benefit of the private sector. The Egyptian experience with agricultural mechanization research [see box on page 23] is not evidence of AID's failure to support research effectively or of the irrelevance of research to the technological problems facing the private sector. Instead, it is indicative of the need to think more carefully about how to do research to serve private clients.

These activities share four key advantages: they draw on AID's established strengths and experience, they are compatible with AID personnel and procedures, they address truly pressing private-sector needs, and other donors are not doing enough. Unfortunately, these advantages are not shared by two other approaches in which the agency has been dabbling. AID looks silly—really, there's no other way to put it—when it acts the part of the international financier, sending its officers flying off to negotiate tiny little loans with business executives of questionable

LOANS OR EQUITY?

U.S. ASSISTANCE to LDC private-sector development labors under a serious handicap: we have no agency that can take an equity position in ventures overseas. The World Bank can take an equity position through the International Finance Corporation, as can West Germany through its DEG, France through PROPARCO, and Britain through the Commonwealth Development Corporation. The United States should look closely at setting up a similar organization.

Loan funds are not enough, for several reasons. First, a loan does not represent a long-term commitment. When an enterprise does well and pays off its loan, the lender can go on his way, merrily counting his money. When the enterprise is in trouble, the lender is not an ally but just another wolf in the pack. Loan approval

says the banker has a high opinion of the investor and his collateral, not necessarily of the venture itself.

Second, equity from a government-based agency provides an "umbrella" for the other partners. The nature of LDC investment is such that potential partners don't always trust one another. The local business executive distrusts the large multinational partner; the offshore investor is skeptical of the local partner; neither trusts the local government. An institutional partner offers extra assurance that can close the deal. More than just a stamp of international approval, participation by an offshore equity institution offers the host government protection against multinational rapacity, real or imagined, and offers the multinational a safeguard against expropriation, invidious regulation, and corruption.

Should AID take on this role? Almost

certainly not: no institution operating under AID's restrictive regulations and salary scale could succeed as an equity investor. How about OPIC? OPIC would be a stronger candidate than AID, but it too would require an extensive overhaul (and expanded staff) to take on this function. All in all, it would be simpler to start fresh than try to fiddle with any existing body.

No matter which agency ended up with the assignment, a change in the legislation would be required to establish an equity window. But the likelihood that Congress would buy this idea is pretty close to zero. Even if the budget could be funded by shifting money from AID (a move that I for one would endorse), Congress is likely to balk at the socialist overtones of government equity investment, not to mention the very real possibility that American jobs would follow the funds overseas. So, although equity investment agencies have worked well in other countries and a U.S. agency would be a boon to both American investors and developing economies, we won't have one anytime soon.

reputation. And acting is the right word: AID officers don't have the training to put together a good financing package, they don't have the information to judge whether a client or even the project is creditworthy, and they don't have the time or the legal clout to follow up individual loans for repayment.

But if AID isn't Citibank, it isn't the Department of Commerce, either. Regardless of what one thinks of the Small Business Administration or the Foreign Commercial Service, it is clear that AID will get nowhere competing with them. Whether the customer is a U.S. firm wanting to find a local partner for a widget factory or an LDC firm in search of a source for doodad parts, AID should limit its involvement to pointing them politely in the direction of someone else. AID does not have the resources to maintain the detailed, up-to-date information that this type of commercial brokering requires. Even agencies such as the Overseas Private Investment Corporation that specialize in this task find it rough going and miss as often as they match.

AID is already doing many of the obvious things that would make it more effective in reaching the private sector, but probably not on a large enough scale to make a real difference. For example, the AID training program now includes a short course in private-sector development, which is a move in the right direction. But at the rate that program is currently being offered, it would take roughly 50 years to run all of AID's professionals through the course. In any case, a two-week course can do little more than introduce private-sector issues and concerns.

AID is also trying to recruit more individuals with private-sector skills and experience, but although this effort should be applauded, not enough new people

are being hired to make a significant difference, at least not in the near term. Nor is AID able to compete with the U.S. private sector in recruiting the newly minted MBA, much less the seasoned entrepreneur or investment banker. Salary is certainly an issue, but the problem would remain even if it were possible to raise salaries. Let's be frank: AID is a giant bureaucracy. Maybe it is no less restrictive than many large corporations, but it doesn't offer the financial rewards or other compensatory goodies that enable IBM or Chrysler to snare entrepreneurial-spirited individuals.

Nor would contracting personnel from the private sector meet the need for appropriate expertise either, since agency staff continue to handle crucial parts of the program design and implementation process, and to have a major say in how other parts are handled. Moreover, AID needs the private-sector perspective on staff, not just on the other end of a work order. Nor is all the necessary expertise for hire from the private sector, although it hurts my consultant heart to admit it. Consulting firms can provide much of the help AID needs in defining private-sector problems and developing a response. Many consulting firms serving the U.S. private sector have learned to deal with AID, not always an easy task for either party, and are in a position to apply the expertise developed for their private clients to solve similar problems for an overseas clientele.

But many of the special technical and financial skills required for private-sector development are not available from the firms with which AID usually deals. Many skills—setting up a distribution network for pharmaceutical supplies, for example—just are not in demand on a consulting basis in the United

States, so consulting firms have not developed the ability to supply them. U.S. companies wanting to set up such a network use in-house expertise or, failing that, hire someone directly, limiting their use of outside consultants to marginal specialties such as market research or package design.

Moreover, the U.S. private sector has long outgrown many of the problems faced by private entrepreneurs in developing countries, such as illiterate customers or a need to build a transportation network from scratch. U.S. business cannot necessarily draw on a stock of ready-made, field-tested solutions for application overseas. In other cases, such as investment banking, the expertise exists, but not in a form compatible with AID's operating style and expense account.

IF THE OBVIOUS answers—training, hiring, and contracting—won't provide enough private-sector expertise to meet AID's programming needs, what alternatives are there? The following suggestions, some of which are more feasible than others, are meant to start AID managers thinking about more innovative ways to change the agency.

Private-sector sabbaticals: AID needs to give its professionals an opportunity to gain first-hand familiarity with commercial operations. To that end, the agency might place interested staff members in one-year mid-career internships with suitable firms. Agriculturalists, for instance, could be assigned to the marketing section of a large U.S. seed company. This experience would update their technical skills and teach them more about how a private firm operates; knowledge that would not be gained during the normal university course. Many AID professionals join the agency right out of school and, by the time they reach professional maturity at age 50 or so, will have spent 20 years alternating between Washington and various AID missions. For too many officers, contact with the private sector consists of dimly remembered summer jobs, hassles with project contractors, and the occasional brush with realtors, car dealers, and stock brokers during home leave. This is not a recipe for gaining a professional understanding of private-sector operations.

What would such internships cost? Many AID officers have skills that would be valuable in a private-sector setting, so firms should be willing to incur at least some of the costs associated with managing an intern, especially if AID continues to cover all or most of the salary. Properly managed, the program might cost a good deal less than academic training, and certainly should not cost more.

An executive peace corps: AID needs a mechanism for securing staff with specialized skills that, realistically, will not be supplied by direct hires. In other words, AID needs a way to "borrow" high-level expertise from the private sector. One Middle East mission, for example, is currently developing a program that will involve restructuring a development bank with a billion-dollar portfolio. No one in the mission has the specialized knowledge of banking and finance necessary for this job, and short-term consultants or AID specialists on temporary duty simply cannot fill the

gap. Nor can traditional recruitment meet this need: individuals with highly specialized skills in banking or marketing are not likely to accept a long-term commitment to AID. Under certain conditions, however, a mid-career professional might find a two-year assignment very appealing, assuming it were directly tied to a specific, challenging task. Former Peace Corps volunteers, for example, might welcome a second chance at development.

The success of such a program would clearly hinge on the active cooperation of private-sector firms that have the appropriate expertise on staff. No established professional would be willing to undertake such a lengthy assignment without both the support of the firm's top management and absolute assurance of a smooth reentry onto the original career path. And, because managers capable of restructuring large banks do not come cheap, the corporation would be required to make up the difference between the "AID max" and the executive's salary. A program such as this is therefore a clear-cut money-losing proposition for the corporation. Unless senior management can be convinced that the program provides real benefits in the form of an enhanced public service image or professional development, there is no reason for them to participate.

Regulators housecleaning: LDC governments are not the only ones with regulations that inhibit private-sector activity. The cumbersome nature and complexity of AID procedures are no secret to those who deal with them regularly, whether inside AID or on the private side of the street. We have all learned to work with or around them with only an occasional fit of teeth-gnashing. Not so the LDC private sector. Routine delays associated with AID's procurement procedures, for example, can spell death for a delicately balanced enterprise. If an entrepreneur considering a partnership with AID could obtain a full explanation of the procedure involved—in itself unlikely—the reaction would probably be stunned disbelief, followed by a speedy exit to look for assistance with fewer strings. If AID wants to succeed at private-sector programming, therefore, it must review and rewrite its own procedures. Admittedly, many of AID's regulations lie outside the control of the organization, having their basis in federal regulations, legislation, or perhaps even the Code of Hammurabi. But AID could do a lot more to identify and weed out regulations and procedures that are incompatible with private-sector activities. After all, changes made to benefit private-sector programming might speed things up in the rest of the portfolio.

In short, AID has many strengths that could help the agency's efforts to develop the LDC private sector. What it has not done all that well is to use those strengths effectively. AID needs to rethink some of the basic assumptions upon which its private-sector programs rest and look at new methods of acquiring (even on a temporary basis) the sort of private sector, commercial expertise those programs require. AID's record on private-sector assistance is already better than that of most other bilateral agencies and many multilateral organizations; by taking some of the steps outlined here it could be improved even further. □

ONE OF A KIND

When poker-playing political appointee David Funderburk folded his cards as ambassador to Romania, he left behind controversy in Bucharest and Washington

BILL ARTHUR

DAVID FUNDERBURK appeared to be a good choice for U.S. ambassador to Bucharest when he arrived at post in October 1981. The 37-year-old history professor from Campbell University in North Carolina had been to Romania four times before, including stints as a Fulbright scholar and as a USIA tour guide. He spoke the language fluently. And the government there had been so impressed with his doctoral dissertation on Romanian-British relations that it had translated and published it.

But Funderburk was also an ardent conservative, a protégé of Senator Jesse Helms (R.-North Carolina). Helms is well known for his frequent blasts at the State Department, declaring for instance that it is full of "termites" who are too accommodating to communism. Funderburk himself had written a pamphlet charging State with "whitewashing" human-rights reports on Eastern Europe—an allegation on which he backed down when Senator Paul Tsongas (D.-Massachusetts) confronted him during his confirmation hearings. Funderburk said he wouldn't write it if given another chance.

The combination of a hard-right, Helmsite political appointee plunked down in a rigid communist dictatorship amid Foreign Service officers who were generally more moderate and more pragmatic than he produced a classic mismatch. It made Funderburk's three and a half years in Romania tense for many people in the embassy and the State Department. It bred mistrust between the ambassador and many embassy staffers. By the end of his tour in May 1985, according to scholars and State Department officials, the Romanians preferred dealing with the United States through their embassy in Washington. At the department, U.S. officials were so leery of Funderburk they went around him, sending emissaries from the capital to deal with the Romanian government on key issues such as trade and emigration.

Few in the embassy or department questioned the sincerity of Funderburk's concern about human-rights abuses and lack of religious freedom in Romania, which they consider among the world's most despotic and depressing regimes. But many critics said his zealous anti-communism eventually harmed his effectiveness as an ambassador. As Funderburk sees it, however, he was not sent to Bucharest to

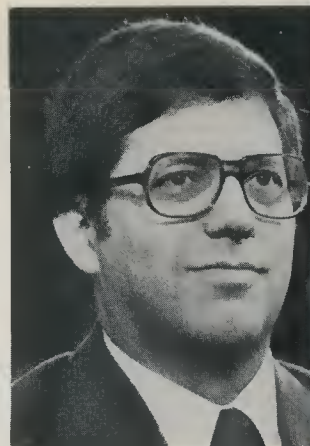
accommodate the Romanians. "If they got to the point that they trusted me, and if they felt that they could rely on me," he said, "then I would be sure that I was doing something wrong from the standpoint of the United States government." At home, conservatives had high praise for his work. "He was a courageous representative of the United States," said Juliana Pilon, senior policy analyst at the Heritage Foundation. "The conclusions he came to made the State Department a bit uncomfortable."

For his part, Funderburk left office convinced the State Department didn't understand Romanian communism. In an interview with the *Washington Post*, he said Romanian despot Nicolae Ceausescu had "out-foxed" the United States into granting his country most-favored-nation trade status while he gave virtually nothing in return. The ambassador said State Department officials had ignored his reports of human-rights abuses and Soviet influence in that communist Eastern Europe nation.

But many State Department officials who dealt with Funderburk questioned that. They said that as ambassador he didn't file the reports he claims he did. They also said he never tried to use the system to change U.S. policy toward Romania; instead he actually endorsed that policy. When Funderburk ran for the Senate from North Carolina earlier this year, many at State who knew him hoped he would lose. (He was defeated in the Republican primary.) "I just don't think he's smart enough to be a senator," said one former embassy staff member. "He just never struck me as being very intelligent."

Although he proudly included his title as ambassador in his literature, Funderburk repeated his criticism of the State Department during the primary campaign. He especially sought the support of conservative church congregations, frequently telling them of the human-rights abuses and other evils of communism in Romania. His point was not subtle—if you don't elect me, it could happen here. The voters were unconvinced, however, awarding him only 30 percent of the vote.

Many Bucharest embassy staff members knew of Funderburk's deeply conservative views and association with Helms when he first arrived in Romania. But initially, many said, they found him to be a charming, vigorous fellow. He was a "beer-drinking, back-slapping kind of guy," said one staff member. He played ping-pong with the diplomatic corps, basketball with the embassy Marines, and poker with the



Bill Arthur is Washington correspondent for the Charlotte Observer.



