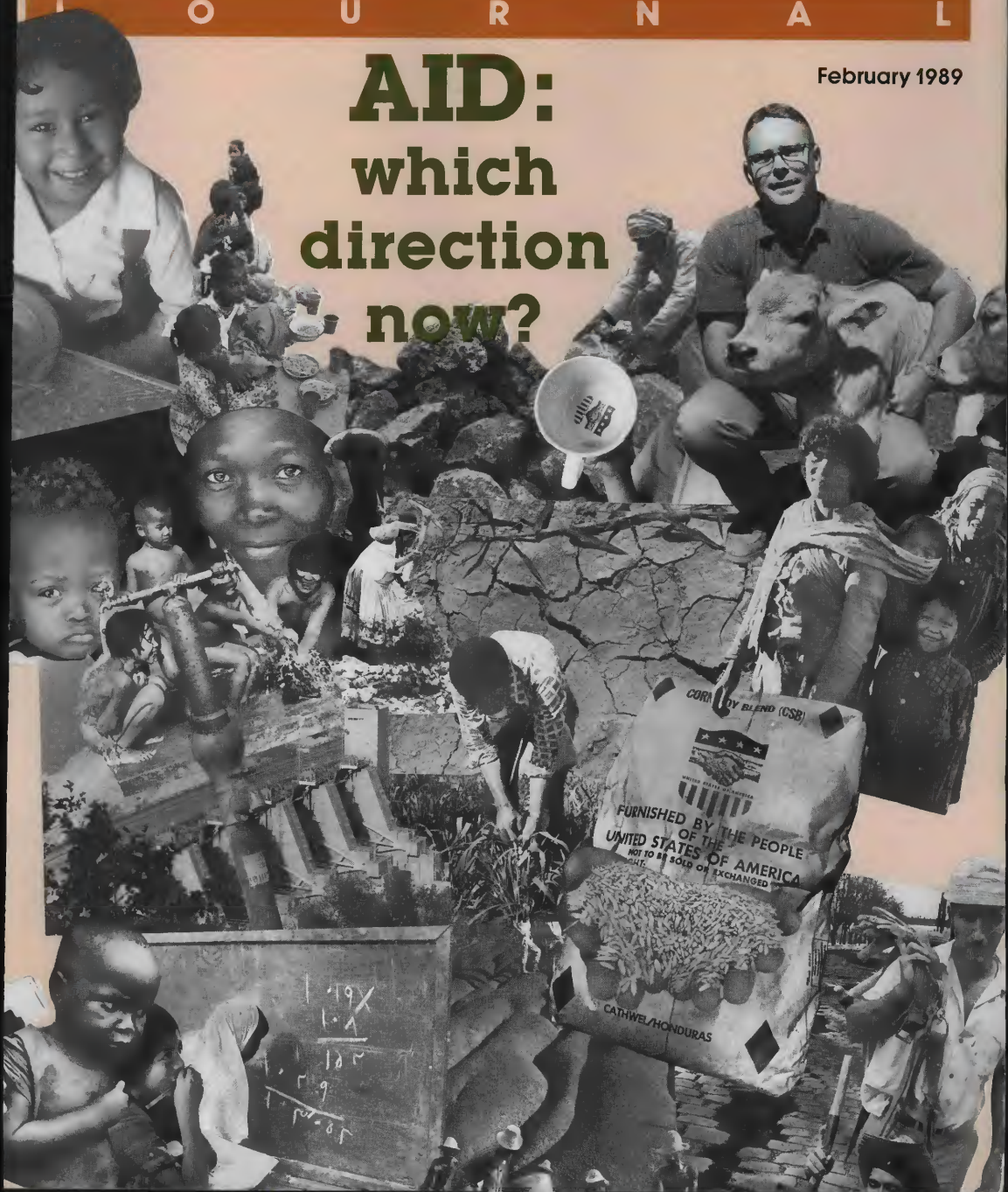


FOREIGN SERVICE

JOURNAL

AID: which direction now?

February 1989



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One of the benefits of AFSA membership is use of the dining facilities at the Foreign Service Club located in the AFSA building across Virginia Avenue from the State Department building. As many members know, the Club offers a nice place for lunch for themselves and their guests.

But there is a problem. Business at the Club is not meeting expectations, and we are not sure why. The Club dining room and kitchen are under the management of an experienced and successful restaurateur, Vito Zapalla. Vito is a partner in one of downtown Washington's most successful and popular restaurants, Gary's. Rosemary Brodeur, a Culinary Institute of America graduate, runs the kitchen, and presents an attractive choice of lunches. The Club also has facilities on the second floor for group lunches, large and small, and is a nice place for office parties.

Why then is business not what it should be and not what it must be for the Club to be successful. Prices? While more expensive than the State Department cafeteria, the Club's prices are by no means as high as Gary's and many popular downtown luncheon spots. The prices are clearly competitive with any other restaurant within walking distance of our State Department offices. Service? Vito Zapalla has promised to solve problems in this area and to provide us with the service we require. Food? No complaints in this area have come to our attention.

Maybe members have forgotten that the Club is there, or it doesn't come to mind when you set out for lunch. Think of the Club the next time you go out. Rediscover it. Those of you abroad might think of the Club when your are in Washington on a visit, consultations, or leave.

If this sounds like a commercial, forgive me. The Club should be an important benefit to AFSA members. We want to work with you to make it prosper. If there is something you don't like, let us know—give us the benefit of your thoughts. We are committed to trying to make it a success. Your support is needed.

—Perry Shankle

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The FOREIGN SERVICE JOURNAL is 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 views of AFSA or the JOURNAL. Writer queries invited.

JOURNAL subscriptions: AFSA Members—included in annual dues; Others, \$20. Overseas subscriptions (except Canada), add \$3 per year. Airmail not available.

Second-class postage paid at Washington, D.C., and at additional post office. Postmaster: Send address changes to AFSA, 2101 E Street NW, Washington, D.C. 20037.

Microfilm copies: University Microfilm Library Services, Ann Arbor Michigan 48106 (October 1967 to present). Indexed by Public Affairs Information Service (PAIS).

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 ISSN 0015-7279

February 1989, Vol. 66, no. 2

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FOREIGN SERVICE

J O U R N A L

AID: Which Direction Now?

For the first time since the mid-1970s, Congress is questioning the components and goals of U.S. foreign assistance. Writers from the Hill, the academic world, and AID share their views.

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Letters

Print all obituaries?

I believe it would be worthwhile if the JOURNAL would print the obituaries of all deceased Foreign Service personnel just as does the Department of State newsletter.

JOHN A. HOLLINGSWORTH
Ft. Meyers, FL

The JOURNAL's policy concerning obituaries, as well as other family announcements such as marriages and births, is to edit and print those that are submitted by readers, as space permits. By leaving the initiative to readers, the JOURNAL is able to concentrate on delivering information deemed of special interest to AFSA members, rather than repeating publication of Department of State notices.

More thoughts on reform

Under Secretary Spiers' article in the December JOURNAL provides an excellent summary of the deep crisis into which our foreign affairs establishment has fallen. No one has done more than he in recent years to wake Congress and the country to the desperate needs facing the Foreign Service. And yet, this latest article seems to put too many of the precious eggs of survival into a basket of reform that will not do the job.

If, for example, State were tied more closely to the defense conglomerate, as the under secretary advocates, hoping thus to better State's chances of getting a billion dollars for its survival, the same budget cutting axe that will hit defense in the coming Congress will surely cut up State's allocation as well. When he laments the fact that one billion dollars is equal to six B-1 bombers, he misses the point; the cuts envisaged in defense are slated to help bring the budget in line and to save the domestic scene from further deterioration.

A more apt comparison would be the number of units of affordable housing that could be built in the inner cities; the number of homeless that could be sheltered; or the number of recycling plants that could be built with that same billion dollars. The needs of domestic America, stacked against the staggering budget deficit and our floundering world trade imbroglio, will have more say in the distribution of scarce budget resources than defense or foreign affairs.

I believe it is time for some bold, though perhaps unpopular, actions to be taken to

Catalytic conversion concern

The following two letters, exchanged between a Foreign Service buyer and the Ford Motor Company, which advertises in the FOREIGN SERVICE JOURNAL, were "courtesy copied" to the JOURNAL and are excerpted here in hopes the information can help other buyers.

This is in reference to conversion of my 1988 Ford Taurus SW 3.0-liter motor to leaded fuel for operation overseas. I spoke with one R. Selover of Ford who told me that despite the part numbers having been assigned by Ford to the items needed to delete the catalytic converter on my 3.0-liter Taurus, Ford in fact did not manufacture them in the United States nor make them available to persons exporting cars from the U.S. They are always deemed "unavailable" when a customer asks for one at a dealer. Note that I already had in my possession the EPA letter authorizing deletion of the catalytic converter.

He was as mystified and frustrated as I at the obvious inconsistency. The only 11 catalyst delete pipes available in North America were with Ford of Canada.

Ford also apparently manufactures a HEGO grounding connector, but doesn't convert this to a part number and refuses to make it available to the exporting purchaser. It is only available at Ford's export conversion subsidiary, Autoport, but as the connector is Ford's property, Autoport cannot sell it to me. I thought the federal government was mind-boggling, but Ford has bested it in bureaucratic obtuseness.

Douglas P. Broome
AID

Ford's answer

We appreciate the opportunity to respond to Mr. Broome's letter through the FOREIGN SERVICE JOURNAL, and thus clarify for other owners the steps required to convert Ford vehicles to operate on unleaded fuel overseas.

We are not aware of all circumstances which regrettably prompted Mr. Broome's letter. But, Ford Motor Company does, in fact, provide conversion instructions to its dealers, through its district offices, and depending on the popularity of the vehicle in export sales, will maintain an inventory of parts required to convert its vehicles to operate on leaded fuel. It is true that these parts are not normally made available to Ford dealers within the United States, or its territories, where EPA rules and regulations apply. But, in a bona fide export situation, and when presented with an appropriate EPA waiver, Ford dealers can obtain the instructions, and when available, the parts, required to make this conversion.

By the way, most national muffler chains have the ability to make the "straight pipe" required to replace the catalytic converter. Thus, an owner need not necessarily work through a Ford dealer to effect this conversion.

We hope this has clarified the situation for your readers. If your readers have further questions regarding this issue, they should be addressed to our diplomatic sales office in Washington, or to this office, in Detroit.