David Funderburk and Jack Matlock Jr. at their confirmation hearings as ambassador to Romania and Czechoslovakia, respectively. Funderburk backed down on allegations that the State Department was "whitewashing" human-rights reports on Eastern Europe when confronted by Senator Paul Tsongas (D.-Massachusetts).

staff. He frequently joined staff members for drinks—he liked Heineken beer, very cold—at TGIF parties in the embassy's American Club. "He made a point of coming down, which I think a lot of people tended to appreciate," said one staff member. He seemed to enjoy the roughhouse of men at play, sometimes challenging others to arm-wrestling, for example. But quickly, many embassy staffers sensed that Funderburk came with a profound distrust of Foreign Service officers and the State Department, a chip-on-the-shoulder attitude that would make working with him difficult. "He had grave reservations when he arrived so far as the career people were concerned...and skepticism about U.S. policy towards Romania," said Herbert Kaiser, Funderburk's first deputy chief of mission, now retired. "He sort of felt that the people he was working with were his enemies," added one embassy veteran, "which is too bad, because they were anything but." One staff member remembered: "He thought we were overpaid, we weren't particularly competent, that we were too liberal. He was quite open about it."

These staff members, as well as many other Foreign Service officials who knew the ambassador, would talk only if their names would not be used. Some feared retribution from Funderburk or from his senatorial patron. Others said they were under orders not to be quoted. Several State Department officials refused to comment for this story. But more than 30 persons familiar with Funderburk's ambassadorial tour did talk about it.

Several found much to praise about him. They believe the distrust worked both ways and that the ambassador was the victim of professional sneering at

a noncareer officer. "He was cursed before he ever got there because Jesse Helms was his patron," said one Funderburk defender. "There was nothing he could do, right from the very beginning, that could have made [his critics] happy....He simply wasn't told things. He was treated very shabbily." His no-compromise attitude toward the Romanian government was refreshing and proper, said another Funderburk friend. "He was no wimp. If he was, they [the Romanians] would have crapped all over us."

"He's always 100 percent behind his people," added another former embassy staffer. His concern extended to working to get the best possible housing even for the lowest-ranking employee, the staffer said. The ambassador was open, friendly, even inspirational, said Bill Edwards, who was the embassy's press spokesman. "He felt that if there were [non-embassy] Americans around, they probably should be made to feel at home and welcome. If he had an event at his home and he could work them in, he would automatically work them in." Funderburk was especially solicitous of Fulbright scholars, knowing from experience that their lack of diplomatic status put them much more at the mercy of the faltering Romanian economy.

BUT WHILE SOME found Funderburk's earthy, friendly style refreshing, others found it crude and his patriotism ostentatious. "He was a flag-waving, Sousa-playing style of ambassador," said a former embassy staffer, remembering one July 4 party at the ambassador's residence. He blared Sousa marches from loudspeakers over and

over again until the repetition was maddening, the staff member said, and the whole scene seemed decidedly small town. Most embassy staffers said morale usually was remarkably high considering the dreary, oppressive surroundings. But they said morale had little to do with Funderburk and more to do with staff members' individual lives and other factors, such as the ready availability of food in shortage-prone Romania.

To some, Funderburk seemed sincerely interested in looking out for the "little people" at the embassy. But daily relations between Funderburk and higher-ranking Foreign Service personnel were often tense. Many staffers said the ambassador and his second DCM, Sam Fry, never hit it off. And some in the embassy said Funderburk took differing opinions as a personal affront. Many were offended that he seemed to feel that only he had "the revealed truth." One activity that appalled some observers was the ambassador's participation in high-stakes poker games with embassy visitors and staffers, including young Marine guards who made less than a fifth of his salary. "People would walk away well over \$1,000 down or up in one game," said one person who watched the games. The stakes, agreed one player, were well above what anyone at the table should have been playing for. One favorite game was "Guts," in which losers replace the pot taken by the winner. The pots, and individuals' gains or losses, can rise exponentially. Several embassy staffers said the games were not only improper, but also a potential security risk. They assumed their homes were bugged and that the Romanians knew of the gambling and knew who the big losers were. Many embassy staffers believe the games eventually stopped on orders from Washington. But Funderburk and others said the players themselves decided to quit. "Basically, we played a low-stakes poker," Funderburk said when asked about the gambling during his Senate campaign. "And one night it got out of hand, and we decided to put a stop to it, and so we did. And we canceled everything [debts] that night." He acknowledged that young Marines played, but said their sergeant told them to stop when they lost "a little bit of money." Funderburk declined to describe how high the pots went. Bill Edwards, one of the poker players, said the rumor mill has badly exaggerated what happened. "The rumor about me having to mortgage a home is absolutely incorrect. I didn't own one." He acknowledges that at times he owed about a thousand dollars to each of several people. "On occasion, I've had several people owe me a thousand." He said the games ended because the players were getting "bad vibes" about them from others in the embassy.

SOME HIGH-RANKING American visitors to Romania also felt that all was not right at the embassy. Two of the most prominent during Funderburk's tour were General John Vessey, then chairman of the Joint Chiefs of Staff, and Vice President George Bush. To Funderburk, such visits only emphasized the legitimacy of Ceausescu's regime in U.S. eyes and further demoralized the Romanian people. He opposed Vessey's visit, warning the general that what he would see would be a sham. But

because Vessey would be the first top-ranking U.S. military officer to visit an Eastern European member of the Warsaw Pact, administration officials were eager for him to go. The general assured Funderburk that after 30 years in the Army, he could tell what was real and what was not. Sources familiar with the trip said Vessey came out of Bucharest concerned about morale in the embassy. One source said Vessey found Funderburk "wound up a little tight," and consumed with anti-communist zeal. The general had a more than casual interest in the Bucharest embassy, since his son John Vessey III had worked there. During Bush's visit, the vice presidential staff and Funderburk "seemed to be clashing right from the time we hit the tarmac," said an official on the tour. "It ended up where the ambassador and his DCM had to be told in no uncertain terms that this was the vice president's trip, and he would be making the calls." Funderburk, the official said, "just wasn't very professional." Of this account, Funderburk replied, "That's news to me."

Sources from the embassy staff also said that the ambassador had acrimonious dealings with his secretaries, openly telling them he did not trust them and accusing them of blabbing secrets and talking about him behind his back. The ambassador said he dismissed one secretary because she had a record of security violations. But when that woman was transferred, her new boss found her "first class." Embassy sources said Funderburk would not let secretaries open his mail or pick up cable traffic, which meant that people in the communications room often had to play messenger. According to some at the embassy, Funderburk wouldn't even let the secretaries make his airline reservations. Instead, he asked higher-ranking officials to do it. He demanded that he be given all communications first and insisted on personally seeing even the most routine messages from the embassy. "If we needed more xerox paper he would insist that he put his initials on the cable," said one staffer. Funderburk said these reports are wrong or exaggerated. He said he opened his personal mail and let secretaries handle the mail concerning consular matters. And, he said, most cables were handled by the secretaries.

Funderburk clashed especially with secretary Lollie Norris, whom he brought to Bucharest in 1983 after she had been recommended to him by Helms. Norris had worked in the Raleigh law office of Tom Ellis, Helms' close friend and political ally. Sources from the embassy in Bucharest said Funderburk was critical of Norris and sometimes would swear at her. Even the ambassador's critics, however, said he had reason to be annoyed with Norris, because she lacked the skills necessary to be a chief of mission's secretary. Norris said that before starting the job she told Funderburk she couldn't type. "That's all right," she said Funderburk said. "I just need someone who's loyal to me."

What many embassy staffers perceived as Funderburk's distrust showed itself in several ways, they say. Funderburk set off alarms in the embassy when he fired two Romanian nationals shortly after he arrived. One was a receptionist that Funderburk said had been nasty to him when he was a student there. "Certain

ones were less courteous, less polite, and less interested in helping true dissidents and true defectors and true emigrants from getting through the process," he said. Funderburk also said they were security risks. The State Department and Congress in fact have become concerned about the number of foreign nationals working in U.S. embassies around the world. But many U.S. staff members who had worked in Bucharest objected to Funderburk's charges. They said they knew the Romanians had to report embassy activities to the Securitate and kept sensitive information from them. Information flowed the other way as well, they added. And some resented what they felt was an implication that the Romanians' American supervisors had been lax. Sometimes at staff meetings, according to some in the embassy, Funderburk would "spew out a litany of accusations," but none specific. People left the meetings feeling that their loyalty had been questioned. It was reminiscent of McCarthy, according to one staff member. "He just couldn't accept the fact that he had a professional staff working for him," said one staff member, "and while we didn't always agree with him, we would carry out his orders." Funderburk, who is writing a book about his ambassadorial tour, insisted he had no such problem. "I got tremendous support from State Department and other agency officials who worked at the United States embassy." But, he added, "Certainly, I got less support from State Department bureaucrats in Washington."

AT THE HEART of his dispute with the State Department was Funderburk's antagonism to the U.S. policy of "differentiation" in Eastern Europe and MFN status for Romania. The administration sees MFN as leverage to keep the emigration flow open, to force independence from the Soviets, and to pressure for human-rights reforms. Thus, MFN status for Romania is reviewed annually. Funderburk thinks differentiation isn't wooing Romania away from the Soviet Union and that MFN should be cut off. "It is tragically wrong," he said at a Heritage Foundation seminar last July after he resigned as ambassador, "because it does not benefit either the people of Eastern Europe or the best interests of the United States. It is not a pro-freedom policy, but a pro-slavery policy." Funderburk believes that Romania's "independent" gestures, such as its participation in the 1984 Olympics in Los Angeles, are phony, done with Soviet approval to dupe the United States. He thinks that the United States would force more concessions from Romania if it suspended MFN status. He is not alone. Many State Department officials, including several who worked with Funderburk in Bucharest and are not fond of him, support suspension. So do several members of Congress.

But if Funderburk felt this way as ambassador, State Department sources said, he did very little about it. Several former Bucharest staffers said the ambassador didn't send many cables about policy to Washington. One reason, they believe, is that he just didn't have the experience or training to understand what he was supposed to do. "He didn't know how to report what he'd been told by Romanian officials,"

said one. "He didn't understand the mechanics of being an ambassador." One staff member remembered discovering in conversation with him that he did not know what a first-person or "I" cable was and how it might be more effective in making his views clear. Funderburk's reports, said David Anderson, ambassador to Yugoslavia while Funderburk was in Romania, "probably were not as strong as he thought they were. If you're going to catch Washington's attention, you really have to aim at the secretary of state and put your professional reputation on the line. ... Whack them on the head with a two-by-four."

Richard Burt, assistant secretary of state for European and Canadian affairs at the time, told a House subcommittee in May 1985 that Funderburk's views "received full consideration throughout the government on those occasions when he conveyed them." A State Department memo to a congressional office last December reported that "no serving U.S. ambassador to Romania has dissented from an administration recommendation that MFN be extended for an additional year, or otherwise urged that MFN not be extended." That includes Funderburk, the memo said, quoting from a telegram Funderburk sent the department earlier that year. "We thus recommend and support annually reviewed MFN for Romania," the telegram said, according to the memo, "since it provides us with some leverage on the GOR [Government of Romania] in emigration and human-rights cases largely due to the need Romania has for competitive access to the valuable U.S. market." Funderburk said he doesn't remember sending the cable, but added that "it's a possibility." State Department sources said Funderburk also cabled the department in support of differentiation. And they rejected his contention after he left office that it was he, and not his superiors in Washington, who truly supported President Reagan's policies. In testimony before a Senate subcommittee last February, Mark Palmer, deputy assistant secretary in the Europe bureau, said that Reagan himself approved the differentiation policy in 1982. And Reagan has sent the requests to Congress every year to continue Romania's MFN status. In his House testimony, Burt rejected Funderburk's contentions that State ignored his reports about a larger Soviet presence in Romania than had been previously thought. "No report on this subject was ever sent to the State Department during his tenure," Burt said. Palmer said that the Bucharest embassy reported shortly after Funderburk left that approximately 1500 Soviets are in Romania. He said that compares to some 150,000 Soviet troops in Hungary.

Funderburk replied that he did make his feelings known. "What I said in the cables... is that I don't think MFN is wise unless we actually get from the Romanian government an improved internal reform situation." But he acknowledged he didn't flatly oppose MFN. "If, in fact, I had come out and simply stated I think MFN is totally wrong for Romania," he said, "then it would have been necessary, from my point of view, for me to step down... because that was American policy." But at one point, Funderburk did take his complaints to the top. He went to President Reagan in August 1983, an example, he said, that he



James Hackert of the Heritage Foundation and former ambassadors David Funderburk, Charles Lichenstein, and Curtin Winsor Jr. at a Heritage seminar. The ambassadors called for Secretary Shultz's resignation, and Funderburk said Shultz was part of an "elitist" network that favored East European countries.

was making his views known. "I told him what was happening," Funderburk said. "I said if I brought up human-rights concerns, sometimes others back in the State Department are not as enthusiastic about human-rights concerns entering into our policy. My concerns about technology transfer don't seem to have the same concern level back among...the State Department." Funderburk said he told the president that the United States was not getting anything from its differentiation and MFN policy with Romania. Reagan, he said, expressed sympathy and "appreciation for what I was saying." Secretary Shultz was much less pleased. "We had some difference of view on this," acknowledged Funderburk. In a meeting in Shultz's office, Funderburk said, Shultz told him that if he had complaints about the State Department, "You come directly to me on these things" and don't go to the president first. Whatever sympathy Reagan gave Funderburk, the policy did not change.

FUNDERBURK BECAME VERY outspoken after he left post in 1985. In interviews and speeches he criticized State Department officials. He named names, an act that many considered unprofessional. "I was caught between a communist regime and a State Department which seemed to be working hand-in-glove with communist tyrants," he told *Conservative Digest*. He complained that "from the beginning, I was branded an unseasoned, naive political appointee, a Helmsite and a radical. Efforts were made to try to isolate me and this embassy from the policy making process." At a Heritage seminar Funderburk named top State officials as part of an "elitist" network that favored East European countries, and he

joined in a call for Shultz's resignation. "In my experience in Romania," he said, "the career Foreign Service officers, from Lawrence Eagleburger to Mark Palmer to Richard Combs to Roland Kuchel to Jonathan Rickert to Thomas Lynch, seem to be the ones most anxious to defend the network's elitist view of differentiation, reward, and favoritism toward every East European country." Eagleburger rejected Funderburk's characterization of himself and the State Department. He never tried to isolate Funderburk, he said. In fact, Eagleburger contended, the problem was the reverse. Although State knew Funderburk was not on board with official policy, he said, the ambassador never objected when it really counted. "In all of the times I saw him face-to-face, which were numerous," Eagleburger said, "he never raised the subject once, nor did he indicate opposition to anything."