J.D. DOWNEY
Supervisor, Service Department
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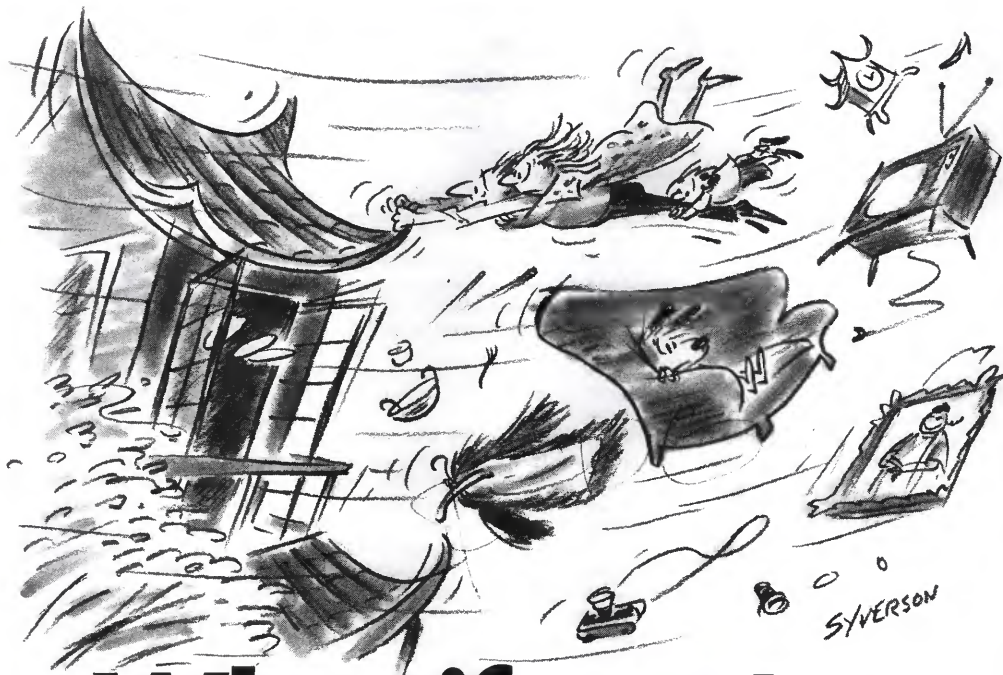
meet the present foreign affairs crisis, if not solve it. The first step would be to move toward the creation of regional ambassadors who would have stature, authority, and management control over the administration of our foreign affairs to the countries within the region. It is what the under secretary alludes to as "multiple accreditation." Administrative staffs in the particular countries would carry out the reporting and consular affairs.

While this represents a painful choice, it could reduce staffing, restore the ambassador to a place of prominence and authority and reduce substantially the need for "flying emissaries" who come out of Washington at the slightest whiff of crisis. The regional embassy would also mitigate the

under secretary's lament of having "too many under secretaries, assistant secretaries, and ambassadors-at-large."

Moreover, such an arrangement might force us to deal with the regional nature of so many of our foreign problems, and we might avoid the perpetual quagmire of country-interest advocacy that often becomes a peril to our interests and aspirations overseas. Then, too, with fewer but more authoritative ambassadors out in the regions, the new secretary of state might stay home long enough to solve some of State's management problems which Mr. Spiers has so forthrightly listed.

WILLIAM SOMMERS
Lexington, MA



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Clippings

Able Baker

from The New Republic, Dec. 5, 1988:
What recommends Baker, in sum, is his status (as the *Times* puts it) as a "pragmatic and experienced government insider." . . . James Baker is the fixer, the problem-solver, the technocrat. He is a perfect representative of neutral managerialism, of the techniques of business administration applied beyond the borders of business, of the executive attitude to life. But are these really all the skills that a secretary of state needs in the era of Mikhail Gorbachev?

We are living in the greatest hour of opportunity for American foreign policy since the end of the Second World War. The Soviet Union has signaled the United States that it will be willing, for as long as it takes to reform its economy, to suffer an American push here and an American probe there. The United States should . . . recognize opportunity. It should act to improve its own position in a world in which the philosophical and economic forms of

the Soviet Union seem pretty much useless. This is the hour for historical imagination and diplomatic wit. . . . This is a moment that requires a vision.

Editorial

from The New York Times, Dec. 18, 1988:
James A. Baker 3rd is making a slow, methodical, unobtrusive transition to his job as the next secretary of state, but he has already indicated that he is much more willing than his predecessors to accept a large role for Congress in shaping foreign policy.

Richard S. Williamson, an assistant secretary of state who is close to Mr. Baker and Mr. Bush, said: "Jim Baker is showing that in a post-Vietnam era, Congress is a full partner in making foreign policy. He is demonstrating that he understands that and will treat members of Congress as partners . . . vocal, active partners."

"The State Department is full of smart, able people but it is a generation behind in accepting the redistribution of power

in making foreign policy," said an adviser to Mr. Baker. "Jim Baker will change that. No one in Washington in the last ten years has shown a better ability to deal with Congress."

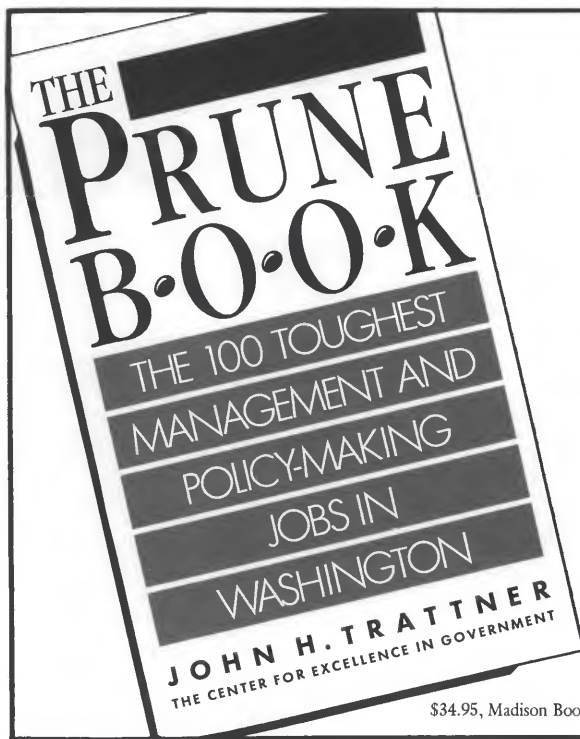
by Robert Pear

Lame-Duck Appointments

from The New York Times, Nov. 24, 1988:
In appointing new ambassadors to Israel, Denmark, India, and Oman . . . Mr. Reagan was exercising his constitutional powers to make appointments while Congress is in recess.

Several foreign policy analysts at the State Department, in Congress, and elsewhere today said that they were bewildered that Mr. Reagan selected new ambassadors at this time because of relocation expenses and the political disruption of pulling ambassadors out after brief service if Mr. Bush decides to replace them.

Perry Shankle, president of [AFSA], said he was concerned about the expense in-



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volved at a time when the government is reducing the size of its embassy staffs. "Is an embassy a serious thing or is it a toy?" he asked. "I have a real problem with this. It could be seen in a country that all it's being used for is to pay some political debt."

by Richard L. Berke

Available Worldwide?

from The Washington Times, Dec. 1, 1988: Diplomacy, the State Department rules, is not a suitable profession for the blind. . . . The department ruled that the blind would not be permitted to take examinations in Braille or use other outside help, thus making it impossible for Avraham Rabby [a blind applicant] or others like him to meet the entrance requirements.

The State Department view under the recent ruling is that all Foreign Service officers must be "worldwide available" and that a blind person cannot be expected to deal with the myriad demands diplomats face.

One official said the United States has facilities for helping the blind overcome their handicap but that most foreign countries lack such accommodations. Another said that much of diplomacy involves reading the "body language" of foreign envoys during diplomatic discussions.

A department official said accepting a blind person for diplomatic service "would be a terribly unfair thing to do to that individual." He cited high-risk posts, such as Lebanon, as particularly inappropriate for a sightless person.

Perry Shankle, president of [AFSA] agreed. "It's dangerous out there," Mr. Shankle said, emphasizing he was speaking for himself and not the association. "It's one of the facts of life for the diplomatic service. You have to be constantly on the alert." He suggested that the State Department could resolve the problem by admitting the blind not as career diplomats but as civil servants, who generally do not receive overseas assignments.

The Associated Press

Ordinary Americans' Priorities

from The Washington Post, Nov. 30, 1988: When The Roosevelt Center, a nonprofit research and educational institution, asked 1,000 ordinary Americans to tell the new president what his first priority should be, [they said,] . . . concentrate on problems at home. Seventy-one percent cited the federal budget deficit as a priority; only 17 percent listed the U.S. role in the world; 8 percent, U.S.-Soviet relations; 5 percent U.S. national security; 4 percent relations with Latin America; and 3 percent Third World development.

by Judith Havemann

Career Officer Appointment

from The New York Times, Dec. 15, 1988: The Foreign Service is uniquely American. Career diplomats with no experience in the private sector are sent abroad to defend free enterprise; they promote freedom of



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Clippings

expression while suppressing their own opinions and, no matter how fast they rise, they cannot expect to reach the top. No career diplomat has ever been appointed secretary of state.

Many key ambassadorships also tend to go to outsiders. Thus, there has been jubilation in the State Department over President-elect Bush's choice of Thomas R. Pickering for the very visible post of U.S. Representative to the United Nations. "I don't know a single person in this building who wasn't absolutely delighted," said [Director General] George S. Vest.

Mr. Bush said that his selection of Mr. Pickering "symbolizes the importance I place on the United Nations, as well as the Foreign Service."

by Clifford D. May

All in Fun?

from *Government Executive*, Nov. 1988:

It's all well and good to tinker with government management, but let's get real—it will take bold moves to clean up this fetid capital and bring the dreaded deficit and trade dragons to their knees. On the off chance that the next president is truly serious about improving things around here, he ought to . . . take bids on ambassadorships. The United States already does something of the sort only the money goes to party campaign treasurers instead of the Treasury. Let's cut out the middlemen and auction some inconsequential, but coveted, embassy posts directly to the fat cats who are, manifestly, willing to pay for them. Liechtenstein, Monaco . . . we're talking serious money.

by Richard Corrigan

Fleece Award

from *The Federal Times*, Dec. 5, 1988

The State Department has been given the Golden Fleece Award [by Senator Proxmire] for mismanaging millions of dollars in travel advances. Among the people who have not reimbursed the government for travel advances . . . Ludwig Van Beethoven and Oliver North. A GAO report found the agency had 23,200 outstanding travel advances at the beginning of fiscal 1988. Seventy-five percent of them, worth \$15.4 million, were overdue.

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Foreign Service Journal, February 1979: The administration would like to replace the Agency for International Development with an International Development Cooperation Administration. This new sub-cabinet agency would oversee most bilateral and international aid programs and have more independence and authority than AID. The reform is a paired down version of one of Hubert Humphrey's last legislative initiatives and owes much to internal AID critiques . . . and an outside evaluation by the Brookings Institution.

These proposals to remodel AID . . . differed on many points, but they all agreed that the foreign assistance bureaucracy should be decentralized, with more decisionmaking taking place outside of Washington. They suggested that recipients of aid should participate more directly in identifying needs and in carrying out programs. They concluded that where bureaucratic efficiency conflicts with effectively meeting basic human needs, the latter should take priority.

These recommendations reflect a growing consensus in Washington that local efforts are often best at fulfilling housing, energy, health care, and food needs. During the past decade there was a tendency to attempt to solve at the international level problems which were once handled exclusively in local communities. Ever higher levels of national and international authority were created to help the poor.

In the past, developmental efforts have often been hamstrung by centralized decision-making and bureaucratic strictures. In a rapidly changing world, many proponents of a revision of American aid strategy think the resilience of a local problem-solving approach would be an important asset in any effort to meet basic human needs.