To many State Department people and academics familiar with the situation, Funderburk's tour in Romania was less than successful. But Funderburk believes otherwise. "I think that we sent a signal," he said, "that we did this symbolically. President Reagan's government, my tenure, those of us in the embassy, and some other people from the American government in other quarters, we sent a signal to the Romanian people that we weren't just there to pat and support Ceausescu on the back." But many at State believe that trying to move Romania away from the Soviets is a subtle game. "Obviously, if you have someone with absolutist views," said one former staff member, "it's a little hard to play that subtle game." To most State Department professionals, the subtle game was the only way to deal with the real world. To Funderburk, subtlety was a sellout. □



DEPUTY SECRETARY WHITEHEAD: FROM WALL STREET TO C STREET

BRYAN BRUMLEY

WHEN JOHN C. WHITEHEAD joined the State Department as deputy secretary one year ago, his experience in government had been limited to his tenure as councilman in his home town of Essex Fells, New Jersey. And his perspectives on foreign policy were largely limited to his 38 years at Goldman, Sachs and Company, a major Wall Street investment company. Yet today, Whitehead is involved in the upper levels of U.S. diplomacy as the number-two person at State. And, by all accounts he is an active, influential deputy, one whose presence has been felt not only by Secretary Shultz, but throughout Foggy Bottom. He has also gained a reputation for a degree of bluntness not often associated with diplomats, although, in a recent interview, it was clear that he can also be cautious and politic, carefully stroking the feathers of his allies and only slightly ruffling those of his critics.

After nearly a year of on-the-job training, Whitehead obviously feels comfortable in his position and can reflect on the value of his many years' experience in business. "I have found that there are more similarities than differences. The subject matter is different, but the process is very much the same. A problem comes up, one gets together the experts that are available to give you information on the problem. One begins to consider what the alternative solutions are. One makes a decision as to which of those alternatives is the wisest, and then one sets forth a program to carry out the decision as effectively as possible.

"That process is the process of diplomacy, and it is also the process of business. So, in that respect, the similarities are rather great. The subject matter, of course, is different and was new to me, and is still new to me. I have a lot to learn about foreign policy, particularly about the political aspects. I am speaking now of the political scene around the world. My background made me familiar with the economic aspects of foreign policy and the financial aspects, but not the political. At the beginning, I had to learn a lot. But there were a lot of very good people around here to teach me, and I worked hard and had a lot of briefing books and meetings, and have brought myself up to speed, although I still have lots to learn. I think I am now reasonably comfortable at least with most of the issues that come up."

Whitehead admits to a case of Potomac fever, call-

ing his position "the best job in Washington. You have an opportunity to range over a whole array of important problems, to have an input into solutions, and yet you don't have to take the flak that the number-one person has to take." He is the fourth person to hold the job of deputy secretary in the Reagan administration, following William Clark, Walter Stoessel, and Kenneth Dam. He attributes the high turnover to the demanding nature of the job, citing its heavy responsibilities, long hours, and quantity of travel. "I have not counted [the number of countries I have been to], but it has been quite a lot. I have made five trips; I suppose I have visited half a dozen countries on each trip, so it must be something like 30 countries." But, he says, "I am enjoying it. I hope there will be no turnover in the job for the rest of this administration."

The job of the deputy secretary and the relationship of that person to the secretary has varied in each case. Whitehead prefers not to emphasize his role as acting secretary during those frequent times when Shultz is out of town but portrays his position as one of sounding board and alter ego. "I am very modest about the comments that have been made about my being in charge when the secretary is out of town. It is true that technically I am the acting secretary when he is away. But there is only one secretary of state, and that is George Shultz, and I am his deputy. When he is away, I would usually be the first point of contact when an issue or problem arises. But if it is anything important, you can be sure that we consult with him closely before we make any decisions. That's as it should be."

He goes on to describe his relationship with the secretary: "There are a variety of ways of organizing the job, and it is up to the secretary to decide how he wants to use his deputy. He could assign a particular region to the deputy, he could assign one or more particular subjects. He could make him the chief operating officer, in charge of the administration of the department. He could make him a trouble-shooter, and give him special short-term projects as they came along. But the secretary has decided that he wants me to operate as his 'alter ego.' Those are the words he uses to describe the relationship. That means I try to stay up on everything that is going on, so that I can step in and handle any project that comes along. That is the way we have worked it. It's marvelous from my point of view, because instead of becoming a specialist—and it would be likely that I would become a specialist in the areas that I already knew

Bryan Brumley is a reporter with the Associated Press in Washington.



best; I am happy that he has chosen to run it this way—it gives me a broad exposure to all the problems, even those which I initially did not know a great deal about.”

ONE AREA that is new for Whitehead, and in which he has become very involved, is terrorism. It has also presented the occasion for some of the blunt speaking for which he has become well known. After the Reagan administration accused Libyan leader Colonel Muammar Qaddafi of backing the terrorists who attacked passengers waiting in the Rome and Vienna airports last December, Whitehead went on a nine-day, tenation tour to persuade Western European governments to join the United States in imposing sanctions against Tripoli. When Shultz, back in Washington, was asked by reporters whether the administration was considering a “non-peaceful” reply to Libya, he said the president had asked his aides not to discuss the issue, thereby leaving the options open. Whitehead, however, answered “yes” to the same question and went on to say that for the moment the president had “put aside the military option” but “reserved the right to come back to [it] in case the non-military, peaceful measures didn’t work.”

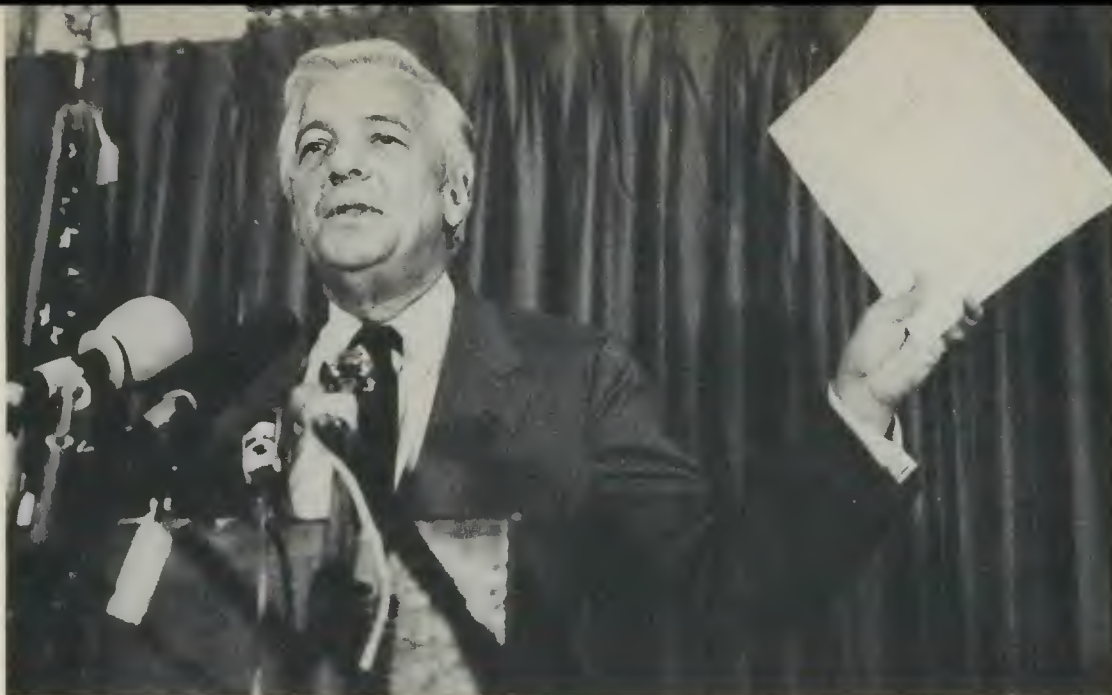
In describing his own role in formulating the U.S. position on terrorism, Whitehead said: “After the president decided to impose sanctions on Libya and on Qaddafi, he and the secretary asked me to make a trip to visit our principal allies in Europe, to persuade them to adopt similar measures to try to put some pressure on Qaddafi to change his conduct and to stop his policy of harboring and supporting terrorists. And so I traveled to nine countries in ten days, explaining to them the seriousness of the terrorism problem as we saw it, explaining why we viewed Qaddafi as being one of the principal, most reprehensible perpetrators of terrorist acts, explaining why we had taken the measures that we did, and encouraging our allies to consider what measures they might take to bring about a change....I have described their response as

not as good as we hoped but better than we feared. Each country has taken some measures. All recognize terrorism as being a serious problem, and each country has done some things to express its concern.”

Before the April air raid on Libya, Shultz and Defense Secretary Caspar Weinberger outlined different criteria under which the United States should respond with force against terrorism. Shultz was urging a punitive strike, whereas Weinberger said that an attack should be ordered only when it could attain a clear objective. Commenting on the division between Shultz and Weinberger, Whitehead says, “There have been occasions when the Department of State has been somewhat more eager to respond militarily than the Department of Defense has been. This is the reverse of what one might have expected the traditional roles to be, in which State would be considered more likely to support peaceful measures, and Defense more likely to support military measures. But I would say that these are the kinds of differences that often exist on difficult matters of foreign policy, not serious and not divisive.”

His most difficult job as deputy secretary, was, according to Whitehead, “when I had to convince the Tunisians that the United States was not involved in the Israeli raid on Palestine Liberation Organization headquarters in Tunis.” But the job is not without its less impressive moments either, as Whitehead also recalls a time when his “magnificently imposing U.S. Air Force plane” broke down in Dhaka, and he had to be rescued by a substitute plane from Bangladesh Airlines.

Whitehead’s tendency for forthrightness was also evident when he took on the role of liaison between the State Department and the Heritage Foundation, a conservative think tank that has repeatedly criticized the State Department for supposedly not carrying out the Reagan administration’s foreign policy and that last summer sponsored a conference at which Shultz’s resignation was demanded. Whitehead, who was a supporter of the foundation before he joined the administration, sought to mend fences by arranging a series of seminars attended by representatives of the



Terrorism trouble-shooter: Deputy Secretary of State John C. Whitehead confers with Egyptian President Hosni Mubarak following the U.S. interception of an Egyptian airliner carrying the hijackers of the Achille Lauro (picture on left), and shows the press a State Department report on "Libya Under Qaddafi: A Pattern of Aggression" (right).

two sides and organizing a diplomat-in-residence program for Heritage. The rapprochement appeared to unravel this spring with the publication of two new Heritage studies critical of the department.

Whitehead describes his role: "When I first came to Washington, I was concerned that there existed a considerable amount of misunderstanding between the department and the Heritage Foundation about the quality of the State Department staff and about various aspects of foreign policy itself. Because I have been an admirer of the Heritage Foundation, I took it upon myself to create better understanding between the two organizations. I initiated several steps which I had hoped would lead to an improvement in the relationship. But I was distressed a couple of weeks ago at two reports that came out of the Heritage Foundation, which seemed to me to be just as strident, or even more strident, than their earlier reports, with critical comments largely without foundation. So I wrote to the chairman and vice chairman of the board, both of whom were old friends of mine, calling to their attention that I was distressed that my efforts seem not to have accomplished anything and urging them to take a close look at the kinds of things the foundation was reporting.

"In the letter, I said that I thought that if they agreed with all the things that the foundation was saying, then so be it. I could only say that I disagreed with their conclusions. But if they disagreed with the things that the foundation was saying, then I felt that they had only two courses. One would be to get the staff to change what was being said in the name of the trustees, or to resign. So I didn't urge them to resign. I would prefer that they not resign. But I would prefer that they encourage more responsible reporting on the part of their organization. Unfortunately, the letters seem to have arrived in the hands of a reporter. But I considered them private letters to friends and did not anticipate that they would be made public."

Nonetheless, the letters surfaced in the *Washington Times*, along with a response from Heritage Vice Chairman Robert H. Kreible, who defended the foundation's attacks on the department as "fair, au-

thoritative, painstaking, and, yes, hardhitting." Heritage Vice President Herbert B. Berkowitz accused Whitehead of allowing the dispute with the foundation to degenerate "into a personal feud." "Our feeling is that he thought that having shown his willingness to work with us, we would no longer feel free to criticize the department," said Berkowitz. Whitehead is unsure how his relationship and that of the department with Heritage will progress, although the diplomat-in-residence program seems likely to go ahead.

WHITEHEAD'S DEFENSE of the State Department extends to its personnel. "I give the State Department staff the highest accolades possible. As a group they are just as good as the people at Goldman Sachs, my former investment-banking firm, which prided itself on having very outstanding people. In some quarters, I have heard it said that the State Department staff sometimes tended to be a little left of center on foreign policy issues, and I have also heard it said that they were more effective at social functions than they were on matters of substance. I concluded early on that those reports were completely false, and that the staff here consists of a group of very dedicated and effective people. They are eager for leadership and eager to be challenged by the political appointees at the top. When those challenges reach them, they perform exceptionally well."

Although his frank tongue and sharp pen have created mild problems over terrorism and the Heritage Foundation, Whitehead has managed to avoid major controversies during a year that has seen the administration embroiled in fierce foreign policy battles. On Wall Street, he was known for his emphasis on ethics, his skill in managing people, and his ability to negotiate complicated deals. In Washington, Whitehead's ability to stay out of the political cross-fire while speaking his mind may earn him a reputation as an outsider who quickly mastered the art of quiet diplomacy. □

A BETTER BUDGET RECIPE

Too many independent agency budgets make it difficult to plan foreign affairs spending; if deficits are to be reduced, a better process is needed

HARRY J. SHAW

THE HARSH REALITY this year is that the large federal deficit will force the administration to accept cuts in its \$22-billion foreign affairs budget for fiscal year 1987. The programs in that budget are all on the chopping block, along with the Defense Department request and the domestic programs that have not been specifically exempted. Reductions are inescapable. If these cuts are made in the same uncoordinated fashion that has characterized the foreign affairs budget process in the past, the result could be disastrous. But there is some hope: a 1980 attempt to write an integrated budget offers some valuable lessons that could help make the coming budget reduction more rational, even if no less painful.

The coming pressures will be a new experience for the foreign affairs community, which has lived quite well during the Reagan administration, especially in the area of security-assistance programs. But the need for cuts will raise a host of tough issues and force consideration of tradeoffs: bilateral vs. multilateral development aid, security assistance vs. overseas base rights, enhanced security vs. reductions of posts, to name only a few. Checkbook diplomacy will be out, hard Yankee trading will be in.