*"Local Problem Solving:
A New Development Strategy"*
by Bruce Stokes

Foreign Service Journal, February 1964: What are the things [management] is trying to do [to strengthen the operation of

the Service]? We are making intensive efforts to publicize the Foreign Service and the examinations with the hope that we not only get more applicants but that they come from all quarters of our society and from all parts of our nation. We are looking at the examination process itself with the hope of developing an examination that not merely evaluates the intellectual breadth of an applicant but also searches for potentials of managerial and executive ability and leadership.

We are instructing this year's promotion panels to emphasize the promotion of outstanding officers and to disregard the outdated concept which required an officer to spend a specified time in his grade before being promoted. . . . We expect to have a vigorous selection-out of people at all grades who somehow have lost the physical or mental ability to maintain the high level that is expected.

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insure that the department gets valid, objective ratings that can be used as a basis for further development, assignment, promotion, and selection out.

The problem of generalists versus specialists has been with us for a long time. Specialists specialized but generalists became ambassadors. However, I think we have made some progress in the right direction. What we are proposing is a personnel system that recognizes and encourages the role of specialization in the Foreign Service, that establishes a number of clearly defined fields and that offers a tailored career development program for each Foreign Service officer. . . . The specialist will be able to reach the senior grades within his functional competence. Moreover, he will be able to compete for DCM and ambassador assignments since the incumbents of these positions will be chosen on the basis of demonstrated ability, breadth of vision, and executive capacity.

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maintain the dynamism of the Service. Lateral entry is engineered so as to bring into the Service those talents that do not exist within it and, also, to allow a limited infusion of outstanding people who are interested in a career in the field of foreign affairs. Lateral entry is a supplement and not an alternative to our basic recruitment program.

"Toward a Modern Foreign Service"
Deputy Under Secretary for Administration
William J. Crockett

Foreign Service Journal, February 1939: It seems to me a very minor part of diplomacy is or can be conducted by the written word. What really counts is the interpretation of the written word and of the spirit that lies behind it. . . . Here, then, lies the supreme purpose and duty of an ambassador. He must be, first and foremost, an interpreter, and this function of interpreting acts both ways. First of all he tries to understand the country where he serves—its conditions, its mentality, its actions, and

its underlying motives, and to explain these things clearly to his own government. And then, contrarywise, he seeks means of making known to the government and the people of the country to which he is accredited the purposes and hopes and desires of his native land. He is an agent of mutual adjustment between the ideas and forces upon which nations act. International friction, indeed, is often based not so much on radical disagreement as on nebulous misunderstanding and doubt.

How little of this can be done by the written word without oral discussion is patent to anyone in our profession. . . . Sometimes our language, indeed all spoken and written languages seem thin and superficial. We have to depend in such cases upon a sort of x-ray language which vibrates underneath the surface and is often more effective than anything we can write or say. That comes, and comes only, from personal contacts.

An address by the ambassador to Japan,
Joseph C. Grew

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Books

Wind Over Sand: The Diplomacy of Franklin Roosevelt.

*By Frederick W. Marks, III. The University
of Georgia Press, 1988.*

In two previous books, the author set his pattern of scholarship with central themes that have cut against the grain of established opinion. His has been an exhaustively documented, well written, but revisionist diplomatic history. Of relevance to this latest study is Marks's earlier book, *Velvet on Iron: The Diplomacy of Theodore Roosevelt*, in which TR is the author's pick as our most insightful and forceful, yet also principled, presidential diplomatist.

That panegyric quality is absent in Marks's treatment of our second Roosevelt president. The very formidable strength previous historians have found in FDR as a domestic politician did not guarantee effectiveness in diplomacy, but, according to Marks, served to create a false sense of security. The "misrepresentation, ambivalence,

and prevarication" of FDR's handling of U.S.-Japanese relations, for example, appear as characteristic of his diplomatic leadership throughout his successive administrations. *Wind Over Sand* finds previous historical criticism inadequate—"sandwiched outlaw-wise between a laudatory introduction and an unwarranted conclusion"—and offers a view of Roosevelt's diplomacy as a colossal series of missed opportunities. Marks concludes that "not one of FDR's offers of mediation ever succeeded, and most were flatly refused."

Marks finds that FDR "accumulated the largest overseas credibility gap of any president on record" and that "there is something close to the heart of New Deal diplomacy which has about it the quality of both wind and sand." Marks accuses FDR of having systematically aroused false hopes in Japanese, Chinese, French, British, German, and Italian leaders during the 1930s and 1940s and calls his "Good Neighbor Policy" a waste of money. Even the collegiality surrounding FDR and Churchill disguised "a hard substratum of spitefulness."

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Viewing the diplomatic histories of the 12 years of Roosevelt's administrations, Marks focuses on such less thoroughly treated diplomatic aspects as the first hundred days, the Brussels Conference, and the 1940 Wells mission to Europe.

Wind Over Sand may strike some readers as a venomous form of revisionist history, but it also is a fascinating view of the presidential use of the diplomatic establishment. New Deal diplomacy is measured against a reasonable standard of statesmanship as "the ability to reduce events to an intelligible pattern, to devise long-range strategy, and to settle on appropriate tactics." Marks notes that while virtually all of his diplomatic counselors encouraged him to be more active in preparing the nation's defenses, Roosevelt's habit of seeking fresh counsel with every new diplomatic move made ambivalence the dominant feature of his policies. Other historians have praised FDR's "competitive administration" as an open door to creativity; Marks finds a pervasive parochialism. No premium was placed on language-trained envoys, diplo-

matic decisions were floated as trial balloons, there was a generalized disdain for foreigners, and public statements reversed private diplomatic instructions during key meetings such as the London Economic Conference.

Marks observes that the greater the time span following Roosevelt's death, the more trenchant the criticism. *Wind Over Sand* is a poignant and provocative example.

—Jeffrey R. Biggs

The Giant's Rival: The USSR and Latin America.

By Cole Blasier. University of Pittsburgh Press, 1987.

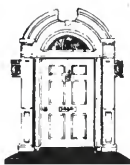
After a decade as a U.S. Foreign Service officer, Blasier returned to academia, where he has established himself as a scholar and expert on the two world regions treated in this book: Eastern Europe and Latin America. Blasier's versatility helps to make *The Giant's Rival* a timely addition to the

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Books

small shelf of really significant books on Latin America published in recent years.

The outstanding virtue of this work is its concise but comprehensive survey of Soviet economic, diplomatic, and politico-military involvement in the region since 1970. Treated as pariahs by most Latin American governments following World War II, the Soviets have made up for lost time in recent decades.

Cuba used to be the only country with important trade and economic links to the USSR. Today the Sandinista regime in Nicaragua receives crucial economic and military support from the Soviets, and Argentina and Brazil are important trading partners with the USSR.

The Soviet presence in the region has expanded considerably: most Latin American nations now have diplomatic relations with the USSR, Soviet naval and merchant ships regularly visit Latin American waters, AEROFLOT serves several large cities, and sizable amounts of arms (accompanied by military advisers) have been supplied to Cuba, Peru, and Nicaragua. Still, the

author does not believe that this expansion has had a significant impact except in Cuba and Nicaragua. Even Latin American leftists nurtured on Marx and Engels see many imperfections in the Soviet model and would not want it for their own countries. When Latin politicians flirt with Moscow, it is usually an attempt to build a counterweight to Washington. The Soviet program with the most enduring effect, Blasier believes, offers five-year scholarships for Latin American students—an estimated 3,000 are currently studying in Soviet universities.

The Latin American policies of the United States should not be dictated by U.S.-Soviet relations, says the author. Blasier adds that a healthy relationship between the United States and Latin America would largely preclude further Soviet inroads, although he stresses that the Soviets must be prevented from establishing military bases in the hemisphere.

What makes the book valuable is his original and informed treatment of Soviet policies toward Latin America.

—John J. Crowley, Jr.

Best-Laid Plans: The Inside Story of America's War Against Terrorism.

By David C. Martin and John Walcott. Harper & Row, 1988.

The Violence Formula: Why People Lend Sympathy and Support to Terrorism.

By Terrell E. Arnold. Lexington Books, 1988.

In 1979, when the American embassy in Tehran was occupied and more than 50 of our colleagues began their 444-day odyssey, Foreign Service officers witnessed a change in the environment in which they serve. As a result, the Reagan administration elevated the struggle against terrorism to one of its highest priorities. Since then, much has happened, but no one can say that terrorism is less of a threat to U.S. personnel or interests.

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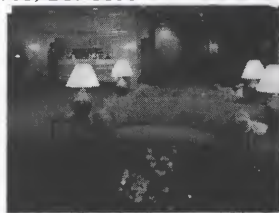
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Martin and Walcott, long-time observers of national security issues for CBS News and *The Wall Street Journal*, respectively, have made good use of their inside sources to put together the most accurate public account yet of America's counter-terrorism program and its score card in the fight against international terrorism.

FSOs will recall that the Reagan administration began with the pronouncement of Secretary of State Alexander Haig that the fight against terrorism would replace human rights as the key issue for the 1980s. With this level of interest and impetus, what successes have our counter-terrorism efforts enjoyed? Very few. The authors make a strong case that the rhetoric has been cynical, that few key administration officials ever really supported the policies, and that much of the military hierarchy opposed the establishment and equipping of the specialized counter-terrorism units.

Best-Laid Plans is based upon a solid foundation of fact. Some of its material is already familiar to anyone who has followed the fight against terrorism: the Desert One

fiasco, the glitches in the capture of the *Achille Lauro* hijackers, the deaths of 241 Marines in Beirut, etc. There is also a considerable amount of new (to the public) information, including: William Buckley's complaints about U.S. policy in Lebanon one month before his abduction and White House suspicions that the Joint Chiefs of Staff would abort the raid on Libya at the last minute.

This is an important book which lays out the sorry state of U.S. counter-terrorism efforts. Despite some diplomatic successes and the capture of a handful of terrorists, the authors have documented the lack of leadership and the parochialism which have characterized U.S. efforts to date.

In the second book, *The Violence Formula*, former FSO Terrell Arnold attempts to challenge our conventional notions regarding terrorism. Instead of the usual recitation of case studies and political polemics, Arnold draws upon his career-long experience around the world to seek the root causes of the political violence. He con-

cludes that the past several decades have witnessed an erosion of the boundary between nonviolent and violent protest. As a result, he suggests, an increasing level of tolerance for political violence is not only changing the political rules within the United States, but even threatens the viability of our traditional political system.

Arnold expounds an interesting theory which deserves close examination. Political violence always has been associated with Latin American, African, and other political systems. However, we have believed that our Anglo-Saxon political heritage is not conducive to such activities. Our two-party system has permitted the ventilation of political protest sufficiently to render such violence illegitimate and rare. Arnold provides ample documentation for his contention that this traditional American approach to politics may be under assault by what he calls "coercive bargaining by protest and confrontation."

The Violence Formula is a "think book." Its scope transcends terrorism and some of its suggestions fly in the face of conven-

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Books

tional political and foreign policy wisdom. This is not a book for special forces junkies; it is a serious attempt to lay the foundation for an effective U.S. approach to counter all forms of political violence through the strengthening of democratic methods.

—Meyer Nudell

Revolutionaries and Functionaries; The Dual Face of Terrorism

By Richard Falk. E.P. Dutton, 1988.