The outcome of this process of retrenchment—which is likely to occur over several years—need not be disastrous. A reduction of U.S. aid may move some client states toward a less dependent and healthier position and thus may be conducive to better relations in the long run. Reduced funding may also force to the surface issues that have been unwisely suppressed, as programs carried on out of habit are forced to justify themselves anew. The resultant ferment could provide the environment for a much-needed reappraisal of the long-term costs and benefits of current policy.

But these potentially beneficial consequences are not guaranteed. It will take tough leadership to overcome the parochial tendencies that will be aroused in the struggle for the limited dollars available. While cooperation between the administration and Congress will be essential, the executive branch must take the

lead if the retrenchment is to be conducted in an orderly fashion and with as little damage to U.S. interests abroad as possible. It is questionable, however, whether the current budget processes will allow the executive branch to adequately meet the challenge of such severe budget stringencies.

The foreign affairs budget, technically known as "Function 150," encompasses the operational budgets of the State Department and the smaller agencies (Peace Corps, ACDA, etc.); the bilateral development assistance programs including PL480 food aid, AID, refugee affairs, the Overseas Private Investment Corporation, and contributions to multilateral development banks; several security assistance programs; contributions to international organizations and the Export-Import Bank; and foreign information and exchange activities. Although many of these activities would seem to be closely related, most of the programs are developed independently, and their budgets reach the Office of Management and Budget without an integrated review that would allow serious consideration of priorities. For example, although State and Treasury coordinate on U.S. contributions to the multilateral development banks, that budget request originates in Treasury and is not explicitly weighed against the request for bilateral development assistance that originates in AID. Similarly, the USIA, ACDA, and State Department budgets proceed to OMB independent of each other and the foreign aid budget.

This vertically structured budget process reflects the fiercely guarded independence of the agencies and thus avoids much bureaucratic conflict. It can be lived with when resources are relatively generous. When they are tight, however, the process offers little opportunity for a rational determination of what should be funded and what should not. Instead, it places the principal responsibility for budget discipline on OMB, an institution that is neither well-structured nor particularly well-qualified to make the best judgments about the relative importance of various foreign affairs programs.

These difficulties are not new or peculiar to the Reagan administration. They are chronic, and are discussed in all the major reviews of foreign affairs organization, such as the Murphy commission report of 1975. Some earlier attempts to integrate foreign affairs programs and budgets were made based on concepts derived from the Pentagon's planning, programming, and budgeting system, commonly known

Harry J. Shaw was the author of the Office of Management and Budget study that led to the 1980 integrated review, and, after retiring from OMB, became a member of the Foreign Affairs Budget Review staff that conducted the FY 1982 integrated review. He is now a senior associate at the Carnegie Endowment for International Peace.

as PPBS. But these experiments foundered on bureaucratic resistance to time-consuming paperwork and reviews, to over-reliance on quantification, to changes in established and comfortable accommodations of mutual interests, and on an inherent reluctance to set priorities. While most of these reform attempts failed, that does not mean that the present haphazard system will work under the strains of reduced resources. If someone in the executive branch does not take responsibility for conducting an integrated review of all foreign affairs programs, the job will be left to the chaotic proclivities and distortions of Congress.

THERE WAS ONE reform attempt that did not fail, however. In a now largely forgotten innovation, James McIntyre, director of OMB, informed Secretary of State Muskie in July 1980 that "the president expects to receive this year an integrated set of budget recommendations for all the international affairs programs [for FY 1982]." McIntyre's letter requested the secretary to provide his "judgment as to the foreign policy implications and relative priorities of the international affairs programs within realistic budget levels." Muskie was to include an integrated rank-ordering of all foreign affairs programs to assist OMB and the president in determining which should be funded.

An attachment to McIntyre's letter contained OMB's FY 1982 planning ceilings for all foreign affairs agencies and programs—totaling \$20.7 billion. In effect, the secretary of state was being asked to recommend how the budgets of these agencies and programs should be shoe-horned into that amount and to place programs in order of priority both above and below that ceiling so that OMB, the National Security Council, and the president would be better able to make the final budget determinations.

This integrated review grew out of OMB concerns that the major foreign affairs budgets were developed in at least five separate and largely self-contained review processes. The budgets were transmitted to OMB and the president without taking into account possible trade-offs and implications, their compatibility with a realistic overall funding level, or their relationship to the foreign policy goals set by the president and secretary of state. In a study of problems experienced during 1979 in preparing the FY 1981 budget, OMB noted that no official short of the director of that office and the president was responsible for reviewing all foreign affairs budget requests and reconciling them with realistic resource levels. As a result, OMB, with assistance from the NSC staff, had to cope with combined requests that exceeded the FY 1981 aggregate foreign affairs planning ceiling by \$3.2 billion. OMB developed a rank-ordered list of "decision packages" (brief descriptions of each increment of the several foreign affairs programs and its importance) that became the focus of the president's final budget meeting with the agency heads. In the weeks before that meeting, OMB tried unsuccessfully to get State to rank its own decision packages against other foreign affairs programs, but the department refused, on the grounds that its budget was too different in character and substance to be compared with,



The State Department has traditionally had a disinclination to set priorities or consider trade-offs across established program boundaries, especially when State's own budget must be put on the line

for example, foreign aid. Instead, State sent the president three separate budget appeals: foreign aid, the department's, and refugee aid. This confusion was compounded by outside proposals for more aid to Israel, Defense Department appeals for increased military aid, and minor requests for such projects as funding for the Asia Foundation. As the executive office burden grew late in the budget season, OMB concluded that there must be a better way.

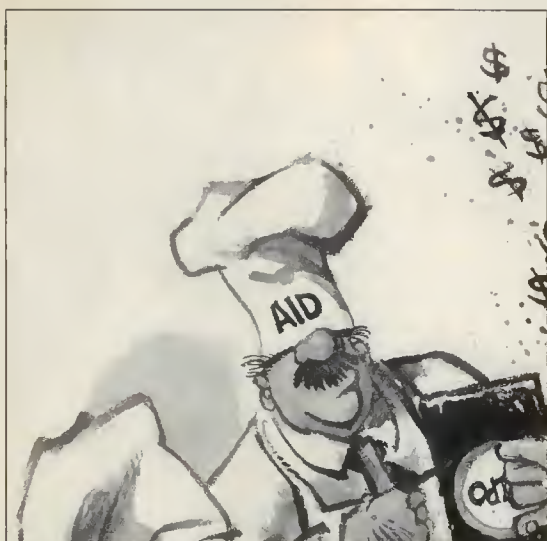
OMB's review of the FY 1981 budget experience highlighted several unwelcome consequences of the disjointed approach:

- The separate budget requests did not represent a coherent whole, directed toward clear and stated foreign policy objectives. Rather they reflected the parochial tendencies of the separate agencies, each basing its requests on its own legislation, key assumptions, objectives, and priorities;

- The lack of an integrated review reinforced agency resistance to trade-offs and alternatives;

- Because each agency's budget request invariably exceeded the OMB ceiling, the total far exceeded the overall level of resources likely to be available; and

- Because the agency requests were presented to OMB and the president as equally important, OMB was forced to establish priorities and make the necessary trade-offs on budgetary, rather than foreign policy, grounds.



The budget request for U.S. contributions to the multilateral development banks originates in Treasury and is not explicitly weighed against the request for bilateral development assistance that originates in AID

As a result of this study, OMB concluded that while its integrated rank ordering had been useful during the presidential appeal process, the consideration of priorities and trade-offs among foreign affairs programs should come much earlier in the budget review and should be performed by the secretary of state, as the official best qualified to judge the policy implications involved in bringing the programs within realistic budget levels. Accordingly, McIntyre's letter to Muskie went out, requesting that the secretary provide a rank-ordered, integrated list of those programs within a range above and below established budgetary ceilings, along with all the information—including policy implications—that would enable OMB and the president to determine the FY 1982 budget. The agency heads also received letters from the OMB director informing them that the president had requested the secretary to provide his views on their budget requests and directing them to transmit copies of those requests to Muskie at the time of their formal submission to OMB in September.

With the White House mandate to review all foreign affairs budget requests and Secretary Muskie's strong support, State organized a small ad hoc staff: three full-time professionals and retired Ambassador Dean Brown to lead the effort on a part-time basis. Christened the Foreign Affairs Budget Review staff, it reported directly to the deputy secretary. It also

worked closely with the Policy Planning Staff, which had provided staff support for the deputy secretary at the previous year's appeal stage. During September and October, the FABR staff held extensive discussions with agency principals, senior NSC and OMB staff, and various State Department offices in an effort to gain insights into the major budget issues, explain the integrated review, and reassure all concerned that their views would be given full consideration.

Some agency heads were concerned that the State review would eliminate their right to appeal directly to OMB and the president. State bureaus were similarly concerned that the FABR staff would impede their access to the deputy secretary and secretary on critical budget issues. They were assured that access and rights of appeal would not be infringed upon, but it was also made clear that the FABR staff would be offering independent judgments on priorities and possible trade-offs, and that the ultimate rank-ordering on the secretary's list could well be a formidable challenge to some cherished agency hopes, especially those that required funding beyond the OMB ceilings. The integrated review soon became a battleground for agency attempts to have important packages included above the point on FABR's integrated list where the funding total equaled OMB's aggregate foreign affairs ceiling.

FOLLOWING ITS INITIAL ROUND of discussions with agency principals and other key officials, the FABR staff incorporated all the agency and program decision packages into one integrated ranking list. This initial draft was simplified by combining individual packages into larger "base" packages of high priority programs that were unlikely to be at issue and would be well within any conceivable ceiling. This focused attention on the real issues at the margin: how would the many lower-priority claims be ranked, and how many would make the cut-off. It was assumed that the closer a package was placed to the ceiling, the more likely it would survive the OMB and presidential review.

The FABR staff's proposed decision packages, together with an integrated, ranked list of all packages, were provided to each agency for review and comment. These decision packages ranged from a few million dollars to multi-hundred-million-dollar proposals. One can imagine the ensuing bureaucratic struggle as each agency tried to get its packages placed higher on the list. The FABR proposal had to be revised substantially in response to agency and program-head comments, but this first round did succeed in focusing attention on the real issues and revealing the "nice-to-have" character of a number of funding requests.

The total of all agency requests for FY 1982 exceeded the \$20 billion OMB ceiling by \$5 billion. Of this excess, \$886 million was included in a "leadership package" proposed by the International Development Cooperation Agency, AID's parent. This amount was only the first-year installment in a \$4.5-billion, multi-year program of bilateral aid focused on food production but also including increases in population control, health, and energy assistance as well. The

IDCA package eventually gravitated to the next-to-the-last position on the secretary's integrated list. Notwithstanding its low ranking, the package was strongly supported by the IDCA director, who appealed the issue all the way to the president. Nevertheless, the program was cut. The last item on the secretary's list was \$2.5 million in additional Export-Import Bank direct loans. This, too, was not approved.

Given the president's concern over the total amount of foreign affairs funding requests, neither the IDCA leadership package nor the Ex-Im Bank proposal had much hope of surviving, regardless of whether the budget review process contained an integrated, ranked list. Nevertheless, their consistently low ranking in the FABR process undoubtedly contributed to that end. A number of other programs that were ranked low and thus fell below the aggregate OMB ceiling also ceased to be serious issues. Instead of each of these packages being carried all the way to the final presidential appeal session, officials in the agencies, OMB, and NSC could focus their attention on more important issues, such as relatively high-priority packages disallowed by OMB and the various trade-offs and adjustments needed to reach an accommodation.

During the budget review, OMB did demonstrate some ambivalence toward the FABR process. State's recommended list was transmitted to OMB two weeks before the director's final review. Yet some of OMB's decisions suggested that little attention had been paid to State's priorities. In some cases, OMB allowed lower priority packages to be funded while denying money to more highly ranked packages. Nevertheless, the OMB staff insisted that it had not ignored State's rankings and that each variance was fully justified.

In preparation for the appeal stage, FABR worked closely with the Policy Planning staff to develop a revised ranking in line with State's previous list but focused on those OMB decisions that the agencies wished to appeal. This appeal list included 11 base packages and 30 other decision packages reaching as far down as number 42 on State's original ranking list of 51.

Surprisingly, at this point, OMB proposed that its own short (10 package) list of major decision packages be used for the presidential appeal. Because a whole range of country-specific issues and small but critical agency program elements would have lost their identity in the OMB formulation, State insisted that appeal discussions be based on the original integrated list. State's insistence on using its list saved the integrated budget review from being reduced to irrelevance.

The appeal discussions with OMB were conducted by a group representing those agencies and offices whose programs were at issue, along with the FABR and Policy Planning staffs. Except for a few decision packages that all agreed to refer to the president, OMB and State decided to draw the line after package number 28, the point on State's ranking list where the secretary proposed to draw it. The result was considered quite satisfactory by most of the participants. The agreement to appeal further only a few major

issues was confirmed with the secretary and senior OMB officials.

In its after-action report to the deputy secretary, the FABR staff concluded that the requirement to make cuts according to a priority order forced a number of critical choices into the open. Moreover, the existence of an integrated priority list demonstrated graphically to the agencies and bureaus concerned the sheer infeasibility of accommodating all their requests. This in turn prepared the agencies for playing a more responsible role in the final stages of the budget process. The FABR staff also believed that because the list reflected specific country and program issues that could be justified in terms of explicit foreign policy objectives, State's hand was strengthened in the appeal process and the number of small issues referred to the president was reduced. Finally, the staff felt that its extensive consultations with the agencies and bureaus, as well as with OMB and NSC, opened new channels for exchanging information and developing better understanding of the relationships among the foreign affairs programs.

BUT THE STAFF also recognized that the integrated review had some problems that should be corrected. First, it did not succeed in focusing attention on longer-term issues, since it was essentially limited to FY 1982. Second, the different formats and contents in each agency budget hampered development of a complete picture of all resources and programs proposed for a given country.

The FABR staff discussed the budget process with a wide range of the senior Foreign Service officers and other career officials from the affected agencies. Many of their suggestions were incorporated into the final report, which recommended that:

■The secretary of state be given clear responsibility and authority to review all budgets within Function 150 to ensure that they constitute a coherent whole in foreign policy terms. He should also provide OMB and the president with his judgment as to the foreign policy implications and relative priorities of these programs within the proposed budget levels. This authority would not preclude appeal by independent agencies to OMB and the president;

■Before budget ceilings are established, the secretary should advise the president and OMB of his thinking with respect to strategic issues and the resources required to accomplish U.S. objectives. OMB should then coordinate the setting of the foreign affairs budget ceilings with the secretary;

■The seventh floor of the department should be reorganized so that one senior official, acting directly for the secretary or deputy secretary, provides continuous policy direction for all resource programs, resolves resource allocation issues, and conducts an integrated review of all international budgets. There would be a small staff to assist this official and, if IDCA were abolished, a new under secretary of state for resource management might assume the responsibilities of the IDCA director and the under secretary for security assistance; and

■OMB should strengthen its analysis of cross-pro-



The under secretary of state for security assistance, science, and technology now gives advice not only on bilateral foreign aid issues, but on issues involving other components of the foreign affairs budget, such as USIA

gram issues and take the lead in examining ways to improve analysis and consideration of multi-year resource issues.

The responses to the draft report revealed wide support within State for building on the experience and general agreement with the FABR staff's conclusions and recommendations. However, some strong criticisms and qualifications were received. One regional bureau official urged that the scope of the integrated review be narrowed to encompass two major interests of the secretary: "(a) to ensure that he has the needed levels [of funding] and proper policy controls over the major foreign policy-related resource programs (security assistance, aid, PL-480). And (b), to defend energetically the department's needs in the budgetary arena." From this perspective it was wrong to involve the secretary deeply in the review of other agency budgets because it would detract from his effectiveness as "defender of the department's interests." Accordingly, this official recommended that the secretary's role be limited to commenting on other agency budgets without ranking them with State's own.

In essence, this objection reflected State's traditional disinclination to set priorities or consider trade-offs across established program boundaries, especially when State's own budget had to be put on the line. Ironically, the FABR exercise had probably helped

State in its successful battle with OMB for additional personnel positions, because the \$8 million cost of that high-priority package was so small compared with the other program packages against which it competed for approval.

In another reaction to the FABR report, the IDCA staff expressed skepticism about the degree of centralization implicit in institutionalizing an integrated review by the secretary. Not surprisingly, since the recent review had focused attention not only on IDCA's leadership package, but also on the issue of IDCA's autonomy, that organization's staff emphasized the role of a relatively independent IDCA in promoting long-term Third World development as a counterbalance to State's presumed tendency to stress short-term security issues.

Bureaucratic opposition to changes in the authority and responsibilities of officials and in the existing organizational arrangements is inevitable, especially when they could affect budgets, including personnel levels. Despite this natural response, there seemed to be a broad consensus in State that the 1980 exercise had been worthwhile and should be institutionalized in some form. Unfortunately, the review came in what proved to be the dying days of the Carter administration, too late to be institutionalized and carried over into the Reagan administration. Thus, the process did not survive, in part for reasons of internal politics at State and a lack of understanding and support in the new White House, but probably also because of the tendency of new administrations to discount the innovations of their predecessors.

NEVERTHELESS, the review provides some valuable lessons, which may well be of use to the Reagan administration as it faces the prospect of not just approving budgets, but reducing them. First, an attempt to impose the secretary's authority to evaluate and rank all foreign affairs programs may evoke strong agency resistance, including efforts to get OMB support in opposing State and so undercut the review process. OMB, in turn, may see the State review as a challenge to its own authority and intrusion into established bureaucratic channels and procedures. If these parochial tendencies are to be overcome, the support of the OMB director, the associate director responsible for international affairs programs, and the key career officials in the International Affairs Division will be essential.

To gain OMB cooperation, State officials conducting the review must coordinate closely with OMB staff, exchanging views and taking care to make the department's recommendations relevant to the OMB review and the final presidential appeal process. Cooperation with the NSC staff is also essential, since that group participates in the OMB review and can play a critical role in the presidential appeals. If the NSC staff is receptive to agency end runs, it could undercut State's efforts.

The most effective means of minimizing agency resistance is for the State Department and other agency staffs to establish early and continuous consultations. If agency officials perceive that the secretary of state and his senior subordinate responsible for the

review have given non-departmental views a fair hearing, their cooperation is more likely, and independent agency heads will be less likely to appeal issues to the president.

Second, the mandate to conduct an integrated review of the foreign affairs programs should come from the president, as it did in 1980. This avoids making the secretary of state seek the mandate and so appear to want to aggrandize his department at the expense of the agencies. Whatever the actual role of the president in the final budget decisions—and not all presidents play an active part, certainly few as active as President Carter—his personal desire for the judgment of the secretary of state on foreign affairs budget requests must be made manifest.

Third, OMB and the State staff conducting the review should not impose any more than the barest minimum of additional paperwork on the agencies involved. The 1980 review was distinguished from earlier, more ambitious foreign affairs programming exercises because no new documents were required. Nothing evokes opposition to innovations quicker than more paperwork.

Fourth, no agency likes to break up its programs and assign priorities to the increments. The common response to pressures to do so is to insist that all the elements are equally important. Sometimes, agencies respond by hiding less obviously important program elements in base programs that are presumably unchallengeable, while leaving exposed others that can be more effectively defended. OMB, which has long experience with this sort of budget gaming, and the FABR staff, which learned quickly, both insisted on reviewing some elements of the agency base programs.

The "everything is equally important" posture is frequently adopted by foreign affairs agencies, State as much as any of the others, if not more. But not everything can be funded, and one way or another, priorities have to be determined. It should be obvious that the secretary must take a stand on relative priorities of those packages that fall around the point where funding will be cut-off if his judgment and advice are to be helpful to OMB and the president.

Fifth, this responsibility to offer judgments about the relative priorities of programs necessarily entails some conflict of interest for the secretary. Nevertheless, OMB believed—and the 1980 experiment proved—that the secretary could perform both the role of reviewer of all foreign affairs programs and the role of defender of the State Department's own budget without neglecting either. For this reason, responsibility for the review should not be assigned to the under secretary of state for management, who must carry the fight for State's own resource request.

Finally, a large staff is not required to support the secretary and whichever senior subordinate has primary responsibility for conducting the integrated review. The FABR staff accomplished the task with the equivalent of roughly 3½ professionals. But the members of that staff need to be relatively senior professionals, and among them should have extensive experience with the several foreign affairs programs, particularly foreign assistance programs. At least one staff member should have OMB experience, and some

training or experience in international economics is almost essential. If staff members meet these criteria, they will almost certainly bring with them another important qualification: a wide circle of acquaintances among the foreign affairs community.

It would be a mistake to assess the value of the 1980 integrated budget review primarily in terms of its contribution to greater coherence in the final stages of the budget process. Instead, its real importance lay in the requirement that the secretary and key departmental officials take a broader, more critical view of the purposes, contributions, relationships, and costs of the major foreign affairs programs. Because most senior career officials who commented on the integrated review perceived the implications of this mandate for the State Department and the challenge and opportunity it implied in breaking down State and agency parochialism, they supported continuing the process and building on the lessons learned from the 1980 experiment.

In the Reagan administration, however, the review process reverted to one in which the several foreign affairs budgets are submitted independently to OMB and the president. The secretary signs off on his own departmental budget and that for international organizations, endorses and forwards the foreign aid requests, and can influence the requests for the multilateral development banks and smaller U.S. government agencies. But there is no comprehensive, across-the-board review designed to identify trade-offs and establish priorities among these disparate foreign affairs programs.

RECENTLY, under pressure of congressional cuts and new demands for funds, the Reagan administration has been moving toward a more integrated approach to foreign affairs budgeting and programming under the leadership of the under secretary for security assistance, science, and technology. The secretary now looks to the under secretary for advice not only on bilateral foreign aid issues but on issues involving other components of Function 150, such as USIA and the multilateral development banks. The constructive role played by the under secretary and his staff has increased awareness in State, the other agencies, and OMB of the need and value of an integrated approach to the budget.

Yet, a fundamental problem still remains that can only be overcome with a genuinely integrated review: the inflexible allocation of limited resources among a set of largely independent programs that are governed not by a coherent strategy with long-term goals, but by agency parochialism, short-term expediency, and rampant clientism. Unless the executive branch—particularly the State Department—takes the lead in correcting this chronic problem, it will prove increasingly difficult in a time of severe budgetary restraints to persuade the American public that the foreign affairs community exercises wise stewardship over the \$20 billion it spends annually. If the time was not ripe for the integrated foreign affairs budget review in 1980, something like it will be an imperative in the tough budget climate of 1986 and beyond. □

The Wager

IT WAS A brilliant sunrise, and the early light made a vast mirror of Mother Ganges, the river that was now a sea. Improvised docks reached out into the expanse of water from a grain warehouse where we stood, the floor a muddy mess. Our arrangements had specified that we were to be at the dock at dawn and there we were, awestruck.

Our ultimate destination was Katmandu, Nepal. Three days before, my husband, Charles, and I had flown from there to Dum Dum airport in Calcutta. As medical director for the U.S. embassy in Nepal, Charles had found a relief doctor to take emergency calls for five days. Our schedule was tight. The third member of the expedition was Igor, officially designated as leader by virtue of his longer tenure at the embassy. Igor was the political officer, but he still looked and talked like the Cossack he had been. He was to drive a new embassy Jeep in convoy with us. The U.S. embassy in New Delhi had sent word that both vehicles had been cleared by customs and had to be taken from the Calcutta docks within 24 hours. There was only one road, the Rajpath—the king's highway—in and out of Nepal. We would have to cross the Ganges, and the customs officials had told us to use the steel bridge at Patna, where they would send notice of our expected appearance. Security passes would be required due to the continuing border warfare with China, they said as they stamped various Hindi forms before dismissing us. We had arrived at Patna, but where was the bridge?

The Ganges stretched seven miles from shore to shore, one of the worst floods ever. The river was swollen and roaring from heavy monsoon rains upstream. Late thaws of Himalayan snows had added their run-offs to the feeder streams that were dry river beds most of

*Embassy employees
gamble on a
dangerous river
crossing but
the bet turns
out to be
on them*

LUCILE KLONTZ

the year. The bridge was lost somewhere midstream. Supposedly the flood crest had already passed on its way to the holy city of Banares, but no one was sure. We had heard only one radio dispatch and that warned that Delhi was under water from a devastating monsoon but that the war forbade the revelation of too much information that might comfort the enemy. Still, to reach the terai—the lowlands of Nepal—we had no choice but to cross Mother Ganges somehow.

Late afternoon the day before we had finally reached the road marker for Patna, five kilometers ahead. We read that concrete marker from a distance, however, for the road had abruptly disappeared under water. Igor had lost the route four times already that day. Because Charles and I had lived in India for five years we were accustomed to watch for what we called local indicators. For instance, by reading the placards on the front of lorries that we met or passed en route, placards that said Calcutta-Patna, Patna-Bareilly, Delhi-Calcutta, we would choose which road to take whenever we reached an unmarked junction, and most were unmarked. Igor was impetuous, and we would chuckle as he'd race ahead, ignoring our horn and gestures to take the alternate direction. He

preferred to be the rabbit, we the turtle, in this race to Katmandu.

The two men gravely surveyed the water, kicking at it in annoyance. Igor lit a cigarette, waved one arm imperiously and sputtered, "What the hell, what do we do now?"

Charles turned to me. "Got any ideas? No one told us to include pontoons for this trip."

"Let's try that last turn-off we saw," I said. "We should have wondered why the Patna lorry went onto that rocky road instead of taking this downhill run." I looked at my watch. "If we can get to a good Brahmin restaurant we'll be able to find someone to tell us what's going on."

The men conferred. Igor screeched the jeep into position and raced off. We found our way into downtown Patna and spotted the khaki shirt and shorts of a policeman almost swallowed in the traffic of carts, buffaloes, lorries, and rickshaws. He directed us to a restaurant, and we hopped out. Sunset would only complicate everything; we had an hour to get our information.

My husband pulled Igor aside. "Unless you speak Hindi very well you'd better let the memsahib do the talking. She's an old hand in crowded bazaars."

Igor looked about him, bewildered. "Hell, it's obvious I'm lost. Go ahead."

I wasted no time. "This man says there are river boatmen waiting for business like ours. We have to go on foot to the docks to get directions on what to do." We hurried down a twisting lane of shops, vendors, merchants, and beggars, all displaced by the flood waters. An overwhelming stench of mildew, mold, rot, and sewage engulfed us. The Indian tell-a-person system was already at work. My initial inquiries had set invisible communications into service and an arm would gesture to us, directing ahead or to the right, between more temporary stalls, around heaps of vegetables and sacks of grain.

Suddenly, right ahead of us was that

Lucile Klontz was married to a Foreign Service physician.

flood again, Mother Ganges in spate, to use the local term, an impelling mass of water glistening under the scarlet rays of the late afternoon sun. An Indian gentleman appeared at our side. "You wish to reach the other side? Will you have coffee before we do business?"

My husband stepped forward. "Yes, please, we all need some coffee." Small stools appeared out of nowhere and we perched, ready to jump from rising water.

"Do not fear, Madam. Mother Ganges is merciful as well as mighty. You are safe here." He reached down to dip fingers into the water and touched his forehead twice. "So you have vehicles to transport to the other side, a Land Rover and a Jeep?" The man was doing some figuring. "That would require two craft, two boatmen, do you agree?"

Igor jumped up. "Just a minute, who said we were going out on that flood? I want to know how to reach the nearest bridge, not how to buy a boat."

"Sir," the man said, "you must go 400 kilometers to the next bridge and that would be under water, as this one is. Do you think Mother Ganges favors one over another? You are welcome to stay in our city until the waters recede, should you wish to do so."

"And how long will that take, two or three days?" Igor asked.

"Indeed, sir, we will be fortunate to see the bridge abutments within a week, and sadly, the approach roadways will be washed away as always at this time. You need wait no more than 10 days or a fortnight at the most, I believe."