The revolutionaries of Falk's book are, of course, terrorists, but so are the functionaries. Falk tells us that terrorism is not just done by individuals or groups in revolt against the existing order, but also by states, sometimes on a grand scale. He wants us to understand that governments—he has specifically in mind the Reagan administra-

tion—have exaggerated the extremist terrorist threat for their own domestic and foreign policy purposes.

The problem in writing such a book is how to define the concept of terrorism. Falk offers definitions and condemns individual terrorist acts, but this aspect of terrorism gets only minor attention. What interests him is state terrorism, and it is here that the problem of definition arises. For Falk, state terrorism is not just more or less clandestine sponsorship of hit squads by dictatorship. It is practically anything a state might do that would strike fear in the hearts of others—its friends and adversaries abroad or its own citizens at home. As prime examples he cites "nuclear terrorism" (by which he means the possession of nuclear weapons by the United States and the Soviet Union, and the concept of deterrence practiced by the two superpowers), U.S. sponsorship of the Nicaraguan contras, and Israeli retaliatory or preemptive raids into the territory of Arab states. The trouble with this broad definition of terrorism is not only that it leads

the author onto shaky ground—he clearly flounders—but that big problems require big solutions, so big that all the reader is offered in conclusion is a set of largely utopian good wishes. Falk says to end terrorism, states must give up nuclear weaponry and forswear covert action, and the United States must "develop a positive foreign policy toward social and political change and radical forms of nationalism in other countries." By this, he specifically means "adopting a non-interventionist diplomacy," and accepting radical governments as legitimate. To solve the problem of terrorism one must first reform the world. Readers may be forgiven if they find this agenda a bit too sweeping.

The book often reads as though it were dictated at high speed and not carefully edited afterwards. Still, despite its defects, *Revolutionaries and Functionaries* is an interesting book, always provocative and frequently brilliant. Many will disagree with Falk's views, but anyone interested in the subject should profit from pondering them.

—David A. Korn

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October in Cairo

By M. Cruz. *The Permanent Press*, 1988.

The author, using the pen name M. Cruz, is an American diplomat's wife who lived for four years in Cairo. She weaves a fictitious plot against the background of the conspiracy against the Egyptian president, Anwar El Sadat.

Luz Gracida, a beautiful journalist, arrives in Cairo to cover the festivities celebrating the anniversary of the 1973 October War and immediately and unwittingly becomes caught up in the events. She also falls in love with and marries Leonard Berg, the political officer at the American embassy, who is frustrated because his warnings about anti-Sadat feelings within Egypt are ignored.

October in Cairo can be read as an entertaining thriller. The author vividly describes Cairo and the Egyptian landscape, but her characterizations of American officials are implausible. "We foreign service officers

... spend our days screaming at secretaries and telecommunications clerks who take our beautiful prose and turn it into gibberish," her fiancé tells her. The American ambassador, a career Foreign Service officer "who never reads anything his staff writes," tells Berg: "We could make a fine team, Lenny. You lie and I'll swear to it." And, in the confusion of Sadat's assassination, the American ambassador screams at the murderers in *German*!

—Maria K. Bauer

By Our Readers

Contemporary American Immigrants, Patterns of Filipino, Korean, and Chinese Settlement in the United States. By Luciano Mangiafico. Praeger Publishers, Greenwood Press, Westport, CT, 1988.

The author reviews in detail the social and economic characteristics of the three Asian immigrant groups, analyzing recent arri-

vals by using data collected through interviews of 849 Asian households. He concludes that the Asian immigrants studied are enterprising, well-educated individuals who contribute to our country, and challenges the idea that immigrants in general are a burden to society. Mangiafico, currently consul general in Bridgetown, has spent a major portion of his career ascertaining the qualifications of immigrants to the United States.

Cross-Cultural Aspects of Human Rights: Asia. Edited by Linda Lum. Center for the Study of Foreign Affairs, Washington, D.C., 1988.

These conference proceedings take a comparative approach toward the definitions of human rights. Participants considered how a country's history, religion, and culture influence the interpretation of human rights and how political, legal, and religious traditions uphold or abuse these rights.

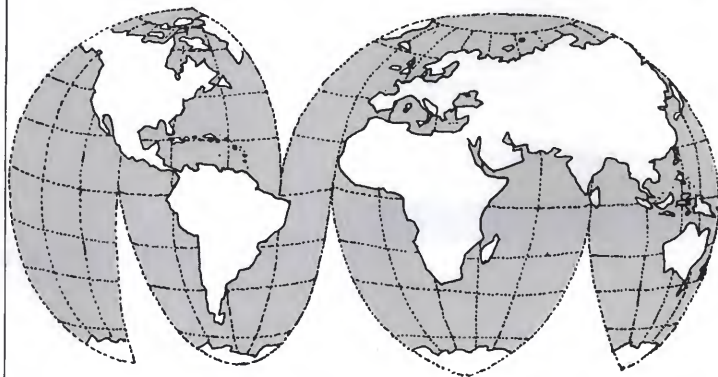
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Focus

Dear Mr. Secretary

The following letters were received in response to the JOURNAL's offer to share readers' ideas with the new secretary of state. The JOURNAL wants to facilitate an ongoing dialogue between the secretary and readers, and may consider relevant "Dear Mr. Secretary" letters for publication in future issues.

Policy Initiative

Dear Mr. Secretary:

The new administration faces two immediate challenges: the budget and foreign-trade deficits must be reduced; and a reasonable response ought to be made to Gorbachev's widely publicized plan for major reductions in Soviet forces. A single move would respond to both challenges without impairing U.S. security. Specifically, I recommend that on an early, appropriate occasion, the president announce a staged, significant withdrawal of U.S. forces from Europe, beginning in mid-1989.

Budget savings would be considerable. One expert has estimated that the 354,000

uniformed personnel in Europe plus those in the United States earmarked for NATO cost \$125 billion a year. Thus, if 100,000 men were withdrawn over a three-year period, the budgetary savings would indeed be substantial. It is clear, of course, that to achieve this savings, most of the personnel would have to be demobilized. However, there is no compelling reason to maintain current force levels, especially if a relatively modest reduction in these levels is spread out over several years.

In order to soften the predictable concerns of our NATO allies, I recommend that the president simultaneously establish a clear linkage between the negotiations on post-INF reductions in American nuclear strength and the talks on reductions in conventional arms.

—CHARLES G. STEFAN
Gainesville, FL

Personnel Problems

Dear Mr. Secretary:

The current personnel system, as administered, is dysfunctional and does not meet

its objectives. Human organizations, like all biological organisms, must adjust if they hope to survive. Time-in-class and up-or-out concepts do have a place, but should be implemented in a manner to motivate and stimulate, rather than demoralize or expunge talent.

My thoughts on improving the system include a more careful selection-in process, giving tenure keyed only to the needs of the Service, and enforcing selection-out provisions at an earlier stage. An early retirement option after 20 years should be available to relieve the pressures of keeping in the system those who wish to leave for a variety of reasons.

Eliminate the six-year window concept—it is counter-intuitive and penalizes the ambitious; instead, use a multi-grade TIC to winnow out underachievers and an assignment process to reward the outstanding. Also, a senior multi-class TIC should be considered to avoid penalizing officers who rise fast. As it is now we are losing too many high-priced talents, whose diplomatic street smarts are not easily replaced.

While some of these suggestions would

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slow down promotions, they would avoid gross inequities, retain valuable talent, and sustain better commitment and morale.

Reflecting on the increasingly complex and specialized world of modern diplomacy, I recommend a management/non-management tracking system beginning at the FS-01 level, with both managers and non-managers retaining promotability. This would allow retention and promotion of those with specialized skills, but who lack skill or motivation for management. As it is, we promote managers without substantive skills, and ask substantive experts to take on management functions ill-suited to them; no one really benefits from such compromise.

I also recommend that the under secretary for management not be a career FSO, but rather a qualified manager, perhaps a retired FSO. The only caveat is that such an individual must be alert and sensitive to the overall mission of the State Department and the Foreign Service.

—W. SCOTT BUTCHER
Department of State

History Program

Dear Mr. Secretary:

Your personal support for Foreign Service oral history programs could, in due course, help to correct the grossly distorted public perception of what the Foreign Service has and has not contributed to peace and prosperity since World War II.

Many federal agencies generously endow their own oral history programs. Representative Dante Fascell (D-FL) is among those who have, for years, urged State itself to mount something comparable. The Association for Diplomatic Studies and Georgetown University are among institutions that have recently sought to enlist volunteers to help fill the vacuum. In addition, the presidential libraries and some universities sponsor professional oral history programs that are admirably equipped to examine in depth the fading and dying recollections of participants in critical diplomatic events.

What is needed is a framework within which these various activities could be or-

chestrated, so that future scholars—and the public—will have a broader and deeper fund of source material to draw on in assessing the documentary record. The starting point might be an analytical survey, preferably initiated at your behest, of what has been done, what is being done, and what could be done along these lines.

—JOHN J. HARTER
Reston, VA

Suggestions on AID

Dear Mr. Secretary:

With a regularity enshrined as ritual, our foreign aid programs are studied by commissions, committees, private institutes, universities, even the foreign countries. And, as if echoing that regularity, most of the studies end up, as did the 1983 Carlucci Report, on the bottom of the secretary's in-basket. The ritual is enlivened every four years when a new administration begins once again to focus on AID. This election year has proved to be no exception. This time, however, something might happen. There is now, under the pressures of cut-

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backs, budget reductions, and program shrinkage, the eminent possibility of a merger of AID into the State Department in a reorganization that would not only integrate the two organizations, but would integrate their individual job functions as well.

Both State and AID have been badly hobbled by recent budget cuts, both are short of manpower to fulfill their objectives, and both have had to narrow the perspectives of their goals. Yet AID has a roster of excellent officers who could blend foreign policy administration with program management. While both agencies might shudder at the thought of merging the technicians of AID with the suave generalists of State or mixing the development goals of one with the policy objectives of the other, the only significant obstacles are the mystiques that have enshrined each operation as singularly sacrosanct.

By combining functions and eliminating duplication, and through the judicious allocation of funds, State might regain a portion of the losses suffered under recent

budget cuts. Congress, in a budget-cutting mood, might see this as a positive effort on State's part to break out of its tradition of organizational crustiness and bless the merger. Moreover, the fiction carefully sustained for so many years that development is somehow separate from the needs and objectives of foreign policy would be laid to rest in an operating merger of the two. AID would then return to what it has always been—a vital part of the foreign affairs entourage.

This is, of course, not a new proposal. It has been around since AID itself was created in the early 1960s. And it will, as in the past, generate considerable opposition from the proponents of AID and the traditionalists of State. But times have not improved and drastic action is needed. Edmund Burke, a few centuries ago, put it rather well: in grave matters of foreign affairs the choice most often is between the undesirable and the intolerable.

—WILLIAM SOMMERS
Lexington, MA

Dear Mr. Secretary:

I should like to begin with one suggestion: abolish AID. Under Secretary Spiers in December's JOURNAL advocated the "reintegration of USIA and ACDA into the State Department." Let's add USAID to this list, as money for its overhead not only is wasteful, but diminishes significantly the amounts we have available to conduct our programs abroad.

Often following congressional requirements, AID spends a disproportionate amount of money on itself and its "belt-way bandit" consultants and contractors, leaving the distinct impression that hotels, airlines, restaurants, Wang, Inc., and Mercedes Benz are benefiting more than needy Third World countries.