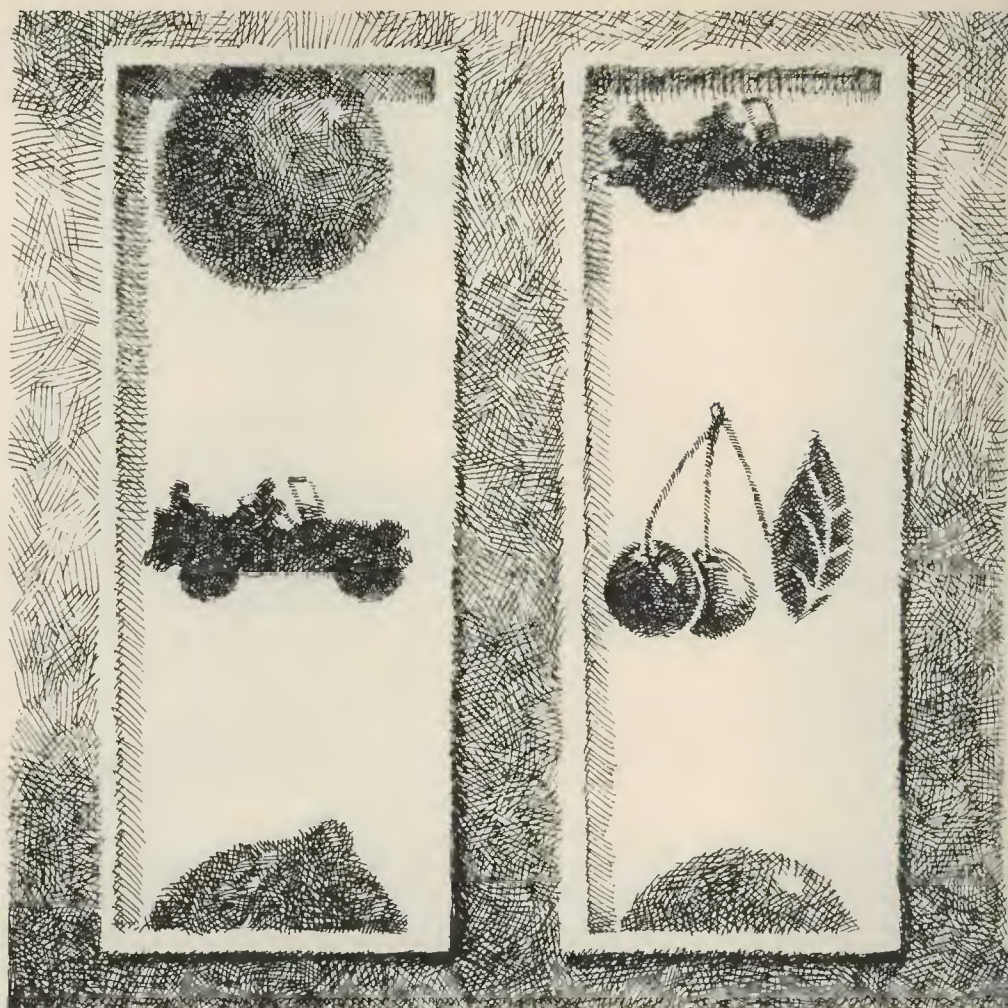
"Tell us please," I said, "what are other people doing?"

"Madam, do you see those river craft out there? Those men come every year. The floods are their blessings. They ferry goods from this side to the other. That is their livelihood."

Charles looked at Igor and turned to the other man. "Will you show us what is available? And will you negotiate for us, in case we do decide to try the ferry idea?"

"Are you crazy?" Igor was fuming. "Do you expect me to trust a Jeep to some scrawny, illiterate fellow? I am responsible to the U.S. embassy for that car, and I don't see a raft large enough to take us on anyway."

Yet we followed the Indian man off to another lane where we saw large wooden canoe-like boats lashed to a makeshift pier. Another merchant appeared to consult with the first man, nodding toward us, toward the river, toward the sun. His fresh white shirt seemed incongruous



against the disorder all around.

"He has two seasoned men who can take you, one vehicle per craft. The auspicious time for such an undertaking is at daybreak tomorrow, he says. Do you wish to discuss the price now?"

"Igor, you can stay here if you want," Charles said. "I want to see what's involved in this deal." He went to the Indian men. "Yes, tell us the price and show us the boats and then we'll really talk business." Negotiations took place; after a while money changed hands.

We hired watchmen to guard the two cars for the night, per instructions from a policeman who appeared and pointed the way to a commercial hotel nearby. We were assured that the proprietor would awaken us, have coffee ready, and, if we wished to take food along, prepare a lunch of chapattis and dhal curry.

Over dinner Igor stewed some more. He had tried to send a wire to Katmandu "for instructions" and was told that because the railway bridges were out his message and reply would take a week. Radio communications were reserved for military purposes only. "It's madness to go out on that flood, yet I don't seem to have much choice," he finally concluded.

THE NEXT MORNING at dawn, as we watched the workmen lash the vehicles to the two boats, we were not overwhelmed with trust. Long boards were placed lengthwise into the boats, others were placed crosswise and the chassis was lifted into place by grunting, wiry men, the wheels fitting just inside. The sturdy crafts bobbed up and down and washed from side to side all the while. We watched another boat with a decrepit pickup truck aboard spurt out into the current and regarded that as a good sign. Without notice we too took off, and then we realized that our crew consisted of only one man, something that hadn't been fully explored in the bargaining. It was too late to take on another man. We were off and away on a swift, compelling current.

Our man was intoning to the mighty Ram and his powerful consort, Sita, while he grabbed the rudder firmly to steer us into midstream. Too near, I saw a huge whirlpool consuming all kinds of surface debris into its vortex, lesser whirlpools spawning and dissolving amidst waves and strange ripples. Who knew what hazards lurked beneath the

surface? The shore had disappeared and we were zipping downstream in a gear gale. My husband shook his head. "I'll be glad when this day is over." He reached for a medical journal and settled into the front seat determined to ignore his surroundings. I watched the boatman. He's lived this long, I thought. I just hope that grey hair is not premature. He was performing a personal puja with great fervor, ashes to the forehead, bowing and chanting. I found his act of worship reassuring. Off to one side I spotted Igor at the bow of his boat, standing like a Napoleon with one arm across his chest. He was puffing a pipe. His boat sped ahead of ours and disappeared from view. Huge waves isolated us in our own world of surging water and ugly debris.

"Ram Sita, Ram Sita," our captain was calling out loudly and fervently now to his Hindu saviors. Above our heads an absurd sail of tattered cloth whipped in gusty winds. Waves slapped over the sides of our elongated canoe. The boatman was bailing water in rhythm with his intonations. It was the year 1962 for us, but our boatman seemed to live in Hindu timelessness.

"Include us in your prayers," I called over the wind while I searched for something, anything, to help bail our water. Our captain was using only an ordinary brass drinking cup to scoop and toss that bilge water back to its source.

All about us, in every direction, we could see only water, swirling, eddying, murky water, tumbling and rushing water and white-crested waves. Great chunks of hyacinth, clumps of corn stalks, bundles of straw, branches and even whole trees churned past us. Our beautiful new Land Rover was lashed crosswise onto the double-pointed boat, the front and back ends of the car projecting several feet over either side. To get from the bow back to his rudder, the boatman would scramble over the hood. Charles and I went through the rear doors, clambering around the cartons of goods we'd picked up at Calcutta.

AFTER SOME FOUR HOURS our captain took down the ragged cloth of a sail and began steering toward some bluffs. We were 10 feet below an inhospitable shoreline with tree roots trying to snag our boat. We seemed to be rushing to a terrible doom, the boat barely under control. Charles joined me, for he too felt the compelling rush of the boat.

Our man was unlashng ropes now,

the rudder tied into place. He motioned to us to stay out of his way as he formed a huge lasso. He threw the rope, releasing coils and coils, and bingo, the loop hooked onto a large tree stump above and away from the river. Steadily now our man held on for dear life as the boat swayed and bumped. He pulled us toward a slight clearing on shore. Above us five men appeared, four turbaned and bearded Sikhs and one man in a Nehru jacket. None of them, not a one, offered any help. They didn't even speak. Then they disappeared.

Our man pulled the boat to within six feet of shore, that shore still some feet above us. He reached under the Land Rover and placed two brackets over the side of the boat, which he had maneuvered sideways to shore, and fastened another rope to another stump. Then he pulled out the long planks we had seen him stash at Patna. He skillfully placed those boards from the brackets to the shore where they rested into two grooves worn into the river bank above. The man gestured to my husband to get in the car and told me to go ashore quickly. "Good luck," I called out, and wondered whether to watch the frightening business or to hide my eyes. In an eddy of mucky water below I could see shards of bones circling, the remnants of a funeral pyre burned on the shores of the sacred Ganges.

The five men reappeared and were shouting to each other, pounding their hands onto a wooden box, still offering no help. I thought they could hold onto the rope or do something useful. I heard the engine start, and saw Charles staring straight ahead. What will keep the boat from swamping, once the Land Rover takes off? I wondered. I realized that not one of us had thought to inquire about the landing procedures. Much talk about take-off, about price, nothing about arrival.

The boatman held his hands up, uttered some more Ram-Sitas, tapped the hood, and waved my husband onward. The front wheels grabbed the planks and up that incline went the Land Rover, two wheels on either side following boards only inches wider than the tires. The car popped onto solid ground.

Charles jumped out and shouted that he was concerned about Igor. The second craft had overshot and was being tacked back into position. A rope was tossed for our man to catch, and he pulled the craft to the landing. I turned to watch the five men, and then I saw dice, odd round devices, and loose coins advertising their preoccupation as gamblers.

They were exchanging money and shouting wildly.

Igor gunned his engine, enough to asthymiate the boatmen, his eyes warching the gestures of my husband, who was directing. Charles nodded and jumped aside, and the Jeep roared up the boards and spun around at the top, safely ashore. Igor slumped over the wheel.

Relieved and rejoicing, I turned to the five men, ignoring the Indian stricture that no woman ever converses with a strange man. "What's wrong with you? You could have helped your fellow Indian even if you didn't care what happened to us." I was so angry with them, that they could stand by in a time of such crisis. They stood in a semicircle, four of them glum, one smiling.

The happy one, the man in the Nehru jacket, stepped forward. "Madam does not understand. We are Indians, true, yet we believe in fair play just as you Americans do. We could not play favorites, you surely must understand that."

"No, I do not understand. What do you mean, play favorites?"

"I see that Madam does not know this custom. We made wagers amongst ourselves when we saw you approach. We wagered which would get to shore and which would fall into the waters." He pulled a pack of cigarettes from his pocket and passed them to his grumbling companions. "How could we offer our hands? They were tied by the wager. You understand no one would violate a wager."

"And those four are angry because they lost, is that it?"

"Now Madam understands. I saw you people in Calcutta, and I left before you did. That man looks as though he drives like us," he pointed to Charles. "I bet double on him, but I worried about the other man. I don't like to lose a wager." He was right. My husband's driving could have won a Grand Prix.

I looked around and detected two lorries and a recent-model car hidden from view in a grove of trees. Charcoal from cooking fires smoldered, blackened pots lay about. The men had gathered here to wait for the river to return to normal and to enjoy their sport of gambling.

"I'm sure you would like to know that one man won the pot by betting on you," I said to Charles. "I don't think we should tell Igor, though, he looks bushed. The man says we'll find a government guest-house up the road, off to the left, first junction." I climbed into the Land Rover and waved back toward the great river. "Good bye, Ganges. And thanks a lot, Ram Sita." □

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PEOPLE

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tures and biographical data on the winners will appear in the September issue.

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Bookfair has an urgent and continuing need for hard-cover and paperback books in good condition, especially non-fiction titles and foreign-language books. The supply of books to be sorted is unusually low for this time of year, according to Bente Littlewood, Bookfair director, who urges readers to make their planned donations as soon as possible. Stamps and art work in prime condition are also needed. For further information, or to arrange home pick-up, call Barbara Huso at 223-5796, or stop by the Bookroom, Room 1524 next to the cafeteria in the State Department. All contributions are tax deductible. Readers are reminded that the Bookroom is open for sales from 2-3 p.m.

every weekday except Wednesday.

Deaths

PAUL CLEMENTS DANIELS, a retired Foreign Service officer, died April 6 at Memorial Sloan-Kettering Cancer Center in New York, of a heart attack following an operation. He was 82.

Mr. Daniels was graduated Phi Beta Kappa from Yale University in 1924. He also studied at the universities of Dijon, Grenoble, and Toulouse in France. He taught French for one year at the Riverdale Country School.

In 1927, Mr. Daniels joined the Foreign Service. He served in Valparaiso, Chile; Cali and Buenaventura, Colombia; La Paz, Bolivia; Managua and Corinto, Nicaragua; and in Caracas, Venezuela, where he negotiated the first U.S.-Venezuelan trade agreement. He was the principal U.S. negotiator of the first Inter-American Coffee Agreement, to stabilize fluctuating prices.

After assignments as deputy chief of mission in Bogota and Rio de Janeiro, he was appointed ambassador to Honduras in 1947. He was then both director of American Republics Affairs and U.S. representative to the Council of the Organization of American States. From 1951 until his re-

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tirement in 1953, he was ambassador to Ecuador. In 1957, he was called back to help negotiate the Antarctic Treaty, which demilitarized the continent and created a scientific community of nations in the region. The Daniels Range of mountains in Antarctica was named after him.

He is survived by his wife, Theodora, of Lafayette, Louisiana; a daughter, Jean Portell, of Brooklyn Heights, New York; a sister, Florence Reilly, of Rochester, New York; and two grandchildren.

THOMAS PATRICK DILLON, a Foreign Service officer, died May 15. He is survived by his wife, Edith; three daughters, Penelope,

Susan, and Edith; two sons, Thomas and John; and five grandchildren. In lieu of flowers, contributions may be made to Friendship Hospital for Animals, Inc., 4105 Brandywine Street, NW, Washington, D.C. 20016.

JAMES L. HOLMES JR., communications and program officer at the U.S. mission to NATO and a former member of the AFSA Governing Board, died at his home in Brussels on June 30, 1985, following a heart attack.

Mr. Holmes joined the State Department in 1957 as a Civil Service communications clerk. In 1960, he joined the For-

eign Service and was assigned to Phnom Penh. Other posts included Bonn, Dhaka, Nicosia, Tripoli, Tel Aviv, and Jerusalem. He was a recipient of a Unit Superior Honor Award, the Meritorious Honor Award, and the Superior Honor Award. He was a member of the Armed Forces Communications and Electronics Association.

He is survived by his wife, Donna; three children, James III, Matthew, and Christine; his mother, Mrs. James L. Holmes, of Florida; and a brother, Robert, of Connecticut.

PHIL HENRY HUBBARD, a retired Foreign Service officer, died May 10 at Virginia

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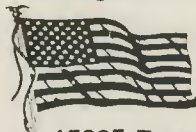
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Beach General Hospital. He was 89.