Let's face it, we give money to country X and less or none to country Y for political reasons. This is as it should be—we're talking about tax dollars, not charity. These political reasons are best articulated by State Department regional bureaus, with contributions from country teams overseas. There is no place for well-meaning million dollar

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Abolish AID/Washington, assign some of its economists to the regional State bureaus in an advisory capacity, and turn all AID Foreign Service officers into State Foreign Service specialists or officers in an AID cone. As it now stands, there are AID contractors overseas who are tenuously accountable to the ambassador, but earn higher salaries than the ambassador. In an AID-less regime, foreign assistance FSOs would look after money being spent overseas, but report directly to the ambassador, who in turn would have a more important say—up to and including veto power—over how that money was being used.

—ROBERT BLAU
Department of State

Dear Mr. Secretary:

I propose a program of joint American-Soviet technical assistance to selected developing countries. As the world shrinks, one of its most pressing and growing problems has been the continued gap between the "have" and the "have-not" nations. Over

the past 40 years, the gap in living standards between developing and developed nations has not shrunk significantly.

For several decades both the American and the Soviet governments have provided bilateral technical assistance to many Third World countries. In addition, Soviet and American advisers have provided technical services through multilateral agencies, working well together in their respective fields. Moreover, increasing numbers of Soviet and American experts have been working together to help resolve issues of primary concern to their own governments, such as arms control.

However, despite mutual goals, American, Soviet, and developing countries have not yet consciously considered trilateral technical assistance—meaning host country, Soviet, and American governments jointly articulating development needs, and jointly designing and carrying out technical assistance activities to meet them. Perhaps now is the time for such consideration.

I propose that the secretary of state establish a small, ad hoc task force on tri-

lateral technical assistance. The task force should request advice and counsel from our embassy in Moscow and draw upon the experience of knowledgeable officials from other agencies and the private sector.

Working with the Soviet government, a formal agreement would be negotiated outlining the terms of reference for exchange visits of Russians and Americans to discuss joint technical assistance in selected developing countries. Any trilateral pilot projects would be additions to projects currently being funded separately by the United States and the Soviet Union.

The U.S. and Soviet governments currently are expanding their cooperative activities in fields ranging from medical research on alcoholism to manned communications satellites. These activities help to meet individual needs and also help to improve the relations between the countries. Trilateral Soviet-American technical assistance countries would further cement such cooperation.

—MORRIS K. BLUMBERG
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Foreign Assistance:



Which Direction Now?

Congressional task force asks for coordination and accountability

LEE HAMILTON

The following remarks by Representative Lee Hamilton are based on a speech given to the Overseas Development Council Board in December, 1988.

THE BIPARTISAN TASK FORCE on Foreign Assistance of the House Committee on Foreign Affairs grew out of frustration. Members of Congress and many people involved in development issues have become increasingly uneasy about the U.S. foreign assistance program.

In January 1988, several members of the House Committee for Foreign Affairs expressed that frustration and discussed the need for a broad review of the U.S. foreign assistance program. The outcome of that discussion was that Dante Fascell, chairman of the committee, and Bill Broomfield, the ranking Republican, asked Ben Gilman of New York and myself to head-up the review.

The task force has since been working to assess trends in both the foreign aid program and in the policy environment. It has identified major issues and is beginning to propose solutions. It does not intend to present a "blueprint" to the administration. However, the Committee on Foreign Affairs does want to enter into a discussion with the new administration as soon after the inauguration as possible. We hope that a bipartisan effort will bring about needed changes.

The task force has been ably assisted by the executive branch, particularly Alan Woods, the administrator of AID, and by many specialists both in and outside of government, especially the Overseas Development Council.

A number of factors prompted the review. There was a general discomfort based on the feeling that foreign assistance "is not working" and that our program is not achieving its purposes. This discomfort exists among both those who make and those who implement

foreign assistance programs. It is present in Congress, where generating the necessary political support to enact foreign aid legislation is, as always, a formidable task. It is also reflected in the work product; a bill, when enacted, is loaded down with restrictions, earmarks, and conditions.

There was the realization that, given present budget constraints, financial resources for foreign assistance have probably leveled off and may even decline. The future will bring even stronger demands that we "do more with less" and find ways to use our resources to get more results with the dollars spent.

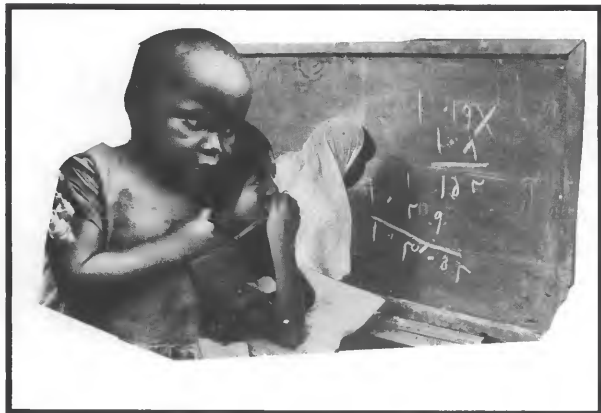
Concern over shifts in program priorities and fluctuations in funding levels in the 1980s was another factor. The foreign aid budget grew from \$10 billion to nearly \$19 billion from FY 1981 to FY 1985 and then dropped to today's \$14 billion. Over this period, development assistance declined from 20 to 15 percent, food assistance declined from 14 to 10 percent, and military assistance increased from 26 to 36 percent.

Furthermore, a feeling existed that, 15 years after enactment of "New Directions" and more than 25 years after enactment of the Foreign Assistance Act, now is an appropriate time for a full-scale review. U.S. foreign assistance programs must adapt to significant world changes.

The United States is no longer the undisputed leader in foreign assistance. It is not even the largest donor. Japan surpassed us this year. Other countries are important players, too. There has been dramatic progress of Third World countries during the last two decades, such as Korea and Taiwan. These countries have now become world economic actors and even aid donors. The United States must seek cooperative means of dealing with world problems.

There is a growing internationalization of traditionally national problems: AIDS, acid rain, the greenhouse effect, the ozone layer, environmental degradation, debt, narcotics, and

Lee Hamilton (D-IN) is on the House Committee on Foreign Affairs.



urbanization. These problems affect all people and simply cannot be solved by the actions of any one country. Many of them have their roots in poverty and rapid population growth.

In today's world, the focus of U.S. relations with many developing countries is less a matter of aid and more a matter of trade. Twenty years ago trade accounted for five percent of the U.S. gross national product. Today it accounts for 15 percent of U.S. GNP. Our trade deficit, of course, has become a major economic concern for us.

The lessening of tensions between the superpowers and the possibilities for settlement of some regional conflicts (Afghanistan, Southern Africa, Angola, the Iran-Iraq war) is also changing the world environment and creating new opportunities for peace and development.

With these concerns and realities in mind, the purpose of the task force review is threefold: first, to identify and assess major problems in U.S. foreign assistance programs; second, to define more precisely the objectives of these programs; and third, to try to strengthen those programs that can enhance U.S. national interests.

The Present Program

There have been several identifiable trends in foreign assistance program levels, composition, and objectives since the end of World War II.

Levels of Assistance. There have been three major periods of U.S. assistance (measured in terms of *today's* dollar value). From 1948 to 1952 were the Marshall Plan years, which averaged \$35 billion per year. The 1953 to 1975 period had a stable \$22 billion per year.

From 1976 to the present there has been considerable fluctuation, but has averaged about \$15 billion per year. Within this last period, total foreign aid peaked in 1986 at \$18 billion, but has declined every year since to the current request of less than \$15 billion.

As a measure of our level of effort, foreign aid as a percent of GNP was three percent in 1949, remained steady at just over one percent during the 1950s, but has declined almost every year since 1965 to its current level of 0.27 percent.

Program Composition. Military aid as a percent of total aid increased from 25 percent in 1978 to 37 percent in 1988. Development assistance decreased from 33 percent in 1978 to 26 percent in 1988. Economic Support Funds (ESF) remained steady throughout the period. Food aid has declined from highs in the 1950s and 1960s of \$5 billion per year, or 20 percent of the program, to \$1.6 billion today, or 10 percent of the program.

The *regional* focus of our aid began with our emphasis on European recovery. It shifted to South Asia and then Southeast Asia during the Vietnam war. Since 1977, Israel and Egypt have received 47 percent of the total. After 1981, aid to Central America rose sharply, to \$1.3 billion today, surpassing Asia. Aid to Africa has stabilized at about \$500 million.

Between multilateral and bilateral aid, the trend of the last 10 years has been in the direction of bilateral aid, mainly in ESF.

The facts support three major trends that have emerged since the mid-1970s: the preeminence of the Middle East and Central America, the increased use of military aid and ESF, and a corresponding shift away from support for multilateral development institutions.

Objectives. The United States has stated many justifications for foreign aid over the years. Many of these are still used today. They include: contain communism; give humanitarian assistance to the poor; promote regional peace, in the Middle East and elsewhere; secure base rights and access to facilities; shore up friendly governments; promote growth and development (help nations help themselves); respond to natural disasters; stabilize financial and trade markets; and, promote justice and democratic forms of government.

Economic Issues

The task force has examined both the military and economic programs and found similar problems in both. I am focusing on eco-

conomic issues here.

What should the level of aid be? The nation faces a budget deficit for 1990 of \$137 billion, and possibly more. To meet Gramm-Rudman targets we must reduce this by at least \$37 billion in 1990. Where these cuts are taken will be the hardest issue for the president and the Congress to face in 1989. Unless we have the strongest possible justification for foreign aid, it is unlikely that we can avoid cuts in the program.

It is the feeling of most members of Congress that foreign aid will not increase; in all probability, the level will decline. "We must do more with less" will become the watchword.

My own view is that our current program suffers from too great a concentration on the Middle East, too much emphasis on military sales, too many resources going to the bilateral ESF program and not enough to the multilateral institutions, and too great an emphasis on immediate political objectives.

What should the objectives be? The Foreign Assistance Act sets forth 33 separate objectives for U.S. economic assistance. These objectives are so numerous that they do not provide meaningful direction. They cannot be effectively implemented.

All of these 33 objectives may be worthy. I probably voted for most of them. They would probably receive the public's support, too. However, a program that pursues all objectives risks accomplishing none of them.

In my view, the purpose of the U.S. development program should be sustainable, broad-based economic growth in developing countries. When economic development benefits only the few, it cannot be sustained. Providing broad-based economic growth energizes all levels of the economy, from small farm and micro enterprises to large establishments.

This objective includes improving the capacity of the poor to participate in development. We must do what we can to alleviate the worst aspects of poverty. This means helping poor people become productive members of society.

Management and preservation of natural resources must be improved. Our effort to find the solutions to better resource management is critical to both our growth and our survival.

The objectives should also include increasing economic and social pluralism. Development is about justice as well as economic growth.

What should be the strategy? When we got into the Marshall Plan, there was not much

of a strategy of economic development. We had most of the capital. The Europeans had brains and organizational capacity. They used both to good effect—so much so that we assumed that we could do the same for Asia and the rest of the newly emerging world of less developed countries.

In fairly rapid succession, the critical factor, the missing link of development, was considered to be first, the lack of capital, then the need for physical infrastructure, the importance of agriculture, and the necessity for strong public institutions. Now we have discovered the market as the best development institution.

At times we have favored strong central planning, then no planning with public policy dialogue as the critical tool for development.

The "New Directions" of 1973 gave fullest expression to the idea that small farmers, women, and poor people must have a predominant place in a sensible development strategy.

Current strategy says we have to get growth going again, for without growth, there can be no jobs, no participation in the economy, and no trickle down. Another recent concern is environmentally sustainable development. We see the serious negative effects which unwise growth has on the environment. Now we must adjust our development strategy to this reality.

This history of development strategies serves

The purpose of the U.S. development program should be sustainable, broad-based economic growth in developing countries



The present system of accountability saps AID's unique human resource as employees sit at word processors rather than work in the field

to remind us that development is a complex enterprise. For all of our experience and sophistication, success still comes hard. All of these strategies have their place. It is the recipe by which they are put together that counts.

Surely we must leverage our efforts with the resources of others such as the World Bank, Japan, and other donors. We must support the World Bank's macroeconomic policy, but make a greater effort to influence the direction of that policy, e.g., toward sensitivity to the environment. Our comparative advantage in science and technology, education, private sector development, and public policy must be stressed, and our program directed toward problem-solving and away from resource transfer. Collaborative and cooperative relationships must be expanded, including programs of de-



velopment with advanced developing countries and newly industrialized countries.

Our development program should be based on mutual benefit, cooperation, and problem-solving. To be sure, it will require aid. But with limited resources we must strive for a more productive relationship with our development partners; a relationship marked by mutual respect and shared responsibility for development.

How do we get accountability? In some respects, the present law requires too much accountability. Hundreds of reports to the Congress are requested every year. AID generates volumes of information. Even so, I would suggest that we have not yet found the right formula for accountability. Sometimes I think that AID has become an organization geared

to document how it spends its funds, and not to implement programs and to serve the national interest in development. AID spends too much time planning and justifying what it is doing, and not enough time implementing projects and determining their impact.

For example, project papers take two years to produce, another year to get the project approved for funding, another year to choose the contract team and place it in-country. By that time, four years later, conditions have changed and the project has to be redesigned.

AID's annual congressional presentation document weighs more than most congressmen can lift. None of them read it. Some 700 notifications to Congress of project changes are sent to the Hill every year; country development strategy statements, regional strategies, policy papers, and reports to Congress, few of which are ever read, threaten to engulf us. Functional accounts, earmarks, conditions, and restrictions abound.

The result of all this is more paper and information than anyone can even pretend to use effectively. Much of this paper is produced by extraordinarily competent people. AID personnel are a unique resource. The United States is the only donor with overseas missions sufficiently staffed to have the capability to stay up-to-date on conditions in the recipient country and to engage in a dialogue with local experts. The point is that the present system of accountability saps this unique asset as employees sit at word processors rather than work in the field. The process may keep AID people busy; it may also make them irrelevant.

The question is: can accountability be made simpler, less time consuming, more effective? There is no easy solution to the problem of accountability. The task force would welcome suggestions.

One step is to focus not on what the agency intends to do—not on plans, but on the results. This approach requires ways to measure the impact of programs. It would also require a drastic change in the approach of both Congress and AID. We will have to find a way to better measure and assess program effectiveness.

In order to focus congressional attention on the responsibility for more careful monitoring of the effectiveness of the U.S. development program, I will suggest the establishment of a new development oversight committee in Congress. If we can solve the problem of accountability, then we can remove the earmarks, restrictions, functional accounts, and detailed reporting requirements that are imposed by Congress.

A principal cause of the numerous congressionally mandated earmarks, conditions, restrictions, and reporting requirements is the serious doubts of Congress about the manner in which the executive branch administers the program. Congress is often criticized for "micro-management" of the foreign aid program. That micro-management is a symptom of the lack of confidence that often comes about because Congress thinks the law has not been appropriately administered by the executive. For example, Congress has monitored cash transfers to Egypt, in part because one year the cash was used to pay a military debt, in what some of us at least thought to be a violation of U.S. law.

Overcoming this confidence gap, of course, is an ongoing process. It will take frequent, and genuine, consultations by the executive branch with Congress. And it will require that Congress give the executive branch a freer rein to implement the law.

I have almost reached the conclusion that many of the problems in the foreign assistance program come from its friends, not its enemies. With some exceptions, it is not the opponents of foreign assistance, but the proponents who initiate the earmarks, conditions, and reports. The friends of foreign assistance demand ever more out of the program, perhaps more than the program can bear.

Program Organization

We must improve coordination of our foreign economic policy, including our development policy. We must have lines of authority and responsibility at the highest levels for our development program. And we must differentiate economic development policy from political and military interests.

U.S. assistance programs lack coordination. There is an annual budget process, but the various pieces are brought in separately by the individual agencies. The pieces are reviewed as a whole by the Office of Management and Budget, but that review is principally from a budget perspective. To the extent coordination occurs, it is often at the field level, within a country mission by a strong ambassador.

I think there needs to be a single point in the making of U.S. foreign economic policy which brings together the various instruments of that policy—trade, investment, debt, food assistance and sales, economic and security assistance, science and technology, and environmental policy. As foreign assistance becomes

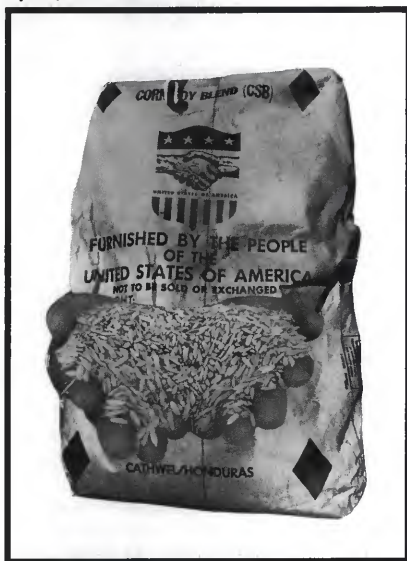
an increasingly marginal tool of U.S. policy, and as international economic relations become more complex and interdependent, coordination of the disparate elements of U.S. policy becomes more essential.

Suggestions for better organization include:

- a coordination council in the White House;
- a special adviser to the president;
- direct involvement of the secretary of state or treasury;
- an independent agency reporting directly to the president.

Other proposals under consideration are:

- a separate entity to implement development assistance, so as to remove developmental and humanitarian assistance from short-term policy objectives;



- structuring foreign assistance programs on a regional basis, similar to the new Development Fund for Africa;
- a separate entity to manage U.S. activity in international science and technology;
- a separate development foundation to fund the development activities.

The important issue is not how or where the coordination of policy is undertaken, but that it be undertaken in the manner that best fits a particular administration. The task force should not tell the president how to organize for an effective development program, but we do suggest that some organizational changes are necessary. □

Overcoming the confidence gap will take frequent consultations by the executive branch with Congress. And it will require that Congress give the executive branch a freer rein to implement the law

The United States and the Majority of the World

Aid in a changing world means combating shared problems

ROBERT J. BERG

FOR THE FIRST TIME since the early 1970s Congress is conducting an in-depth reexamination of American foreign assistance. At the first hearing held by the Hamilton-Gilman task force, I joined others in summarizing the results of the largest private sector examination ever undertaken of U.S. foreign economic cooperation. The study, sponsored by Michigan State University, urges the United States to be relevant to its evolving interests and to those of the Third World. The issue is not foreign aid. It is foreign policy.

We seem to know how to conduct effective relations in the cases where pure aid is needed—the Malawis of the world—and in the Organization for Economic Cooperation and Development (OECD). The in-between cases are what cause us difficulty. There would be less reason for concern if the bilateral relations in disrepair were only with obscure countries. But the countries where relations are in poor shape happen to hold the majority of the people of the world: India, where our minimum aid program typifies the inattention we give the country; Brazil, where the country's senior foreign policy experts told me they are almost past caring what the United States does; and Nigeria, where the backroom of relationships is being well tended, but where popular indifference and hostility still prevail.

We face a tremendous paradox in most of the Third World where sophistication and poverty live side by side. In terms of human resources and national institutions, we find immense progress over the last 30 years. Sophisticated people and institutions now expect peer relationships over shared problems and opportunities. But what they often get is a United States which acts as if their progress had not taken place.

However, in terms of the economic and social condition of the masses, progress has often not taken place. For much of the Third World, the 1980s has been a lost decade. Not only has debt-induced recession afflicted large parts of the developing world, the population/

environmental crisis has begun to catch up with country after country, clouding long-term futures. So there are both tremendous opportunities for peer progress and vast needs impelling the Third World toward relations with the world's largest national economy.

The terms of those relations can no longer be those of the 1960s and 1970s, when the basic aid programs were established. Our abilities to lead over the coming decades cannot depend upon our dominance. Instead, our position will depend upon our skill in forming cooperative efforts to be relevant to these complex situations.

The conclusion of the Michigan State University report was that U.S. national interests and values require three interrelated goals to be pursued in our relations with the Third World: broadly based growth, an effective attack on poverty, and an end to the destruction of the environment. To pursue these goals the United States needs to break free from depending upon the aid program as the lion's share of U.S. relations with the Third World. We also need a process of better integrated finances—aid and trade policies yielding the kinds of results first promised with the Caribbean Basin Initiative. Policy integration in the White House is necessary, making sure that domestic and international economic policies are mutually supportive.

It is within a context of putting the Third World onto the U.S. international political map and in integrating economic policies for mutual advantage that the derivative subject of the future of foreign aid should be discussed. The Michigan State study identified a limited number of areas where quality assistance, extended in a reliable yet flexible way, could serve joined interests. It focused on enhanced physical well being through improved health and population planning, sustainable agricultural systems, environmental programs and policies to protect resources and to assure better energy security, and fostering sound urban development policies (especially given the fact that the majority of Third World poor will be urban residents within 20 years). The U.S. approach to these challenges should be through human resource development, science and technology, policy and institutional development at sectoral levels particularly, and by stimulating pluralism in societies, especially by focusing on the private sector, nongovernmental organizations, women in development, and human rights. Multilateral agencies should be relied upon for macro-policy

and infrastructural assistance.

In all this, great regional sensitivity will be needed. To reap the mutual benefits obvious from a growing Latin America (and selected countries in Asia and Africa), it is clear that development issues must take a temporary back seat to resolving the debt crisis. Development cannot take place as long as countries are net exporters of their capital. A tremendously high priority for the United States must be to find a more comprehensive debt settlement that yields to the debtors some of the benefits of the discounts of their debts already being given by the market. Many of the solutions to do this will call upon relatively modest but essential appropriations (e.g., for a World Bank-run debt reduction facility).

Africa creates a challenge of another kind. Debt relief, indeed necessary, will not assure social and economic progress over the coming decades. For most African states the population/environment/food nexus is creating grave survival issues which surely should be the cause for changes in the world's aid allocations, including those of the United States. Africa is a priority issue for future U.S. aid.

Overall, the environmental crisis facing Africa is merely presaging crises which will occur elsewhere. Domestic and international environmental policies and programs increasingly will be called upon to help pick up the pieces of environmental disaster—if we cannot help to mobilize stabilizing actions first.