Before joining the Foreign Service, Mr. Hubbard served for three years in the Navy. He was awarded the Medal of Freedom for meritorious service while serving as consul in Zurich during World War II. The citation credited him with helping to get Allied fliers and soldiers who had been interned in Switzerland into the hands of the French underground. He served 27 years at various assignments in Europe before retiring in 1953.

Mr. Hubbard was a 49-year member of Rotary and a member of the Virginia Beach Rotary Club. He had lived in Florida before moving to Virginia Beach.

Survivors include his wife, Anjean; two daughters, Georgette Magron and Cora F. Hubbard, both of Tarrytown, New York; two stepdaughters, Barbara Barth, of Springfield, Ohio, and Beverly Krein, of Denver; three sisters, Almedia Woodward, of Greenwich, New York, Hope Hubbard, of Rutland, Vermont, and Margaret Munson, of Ansonia, Connecticut; a granddaughter; seven stepgrandchildren; and two great granddaughters. Memorial donations may be made to the Westminster-Canterbury Fellowship Fund.

JOHN E. MCGOWAN, a retired Foreign Service officer, died March 25. He was 73.

During World War II, Mr. McGowan was one of the first Americans to parachute into occupied France, and fought with the French resistance forces to assist in the Allied invasion of Europe. He was decorated by France and Britain, as well as the United States. After the war, he joined the State Department as an information specialist. He served in Yugoslavia and Berlin. He later held posts with USIA, NATO, CINCPAC, the East-West Center, and the Voice of America. From 1965-68 he was an adviser to Vietnam and director of the U.S. mission press center in Saigon. He retired in 1972 with the rank of minister.

He is survived by his wife, Virginia; daughter, Mary McGowan; eight brothers; and two sisters.

RUTHANNE HUNTER NADLER, wife of S.I. Nadler, a retired Foreign Service officer, died April 13 at her home in Washington. She was 64. Ms. Nadler studied art and worked in the theater prior to her marriage in 1942. She accompanied her husband on assignments to Tientsin, Singapore, Taipei, Buenos Aires, and Ankara.

In addition to her husband, she is survived by two sons, Hunter, of Madera, California, and Christopher, of Santa Monica, California; three daughters, Elizabeth McGranahan, of Annapolis, Mary-

land, Mary MacDonald, of Baltimore, and Marcia Nadler, of Washington; a brother, Joseph Hunter, of Poughkeepsie, New York; and five grandchildren.

Birth

Lee Habib Roberts was born September 15 at Alexandria Hospital to DONALD A. and HADIA J. ROBERTS. The father is the Iran desk officer. The mother is a regular lecturer in the South Asia Area Studies course at the Foreign Service Institute and is publicity chairman of the Foreign Born Spouse Network of AAFSW. Both parents are board members of the International Diplomats of Washington.

Correction

The April PEOPLE column, in reporting the birth of Luke Alexander Morton to Colleen and Jim Morton on January 3, noted that the father is a Foreign Service officer. The mother is too. We regret the omission.

PEOPLE records deaths, births, and other announcements. Readers should send contributions to People, Foreign Service Journal, 2101 E Street, NW, Washington, D.C. Please include the subject's Foreign Service affiliation.



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ASSOCIATION NEWS

New federal retirement system enacted

Before adjourning for the Memorial Day weekend, Congress finally enacted a retirement system to supplement the Social Security coverage mandated for all employees entering on duty since January 1, 1984. In addition to establishing a new Federal Employees Retirement System, the bill creates a separate Foreign Service Pension System. The structure of FERS is applicable to the FSPS, except where otherwise specified.

The legislation also authorizes a refund of the extra retirement contributions required of new employees during the double-coverage period between April 30 and the date the new legislation is signed into law. The new program has an effective date of January 1, 1987.

Pre-1984 Foreign Service employees who are covered under the current Foreign Service Retirement and Disability System have the option of transferring over to the new system during a six-month period beginning July 1, 1987. There are many factors which must be taken into account in deciding whether to elect such a transfer, and working out the details can involve some fairly complex calculations. Before the beginning of the optional transfer period, however, expert advice and assistance will be available to help pre-1984 employees decide whether transferring to the new system would be personally advantageous to them.

The supplemental retirement program has three tiers: Social Security; a defined-benefit plan; and an elective capital-accumulation or thrift plan. Foreign Service employees, in addition to their Social Security assessment, will contribute a nominal payment to the defined-benefit plan, ranging from 1.8 percent in 1987 down to 1.3 percent in 1990 and beyond. The federal

government will contribute one percent of an employee's salary to the thrift plan, whether or not the employee elects to participate. Those who do elect may contribute up to 10 percent of their salary, tax deferred, with the first three percent matched by the government, and the next two percent matched at 50¢ on the dollar.

Foreign Service retirement requirements remain essentially the same as at present, with voluntary retirement eligibility fixed at age 50 with 20 years' service. The "accrual rate," or the percentage at which the supplemental retirement payment is calculated, is 1.7 percent of the average consecutive high-three salary years for the first 20 years of service and one percent for each additional year. There is provision for a supplemental payment, equivalent to the Social Security benefit, up to age 62, when Social Security payments begin. As with Social Security, however, this supplemental payment is reduced \$1 for each \$2 of earned income above the exempt amount, which in 1986 is fixed at \$5760 annually. The thrift plan will offer three investment options: A Government Securities Investment Fund; a Fixed Income Investment Fund; and a Common Stock Index Investment Fund. Employees will have the option twice each year of electing to participate in the thrift plan, to withdraw from the plan, and to change the amount of their contribution. For the first year, an employee's contribution to the thrift plan must be invested in the Government Securities Investment Fund. Over the next five years, the employee may phase in the investment of all of his/her contributions (but not the matching government contribution) in any of the three funds. After 10 years, employees will have the option of investing the government's contributions in any fund of their choosing.

The plan provides for annual cost-of-living adjustments equal to the increase in the Consumer

Price Index, minus one percent. If the rise in the CPI does not exceed three percent, the COLA would be fixed at two percent or the actual increase, whichever is less.

Employees covered under the present retirement system will have the option of enrolling in the thrift plan. They can contribute up to five percent of salary, with no matching government payment, for investment only in the Government Securities Investment Fund.

The new supplemental retirement program affords employees a greater opportunity to determine the level of their retirement income in terms of their years of service and the extent to which they participate in the thrift plan. Furthermore, the legislation provides that Foreign Service retirement will still be administered by the State Department so that it will continue to remain an integrated element within the Foreign Service personnel process. —ROBERT BEERS

Whitehead honors five who made "ultimate sacrifice"



The honor roll of those Americans who have been killed while serving their country overseas in foreign affairs was lengthened to 148 on Foreign Service Day, May 2, when Deputy Secretary of State John C. Whitehead dedicated the Memorial Plaque maintained by AFSA in the diplomatic lobby. "Sadly the list of the fallen continues to grow," said Whitehead to the crowd of several hundred who gathered for the event. "But the business of diplomacy in pursuit of a more peaceful and more stable world, today and for the generations that follow us, will continue."

Foreign heads of state and others "will pass this spot and will have no choice but to reflect on the tragedy and loss depicted here," Whitehead continued. "It is a necessary reminder that our colleagues cannot be allowed to have died in vain."

Added to the plaque this year were four Marine guards from the embassy in San Salvador who were gunned down in an outdoor cafe in that capital. They

are Bobby Joe Dickson, Thomas T. Handwork, Patrick Kwiatkowski, and Gregory H. Weber. Also added was the name of a Foreign Service officer of USIA, Virginia Warfield, who died in 1983 in India during the course of her duties.

Whitehead read a message from the secretary, who was traveling with the president. "The five people we are honoring today made a brave and difficult decision. They chose to put their country before themselves by serving in diplomatic missions overseas. It takes a special kind of courage to leave the safety and comfort of home for the uncertainties of a foreign post, but bravery is the stock in trade of our personnel abroad."

Following the deputy secretary's remarks, he and AFSA President Gerald Lamberty unveiled the plaque bearing the names of the deceased. An armed forces color guard stood at attention while a Marine placed a wreath before the granite memorial.

Future of women in diplomacy still uncertain, Ridgway states

Although the number of women in the Foreign Service is increasing, it is still unclear whether they will achieve adequate promotions to the upper ranks, Assistant Secretary for European and Canadian Affairs Rozanne L. Ridgway told a large audience in the Foreign Service Club on May 14. Ridgway's address on "Women in the Foreign Service" was sponsored by a special fund created in the memory of the late Janet Ruben to address the issues women face in the diplomatic profession.

AFSA has recently revived the Ruben lectures after a dormancy of several years, and Ridgway, one of the senior women in the State Department, was the first speaker. Ruben was a Foreign Service officer in USIA who was also active in the Association and the Women's Action Organization. Following her death in an automobile accident in 1978, her many friends established the fund. About 80 people, many of them former USIA, WAO, and AFSA colleagues of Ruben, turned out for the luncheon address and to see the Association present a posthumous certificate of appreciation to Lois Roth, also an FSO from USIA [see related story].

Although the percentage of the State Department corps that is female has increased from 5.3 percent in 1969 to 20.2 percent today, Ridgway said, the figures are very different in the senior ranks. "While 18.9 percent of the men in the Service have reached senior ranks," Ridgway said, "only 3.2 percent of the women have been so rewarded."

Ridgway commented that attitudes toward women in the Service had nonetheless changed for the better as attitudes shifted in society in general. "Almost all of the precedents have been set....As for achievements, the numbers at the upper ranks aren't high, but they are beginning to appear, and I think they prove that to the extent that there is now broader opportunity, there are achievements, because women, when they have had a chance, have done well."

Ridgway termed this increase in the numbers of women in the Service "Phase I" but warned that "Phase II" would be much tougher. "It is not objective; it is subjective. Women are now facing the very problems the men face: declining promotion rates, the race for the job that will make the difference." The concerns of women in the Service are no longer centered around numbers but around the "quality of life": such issues as being taken seriously without becoming one of the boys and meshing family responsibilities with professional demands. In fact, said Ridgway, "the question of women in the Foreign Service, which once was seen as a challenge stated by the numbers, has today become far more complex and far more personal. Married or single, women in the Service are facing exactly the problems being faced by women outside the Service in an American society which is offering women opportunities faster than it can offer them answers to how to accept them and make everything else fit. There is no set of regulations, no special policy that can make it all fit, both for the officer and for the Service."

Ridgway ended by setting out two remaining challenges for women in the Service. "First, achieving numbers that produce a critical mass....If women are to make it in a lasting fashion, there have to be enough of them in any one place to make gender unremarkable and their selection for high positions statistically unavoidable." Second, said Ridgway, we need to resolve "the contemporary social issues that represent the last hurdle in front of women who have every right to want it all....It is my hope that the Service will find a place for the woman who dares to want it all, but I think we are going to have to see."

The mostly female audience responded to Ridgway's talk with a series of comments on the difficulties they faced in the Service. Several pointed out that male colleagues still occasionally claimed that "a woman can't hold that job," but others re-

marked that although individual men might say that, the bureau and personnel system no longer denied positions to women because of gender. The difficulty of getting rating officers and promotion panels to view a woman as simply an excellent employee rather than either a "nice girl" or "pushy bitch" was also discussed, and Ridgway empha-

sized the importance of the rated employee's including specific examples of achievements in the employee-comment section of the EER. One other area of concern was the lack of a support system for those women who are trying to cope with both family responsibilities and professional demands. —FRANCES G. BURWELL

Arndt receives appreciation certificates for self, Lois Roth



In separate events at the Foreign Service Club, recently retired Foreign Service Officer Richard T. Arndt received AFSA certificates of appreciation for himself and for his wife, the late Lois W. Roth. Arndt was honored "for his dedicated leadership in rejuvenating AFSA's USIA Standing Committee and his unflagging efforts to uphold and preserve professionalism in the career Foreign Service." Roth was cited "for a lifetime of personal dedication to practicing and upholding principles of professionalism, excellence, fairness, and equality of opportunity for all members of the Foreign Service community." Both had been members of the AFSA Governing Board representing USIA. The awards were presented by AFSA President Gerald Lamberty and USIA Representative Kathleen Brion.

Technicality denies employee consumables at hardship post

The State Department recently denied a consumables allowance to an employee who has been stationed at a severe hardship post for more than five years. The employee, who had arrived at the post before it became eligible for a consumables allowance and is in the midst of her third tour there, was refused the allowance on the basis that travel orders cannot be modified retroactively. In a related development, AFSA recently filed an institutional grievance against AID for refusing to authorize shipment of a second consumables allowance to those employees whose travel orders were issued prior to July 1985, when this benefit became effective.

Recognizing the deprivation faced by employees at the 25-percent hardship differential post, the department designated it for a consumables allowance in December 1982 to compensate for the unavailability of basic foodstuffs, toiletries, and other consumer items. Employees assigned to the post since then have received consumables allowances, but not the grievant, who has been there since 1981.

The employee was first assigned to the post on direct

transfer in April 1981 and began her second tour in September 1982. The post was designated for a consumables allowance three months later. However, the employee was denied an allowance under the regulations then in effect because she had been at post over one year.

In July 1985, AFSA negotiated a new consumables allowance providing, in part, a full allowance for employees on a second tour at the same post. Subsequent to its effective date, the employee again requested the allowance. This was denied on the basis that the new agreement "excludes retroactive eligibility for shipments on renewed tours, applying only to orders issued on or after July 12, 1985." AFSA subsequently filed a grievance against the department on the employee's behalf.

AFSA stressed in the grievance that the agreement provides for a full consumables allowance for extended or renewed tours, and that this also applied to third tours at the same post. Further, AFSA maintained that under a specifically negotiated provision in the agreement the request for an extension also served as a request that the original travel orders be amended to increase the original

allowance.

AFSA also noted that, under current travel regulations, travel-related expenses under orders issued prior to the effective date of regulations but incurred after the effective date were payable. In addition, AFSA cited a 1985 decision by the General Accounting Office authorizing amendments to travel orders to reflect increased weight allowance for household effects enacted by Congress in 1984. That decision, also on a case

brought by AFSA, held that retroactive amendments to travel orders would be authorized since the new allowances were fixed amounts requiring no administrative decisions to authorize, the same situation faced by the grievant. Finally, AFSA argued that equity and fairness required the employee to receive the post's designated consumables allowance after spending more than five years at a severe hardship post. AFSA has appealed.