HOW SHOULD FUTURE foreign assistance be organized? Surely an agency devoted to U.S. aid is less relevant sounding for the future than a Development Cooperation Agency focusing more on the policy and analysis jobs a complex world demands.

More important than structures will be funding emphases. It is hard now to find congruence between the map of long-term U.S.-Third World mutual interest and the map of where aid is allocated. Aid is now largely military and security, directed to countries which can be served by other mechanisms of U.S. cooperation, and is not directed to where most of the people are in need.

Perhaps because Congress has micro-managed the small aid program and ignored the large aid program, we have lost sight of just how skewed a program we have. A healthy majority of our assistance goes to Israel, Egypt, and to base-rights countries. Base-rights arrangements call for more forceful study. Cannot burden sharing with host countries and our local allies lead to not having to rent the

land used by us to protect those countries? This is particularly clear regarding the expensive arrangement we have with Greece. These base-rights arrangements should either be eliminated as a U.S. budget item or, if that is impossible, shifted to the Department of Defense so that they compete as a defense budget item and not as an awkward feature of our foreign economic aid.

Over time the proportion of aid going to development must increase, just as the total should increase so that the United States, instead of being the last among OECD countries in terms of aid-GNP ratios, is at least in the middle of the pack. Again, our relevance is at stake. We have been depreciating our national good will in the Third World, and actions, not promises, must be delivered.

How can a program as unpopular as foreign aid be nominated for a budget increase in the continuing Gramm-Rudman saga? There are two related answers to that.

First, in shifting to such a heavy military-security weighting, the aid program gained few allies, but lost many friends. For example, over the past six years the mainline religious community has been conspicuously absent in its support of foreign aid, as have 120,000 former Peace Corps volunteers. What is at stake is not hanging onto the few defenders of a heavy military security program but meeting the expectations of mainline America by conducting a program which addresses key mutual economic and humanitarian concerns.

Second, in planning over the long term, we need to anticipate the possibility of lessened East-West conflict in the Third World. There are many significant signs that détente is growing in the Third World. What if it becomes an accomplished fact? Does the United States merely pull back its foreign policy resources, or can a renewed response be crafted based on mutual need and long-term mature relationships?

Congress and the new administration should seek an understanding of the broader panoply of Third World economic issues with which so much of our and the world's future is tied. The result should then be translated into U.S. international economic programs and political relationships of relevance. □

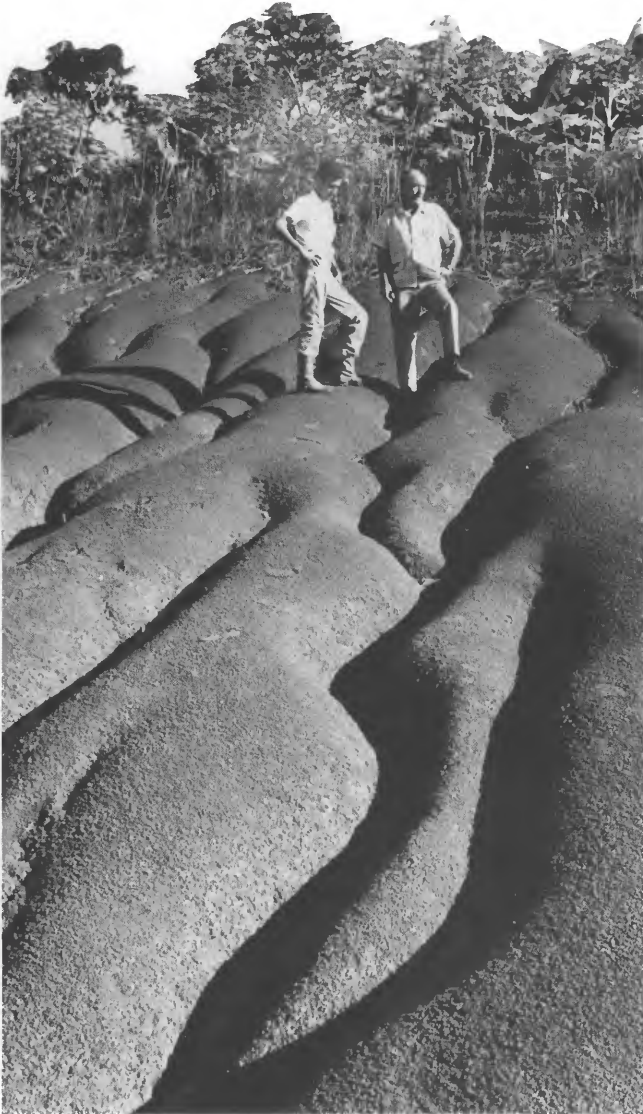
Base-rights agreements should either be eliminated as a U.S. budget item or shifted to the Department of Defense

Robert J. Berg is president of the International Development Conference in Washington D.C. He served with AID from 1965-82. The study, New Challenges and New Opportunities, is available from the Center for the Advanced Study for International Development, Michigan State University, East Lansing, MI 48824.

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*Has AID outgrown
the Foreign Assistance Act—again?*

RICHARD E. BISSELL



IT WAS NEARLY 18 years ago when the headline of AID's in-house newspaper, *FrontLines*, trumpeted the news: "Aid Reorganization Proposals Go To Congress; Plan Coordinator's Office, Institute, and Corporation." That issue of April 22, 1971, celebrated the reorganization plan commissioned by President Richard Nixon. In the words of then-Assistant Administrator Ernest Stern, "A review of the developing world and U.S. relations to it showed that we had outgrown the Foreign Assistance Act of 1961." He cited four changes that would focus the reform efforts. First, the United States was no longer the majority donor (having dropped from 57 percent of total official development assistance (ODA) to 47 percent between 1960 and 1969). Secondly, resources of international financial institutions such as the World Bank were growing rapidly and thus becoming "leaders in coordinating international development assistance." Third, with the growth of bureaucratic capabilities in developing countries, they could take on more planning and implementation formerly done by AID. And finally, trade and investment were seen as "playing a progressively more dynamic role in development."

In fact, many observers believe that the 1971 attempt at reorganization failed. What was eventually produced in 1973 in the "New Directions" legislation looked very different from the executive branch proposals, with such an overwhelming focus on basic human needs as to pull the U.S. foreign assistance effort out of broader economic development efforts. In effect, the mandate for comprehensive development was left to the international financial institutions, causing a hemorrhage of funding and people into those institutions for some years thereafter.

Most importantly, by grafting the new legislation onto the 1961 act, Congress endorsed

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the Christmas tree approach to foreign assistance: don't replace old priorities with new ones—just keep diluting the mandate. Even those who would argue that the 1973 reorganization was a success would agree that it polarized the field. It put in place a system of accountability that ensured foreign assistance would be programed at the grass roots: elementary schools built, hungry people fed, children vaccinated, and birth control distributed. It embodied the distrust between Congress and the executive branch, reinforced by waves of legislative barnacles that continued to grow during the 1970s and accelerated in the 1980s.

Aside from all Washington politics, the effect on AID development professionals was particularly pernicious. A premium was placed on *not* getting in trouble, as opposed to being entrepreneurial. And the focus became obligating the annual funding, rather than achieving development goals.

The successes of the 1980s, therefore, have not been easily won. Identifiable progress can be seen in institutional development, policy reform, combating poverty, and technology transfer. Indicators of improved quality of life are common. Life expectancy in Latin America is now more than 60 years at birth, and people are more likely to die of chronic diseases than of communicable diseases. The technical and financial problems of combating famine in Africa and Asia have been mastered, even if political hurdles still keep relief from reaching some people. And economic policies throughout the developing countries are being propelled in the right direction by enlightened leaderships.

But progress has been achieved *despite* the authorization framework, not with its help. As the number of objectives proliferated, the ability of AID to focus was that much more difficult. The number of accountability provisions threatened to transform AID from an agency of programmers into an organization of accountants. And the number of provisions in the Foreign Assistance Act (FAA) catering to special interests continued to climb. Winning development successes in that environment had to be won twice over—in the developing countries and then again in Washington.

New Realities

Foreign assistance is dealing with an environment transformed in a number of aspects, a function of changes in the United States, in the developing countries, and in the rest

of the donor community. But it is also a function of a new relationship between the United States and the global economy. Most broadly, the United States now embodies what was once the hypothesis of academic modelers: we are truly part of an "interdependent" world. Trade occupies an unprecedented percentage of our GNP. The trade imbalance and consequent gyrations in the value of the dollar are causing stress in the domestic economy. International economic issues are rapidly rising toward the top of domestic political concerns.

The second reality for the United States is a combination of the budget deficit and the squeeze on the foreign assistance share. It has meant a struggle to maintain the same level in current dollars for foreign assistance, even as other donor numbers are rising. Most impressively, the negotiated requirements for multilateral institutions are increasing rapidly, both in our IDA 8 experience at the World Bank and as can be foreseen in the upcoming IDA 9 talks. We have reached the second stage in the reduction of the American role. At the end of the 1960s, the United States dropped below 50 percent of global ODA. We now face dropping into second place among all bilateral donors in dollars, and are at the bottom of the rankings for percentage of GNP allocated for official development assistance. In effect, we no longer have the program breadth and the budgetary depth to be all things to all developing countries.

To balance the budget problems, the nature of economic relations between the United States and the developing countries is no longer primarily an aid relationship. The roles of trade, finance, and investment are far more important in a quantitative sense. We have seen such development in bank financing, to the benefit of the developing countries in the 1970s and to their detriment in the 1980s, as they attempt to service the loans. Trade, too, has been a two-edged sword. The United States buys large quantities of Third World exports, but can unintentionally do great damage when they are cut off, as in rearrangement of sugar quotas. What observers of the trade scene have noticed in recent years is the increasing extent to which developing countries absorb American exports. In other words, to help meet the U.S. trade deficit, we should be emphasizing developing countries' growth. And that will involve trade and investment as much as bilateral grant assistance.

Finally, the universe of developing countries has diversified. Even more than in prior decades, some countries are sustaining their own growth patterns, and others are moving

We no longer have the program breadth and budgetary depth to be all things to all developing countries



backwards. The development gaps among the Third World countries are becoming more obvious all the time. A recent report for AID showed that daily caloric intake per capita in Latin America, Asia, and the Middle East had grown from about 2,000 in 1965 to about 2,300 in 1986. At the same time, it dropped in Africa from 2,100 to 2,000, with specific countries' figures sickeningly low. The same report indicated that food production was failing in Africa, while climbing in other developing countries.

The success stories, however, are impressive. Much of East and Southeast Asia is exceeding expectations. Even that Malthusian paragon of 20 years ago, Mauritius, is trying to keep its growth rates under 10 percent annually because there is insufficient labor to staff all the investment going into the island. Mauritian investors are planning joint ventures with India in order to offload some of the unfulfillable orders into Indian factories. The world of development, therefore, has to deal with the unforeseen, both in the successes and the failures.