State reneges on promise to secretaries

AFSA has complained on behalf of the class of Foreign Service secretaries who began duty in February that the State Department arbitrarily denied compensation at the level they were promised when recruited.

The class was told by the department throughout the application process that their salaries would be matched upon entry. The candidates were sent a department publication stating that secretarial candidates whose annual salaries are higher than the entrance level for FS-9 or FS-8 may be appointed at a salary that most closely approximates their previous earnings. Prospective members were never

appropriately informed of a November 1985 decision to establish lower limits on salaries to be offered to future candidates. In fact, the department told them in December that the "salaries of new Foreign Service employees are generally determined by the base salary earned for a 90-day period. The Department of State will meet that salary provided it is within the range of salaries available for the grade to which appointed." This confirmed previous verbal commitments.

The affected secretarial hires made decisions to leave their previous jobs while relying on these statements, AFSA pointed out to management. In many cases, it was only after they arrived in Washington that they learned that the department was offering them cuts in pay.

The department is not required to match civilian pay as long as it informs prospective employees of the policy sufficiently in advance, AFSA noted. "To do the contrary, and consistently and affirmatively assure employees that salaries will be matched and then overturn that commitment once the employees have made irreversible decisions to join the Service, is at best a breach of faith and arguably a breach of contract."

AFSA insisted that the salaries of all these secretaries be retroactively adjusted to represent the commitments made to them by the department and demanded adequate notification to future classes of what pay levels they will receive.

Brown takes over law clerk duties

Jill E. Brown has been named to the position of law clerk in AFSA's labor-management-relations office, Director for Administration Sue B. Schumacher has announced. She replaces Suzanne Rigby, who was graduated from George Washington University National Law Center.

Brown is in her third year at the Law Center, having received a bachelor's degree in international relations from Bucknell University, where she made the dean's list. She has served on the staff of Senator Frank Lautenberg and Representative Glenn M. Anderson.



Brown



Carroll

Carroll appointed secretary

Bonita Carroll has been named secretary in the AFSA headquarters building, Director for Administration Sue B. Schumacher announced. She replaces Myriam Duncan, who is now the membership coordinator.

Carroll previously was a secretary at the Water Pollution Control Federation, an industry advocacy group. She has also worked for the Board of Governors of the Federal Reserve System. She is a graduate of Central High School in Seat Pleasant, Maryland. She serves as a volunteer with the Martin Luther King Holiday Commission.

Duncan named membership coordinator

Myriam J. Duncan has been named membership coordinator, Director for Administration Sue B. Schumacher announced. She replaces Lee Midthun, who retired in March after 10 years of service to AFSA [see related story].

Duncan had been secretary to the director and assisted Midthun in maintaining AFSA's roll and performing services for members. She will be responsible for routine queries on membership as well as the Associ-



ation's benefits.

One of her first activities will be to conduct an extensive membership drive. AFSA's roll had increased by more than 50 percent under Midthun, and Duncan hopes to continue that trend.

Proposal granted to allow honorary grade for secretaries

The State Department has adopted a long-time AFSA proposal to establish Class FS-3 promotions for Foreign Service secretaries, a rank that would be similar to that of career ambassador. Promotions to the new rank would honor outstanding service over an entire career.

AFSA had pushed for an honorary status for secretaries for four years. The Association rejected an initial argument by management that there were no FS-3 positions, pointing out that there were no career ambassador positions either. In the 1986 precepts for promotion, the department has proposed criteria for promotion of secretaries to FS-3, and throughout the negotiations AFSA insisted that requirements for promotion to the new grade closely correspond

to criteria for promotion to career ambassador. AFSA removed the prerequisite that those secretaries promoted to FS-3 must have served at a hardship post, for instance, since career ambassadors have no similar requirement. The final precepts state that these promotions are extremely limited and promotion represents "special recognition for sustained distinguished service and superior accomplishment."

AFSA is pleased that the department has finally accepted our suggestion. We continue to push for upgrading of secretarial positions and to attempt to unearth the latest Secretarial Task Force Report, which seems to have sunk without a trace. If anyone sights it, please let us know.

Hughes, Danaher named to empty State slots on board

Barbara Hughes and Scott Danaher have been named to fill two empty State constituency seats on the Governing Board. One seat was vacated when Gerald Lamberty was voted president last year, and the other was created because the size of the constituency had exceeded a threshold in the Association's bylaws.

Hughes was on the board in 1983 and has been a member of AFSA's State Standing Committee and its committee on tandem couples. She is the desk officer for Botswana and has served in Moscow as well as Washington.

Danaher is an economist in the Bureau for African Affairs. He has served in Banjul, Tijuana, and Lima.

Association demands overtime for traveling security officers

AFSA has requested that the State Department compensate eligible security agents for overtime while traveling.

The Bureau of Diplomatic Security's mobile training team instructs embassy personnel abroad on use of firearms and personal protection. These employees are not being compensated for travel time over eight hours, whereas Washington field office agents receive this additional compensation. Security agents assigned to mobile training teams are required to travel to points of temporary duty and should receive compensation for the entire travel time, according to AFSA, which includes the regular eight hours of work, as well as all overtime.

When overtime provisions of the Fair Labor Standards Act ap-

ply, eligible employees should receive compensation for authorized travel periods outside regular tours of duty where work is performed while traveling; immediately precedes or follows travel that involves the performance of work while traveling; is carried out under such arduous and unusual conditions that the travel is inseparable from work; or results from an event which could not be scheduled or controlled administratively.

Additionally, employees who are eligible for overtime pay domestically should receive premium compensation for travel time unless they are permanently stationed in a foreign area or are on temporary duty in a foreign area and perform all hours of work in a given work week in an exempt foreign area.

Association protests annuity treatment of FSNs

AFSA has protested the State Department's treatment of Foreign Service national employees, whose retirement benefits have been reduced under the Federal Employees Benefits Improvement Act of 1986. The act repealed the Civil Service minimum monthly annuity for those who retire after February 3 of this year, but posts were not notified until three weeks after the changes went into effect.

As a result, FSNs who were

expecting a minimum monthly annuity of approximately \$200 did not have time to act before their benefits were reduced. Many will be forced to retire on half their expected retirement pay. FSNs are not part of the AFSA bargaining unit, but the Association wrote on their behalf to Under Secretary for Management Ronald I. Spiers to request that they be allowed a grace period to retire under the original retirement package.

Back pay of up to \$90 awarded from change in pay computation

Extra paychecks of up to \$90 per person, depending on salary, will be in the mail soon as the result of an adjustment in the number of hours upon which annual salaries are based. The General Accounting Office has informed the State Department that it is required to adjust salaries from last October through March to reflect the 2080-hour payscale used for that period.

All federal agencies were re-

quired to switch the computation of biweekly pay back to 2080 hours from 2087 hours as of October 1. The department, as well as a number of other federal agencies, had not yet effected this change when Congress reset 2087 hours as the basis for the yearly payscale, effective March 2, 1986. The department, therefore, is required to calculate salary adjustments for employees from October-March.

RETIREMENT NEWS

Attacks on Service coming from abroad and from the Hill

On the day following the annual ceremony commemorating American diplomats who have died for their country, AFSA President Gerald Lamberty told a meeting of the retired membership that the Foreign Service is not only under attack from terrorists overseas but from some members of Congress at home. Increased need for security funding has come at the same time that the Gramm-Rudman-Hollings deficit-reduction legislation is requiring massive cutbacks in foreign affairs operations.

"Gramm-Rudman could wipe out all cost-of-living adjustments for retirees until 1991," added AFSA Congressional Liaison Robert Beers to the crowd of 70 on May 3 in the Foreign Service Club. "While most of us present are retired, there are active Foreign Service people here who are worried about the possibility of a costly change in the way their annuities are taxed that could drastically affect their retirement plans." [See related story.]

In a report about the current status of legislation affecting Foreign Service retirees, Beers told the gathering that the atmosphere on Capitol Hill can be summarized in two words: uncertainty and unpredictability. "For the foreseeable future," warned Beers, "or at least as long as the current administration is here, the name of the game is constant vigilance—vigilance by groups such as AFSA."

Describing AFSA's strategy on the Hill, Beers said that AFSA was one of the founding members of the Fund to Assure an Independent Retirement—FAIR—a coalition of 26 federal employee and retiree organizations representing approximately 2.5 million members. The combined resources of FAIR's political action committees top \$12 million, so when the coal-

ition takes a position on an issue, it gets a ready ear on Capitol Hill.

The principal concern of Foreign Service retirees is the future of their COLAs, Beers said. Last year FAIR promoted the concept of linking Social Security and federal retirement COLA eligibility provisions, an idea that was incorporated in the fiscal year 1986 budget. A COLA was to become effective last December 1, payable in the first checks of 1986, but when legislation was introduced to raise the limit on the national debt, the situation became out of control and resulted in the Gramm-Rudman bill. The deficit-reduction legislation—which forbids in all likely circumstances any COLAs for the next five years—became law 12 days after the retirement COLA became effective. A suit by the National Association of Retired Federal Employees challenged the cancellation of the COLA on the grounds that it had become law before Gramm-Rudman, but the suit was dismissed. "Once more we have seen a court decision that underlines the fact that nothing in the structure of our retirement program is sacrosanct," said Beers. "Congress has the right to extend and rescind retirement benefits as it chooses."

As for the future, Beers told the audience, Representative Mary Rose Oaker (D.-Ohio) has introduced a bill for a retirement COLA for 1986 that would be payable next January 1. [See related story.] Both chambers' 1987 budget resolutions provide for a January 1, 1987, COLA.

Foreign Service retirees can speak and write well and their voices are heard, said Beers. "They are heard in the administration, in the House and Senate." Concluded Beers: "We all need to work together to help establish and effect policy changes that will directly affect the very nature of our lives."

—DENISE BYERS



Lamberty

Beers

COLA could be passed soon

Despite the elimination of the retiree cost-of-living adjustment for 1986 because of the Gramm-Rudman-Hollings deficit-reduction act, there are encouraging signs that Congress may pass a COLA this year. If so, the increase would be equal to the rise in the Consumer Price Index between the third quarter of 1985 and the third quarter of 1986. It would become effective December 1 and would appear in January 1987 annuity checks. Present indications are that the CPI increase will only be in the area of two percent, but whatever the amount, it is important that the annual COLA be restored.

The bill was introduced by Representative Mary Rose Oaker (D.-Ohio), and it has amassed some 250 cosponsors—more than enough to ensure passage. At the same time, the Budget Committees of both the Senate and the House, in reporting out their respective budget resolutions, made provision for a COLA payable in January 1987.

Our readers will recall that it was just about one year ago that AFSA and the other federal employee and retiree organizations that make up the FAIR coalition were successful in establishing a linkage between COLAs for Social Security recipients and federal retirees. The 1986 budget resolution incorporated this linkage, and a COLA was scheduled for both groups, effective December 1, 1985, and payable in January 1986. Subsequently, what began as a measure to authorize an increase in the national debt ceiling suddenly escalated into a deficit-reduction measure, now known as the Gramm-Rudman-Hollings bill, which swept rapidly through Congress to be signed into law promptly by the president. This bill wiped out the COLA for federal retirees but left untouched the COLAs for Social Security and veterans pensions. Now there seems to be a disposition to re-establish the COLA linkage between all federal retirement programs, so, Gramm-Rudman-Hollings to the contrary, the odds at this time appear favorable that a COLA may be reflected in Foreign Service retirement checks next January.

Comments needed on directory

We have received some welcome compliments—and a few brickbats as well—on the DIRECTORY OF RETIRED MEMBERS that came out last October. In some

listings we failed to use honorifics, in others we overlooked significant changes in status. If you have any changes to be made in your listing—as well as further compliments or brickbats—please mail them to the Membership Coordinator. Help us make next year's directory even more accurate and useful than the current one.

AFSA uses State's argument to change training plan

The State Department has agreed to terminate a budget-cutting measure that would have restricted Washington-based employees undergoing university training to metro-area educational institutions. Ironically, the Association was able to convince management by using the department's own argument that employees should undertake university training away from the capital to allow them to concentrate solely on their studies.

AFSA protested the plan, developed to meet budget ceilings mandated by the Gramm-Rudman-Hollings act, as being contrary to department policy. It also pointed out that the decision to continue to allow employees returning from overseas to take university training at other

locations—since travel and housing would be equivalent for them no matter where they would go—would discriminate against employees based in Washington.

In a letter last March, AFSA pointed out that the department had published a notice last year that declared that personnel assigned to university training are better able to concentrate on their programs when they are removed from Washington. In addition, their contacts with people in other states and regions are valuable to the department's efforts to familiarize Americans with the Foreign Service, the department itself, and the work of those involved in foreign policy formulation and implementation.

Membership Coordinator Midthun retires, awarded commendation

Lee Midthun, the Association's senior professional employee, and membership coordinator for the last three years, retired to her farm near Sharpsburg, Maryland, in early March. She had previously been a membership assistant and director of the AFSA scholarship programs.

During her tenure on the membership staff, the Association increased its rolls by more than 50 percent. In addition, she forged an international network of post representatives and initi-

ated a quarterly publication to keep that group on top of AFSA developments of importance to them.

To honor her achievements, the Governing Board voted that she receive a certificate of appreciation, the first employee below the director level to be so honored. It reads: "For presiding over a period of unprecedented membership gains and for maintaining an effective system of chapters on six continents of the globe."

Lamberty honored by educational program



AFSA President Gerald Lamberty (right) receives the 1986 Henderson-Satterthwaite Citation along with former AFSA President Pat Woodring from Director General George Vest. The award honors their participation in the Foreign Affairs Seminar Program, a community education project run by retired FSO Robert M. Donihl. The citation is named for the late Loy W. Henderson and Joseph C. Satterthwaite, who helped start the program.

Life & Love in the Foreign Service



"Persuant to the failure of additional benefits to attract sufficient competitors for positions at hardship posts, management is undertaking a study of additional incentives"—Department Notice —Ephraim DIKahble, Princeton, N.J.

Honorable Mention: "Sorry, gentleman, the ambassador is not available now, but will the press attache do?" —Bill Vale, Washington, D.C.

Winners of the monthly LIFE & LOVE contest receive a certificate for a free lunch for two at the Foreign Service Club, honorable mentions receive a free carafe of wine with a meal. Send entries to:

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