AT THE SAME TIME, the nature of U.S. bilateral assistance has been changing. We have, for virtually all development assistance and economic support fund programs, eliminated the loan as an assistance instrument. This made sense in the face of the growing debt crisis and the reduced present value of loans at three to four percent in a world of far greater inflation. Assistance has focused increasingly on macroeconomic issues. After all, of what value is a terrific project in a sector doomed to failure by overall government policies? The quest for sensible macroeconomic policies leads AID missions and host governments to collaborate in specific sectors as much as in country-wide policies. U.S. foreign assistance is also much more cognizant of other donors' activities. Coordination is occurring on a policy level through the OECD, at a country level through periodic consultative groups (chaired by the World Bank) and roundtables (chaired by the UN Development Program), and at the sector/project levels in-country (chaired by lead donors). In only a few countries is the United States the lead donor anymore. For our dollars to be spent effectively and to avoid undercutting one another, collaboration is increasing.

If all these positive developments are underway, what is the push to rewrite the FAA? It is that, along with growing understanding that the United States is no longer the domi-

nant player on the block and that development programs have to respond to diverse conditions, the legislative base of the U.S. program is increasingly restricting the ability of AID to respond properly. Whether in funding earmarks or program directives, the U.S. program is losing its responsiveness just at a time when a premium is placed on it. To increase funding earmarks while the overall level is stagnant effectively reduces the ability of AID to respond to changing development realities. To increase global program directives at a time when the conditions in the Third World are diversifying forces the AID program off the mark, and wastes taxpayers' money. To continue to authorize and appropriate funding on an annual basis while we encourage Third World governments to engage in multi-year development planning is to make the United States seem irrelevant or, at best, capricious. To continue to expand the number of required objectives in the FAA is to encourage superficiality in an assistance program that has led the world of donors in sophistication.

The Real Problems

There is remarkably little dispute about the nature of the problems in the current act, whether between political parties or between the two ends of Pennsylvania Avenue. People of good will do arrive at different answers, but it is a measure of the growing trust within the branches of government that most do agree on the right questions. It might be helpful to sketch those out.

- Functional accounts no longer have the same meaning as when they were created. Indeed, the activities for which the accounts are named are not confined to the accounts. Certain activities, such as the environment, energy, and education, are spread across many of the accounts. After the experiment of the last two years—where functional accounts have been abolished for the Africa region—it is clear to some that they should be eliminated for the whole Development Assistance account. For accountability purposes, AID could readily inform Congress at the end of the year about progress made on a number of key objectives that would encompass current functional accounts.

- The geographic allocation of foreign assistance creates enormous tensions between the executive branch and Congress, even as both sides recognize that some flexibility in

geographic allocations makes sense in the present world. Country earmarks have increased in a helter-skelter manner in recent years, both from the authorizing and appropriating committees. At the same time, regional earmarks (as in Africa) are becoming attractive to some members. We can't have it both ways. The politically prominent countries receive favored treatment through earmarks, leaving those (frequently the poorest) countries of less interest to fend for the leftovers in budget allocations. Thus, programs in countries such as Jamaica, Indonesia, and Bolivia have to respond like yo-yos to the vagaries of earmarks. If the bipartisan spirit that infuses so much of the foreign assistance program also held sway on this issue, regional allocations might make sense, with frequent consultations on the country programs that lie within each mark.

● We need to find a way to reflect the multi-year character of development planning. It has been helpful for the authorizing committees to focus on two-year authorizations in recent years. Such a spirit should be extended to the appropriators as well. But just as important is the question of oversight. The planning cycle at AID—use of three-to-five year country development strategy statements—is not reflected in the dialogue with Congress. Program oversight by Congress would be greatly facilitated if the valuable time of members and staff were focused on AID countries as the mission strategies come up for review. One-year or two-year cycles make no sense from a developmental perspective, and only force choppiness into programs. This may be easier to accomplish politically, now that the worst adjustment phase of Gramm-Rudman is past.

● Multi-year planning would need to be complemented by a more effective way of communicating the impact of U.S. foreign assistance. The public and Congress appropriately ask, "What difference does another dollar of foreign aid make?" AID cannot explain that on a one-year basis, but in the course of a development planning cycle, AID should be able to convey that very clearly, and show how it is learning from the successes and failures that emerge. But Congress doesn't encourage that perspective. For every hour spent reading AID evaluation reports, congressional staff spend a hundred hours reading audit reports. As a result, AID knows where every dollar is spent. It is equally important to give AID incentives to know what impact each dollar has had, too.

● The FAA needs to differentiate between goals and objectives. The confusion of the two over the last decade has led to a proliferation

of the mandates for AID, and a consequent inability to meet them to the satisfaction of Congress and the interest groups who pressed for them. As the clout of the United States has shrunk, with its declining share of global ODA, everybody has become more frustrated about the situation. Many argue that the act has too many objectives; but that isn't really the issue. The "goals" of the FAA should be clear: sustained, broad-based economic growth and development. That effort encompasses all donors' efforts, in which the United States can play a catalytic, but not determinative, role. On the other hand, each country program will set objectives, negotiated out between the United States and the host government, with the appropriate oversight from Con-

The legislative base of the U.S. program is increasingly restricting the ability of AID to respond properly



gress that the priorities are correct. Clearly, AID is accountable for progress in meeting those stated objectives, and if it is unable to meet them, to explain why not. For those purposes, the menu of objectives needs to be very broad, given the diverse circumstances of the developing countries. AID also needs to give attention, however, to the goals of the program, and be able to translate the reality of Africa, Asia, and Latin America into progress reports for the casual American observer. If that is not done, political support for the assistance program cannot be sustained.

- The FAA clearly needs to provide for improved coordination within the U.S. government. Many schemes have been proposed for dealing with that issue—revitalization of IDCA, incorporation into the State Department, cabinet rank, etc.—but whatever the solution, the problem needs common agreement first. Foreign assistance is no longer the principal “currency” of economic interaction with the developing countries. Treasury (monetary affairs and the multilateral development banks), State (UN agencies and foreign economic policy), Agriculture, the U.S. Trade Representative, Commerce, the Export-Import Bank, the Overseas Private Investment Corporation, and others all play major roles today in the economic futures of developing countries. In terms of meeting the dual goals of U.S. foreign policy and economic development in Asia, Africa, and Latin America, it is necessary to recapture an American strategy that encompasses all the bureaucratic players.

A New FAA?

Twenty-seven years is a long time for any agency to live with an increasingly “decorated” authorization. And in the case of the FAA, the changes in approach, the expansion of interest groups, and the diversification of the developing countries themselves have done particular damage to the enabling legislation. There is broadly distributed agreement that a new act should be designed. How it should be done will have to be negotiated among the chairmen of the Foreign Affairs Committee and the Foreign Relations Committee, the secretary of state and the administrator of AID. If such a rewrite were to include military assistance, other cabinet members would be involved as well.

The political will for a new act, however, is surely present. What the American people want is an assistance program that is good for the United States and good for the people of the developing countries. They want it to express the best spirit of this country, that with good will all mankind can be better off, that people need not suffer in the last decade of the twentieth century, and that all people deserve the opportunity to improve their lives. The United States knows more about creating opportunities than any other society on earth. We need an institution with the flexibility to help others realize their dreams as well. A new Foreign Assistance Act would be the first and most important step. □



When the President Comes Calling

WHATEVER its benefits to international relations, a visit by the president of the United States to a foreign capital provides the ultimate test of the U.S. embassy staff's resilience.

For me that time of testing fortunately arrived only after I had already been a Foreign Service officer for more than 13 years and had built up a considerable tolerance for working without sleep during less august events. Still, when President Nixon scheduled a week-long European trip in late February 1969 and included on the itinerary a two-day stay in Paris, where I was information officer at the embassy, I little suspected what lay in store for me and my colleagues.

A presidential visit starts innocently enough with a telegram from Washington announcing that a White House advance team is coming to make prepa-

MAX KRAUS

*A presidential visit
tests the mettle
of an
embassy staff*

rations. Two men who later served jail terms over the Watergate affair—presidential counselor John Ehrlichman and his assistant, Edward Morgan—led the advance team, which included Timothy Elbourne, an assistant of White House press secretary Ron Ziegler; Secret Service men; commu-

nications technicians; and other specialists—25 people in all.

Sargent Shriver, the American ambassador in Paris at the time, named Robert Blake, his deputy chief of mission and a career Foreign Service officer, to head the embassy planning team. Most remaining key officers of the embassy were designated to work with members of the advance party and French officials on the detailed program of events, while I was chosen, together with my colleague Bill Payeff, the press attaché, to work on press arrangements.

Agreeing on the substantive program of the visit was easy. U.S.-French relations had sunk to an all-time low, and both presidents wanted to spend as much time as possible in private meetings to seek ways of improving them. But these face-to-face talks, with only an interpreter present, had to be fitted into a framework of

public and ceremonial events inevitable when two world leaders meet.

Planning a presidential visit with officials of the host country often becomes a game of arm-wrestling. The White House staff has very definite ideas of how they would like things to proceed, but, as a rule, so does the host government, and more often than not the parties do not see eye-to-eye. The president of France in 1969 was Charles de Gaulle, never the most pliable of men, and his ideas of how the Nixon visit should be organized were as strong as the White House staff's. As a result, battle lines were drawn from the outset.

There were 12 official "events" on the program, ranging from the arrival ceremony to the customary wreath-laying on the tomb of France's unknown soldier under the Arc de Triomphe. A dinner hosted by the French president and another hosted by Nixon were, of course, also on the schedule. For all these events we had to work out scenarios regulating the most minute details with our French counterparts. There were substantive scenarios about who would participate in each event, where people would stand, who would do the necessary interpreting—hundreds of details, all important. And then there was a press scenario for each event. Because plans kept changing every time we met with the French—and we met almost around-the-clock—we all wrote at least two revised substantive and press scenarios per-event per-day and cabled them all to Washington.

But before we got involved in scenarios, more mundane matters had to be settled. In the same way that a travel agent books the hotel rooms for ordinary tourists planning a trip abroad, the advance team has to arrange accommodations for the White House party, which eventually numbers in the hundreds, counting the visiting media. The president and a few of his closest aides usually occupy the official guest quarters of the host government. In Paris in 1969, the Palais d'Orsay, which also houses the French Foreign Ministry, was the counterpart to Washington's Blair House, and the Silver Suite was set aside for the president. With unusual alacrity, the White House

Communications Agency installed the special phones that are tied into the White House switchboard, and that can put the president and his staff into instant communication with the whole world.

Ironically, the speed with which the telephones were installed later resulted in what may have been the most circuitous local call ever placed. A top official of the Paris embassy toured the Silver Suite in the company of Mme. Debré, wife of the French foreign minister. Mme. Debré wanted to call her apartment in Paris and picked up a phone in the Silver Suite. Instantly she was talking to the White House switchboard and was asked with whom she wanted to speak. She gave the operator her private phone number in Paris, and in no time she was talking to her maid. Her call crossed the Atlantic twice, from the Palais d'Orsay to the White House and from there back to Paris.

The White House staff below the very top echelon was assigned rooms at the Hotel Crillon, next door to the embassy chancery. The Hotel George V, off the Champs-Élysées, fortunately found rooms for the 200 U.S. media people traveling on the two chartered press planes accompanying the president; they also agreed that we could set up the White House press center in the hotel's ballroom, where President Nixon's spokesman, Ron Ziegler, and French spokesmen could conduct briefings. To provide working facilities for the press, the embassy was almost stripped of typewriters, and the French installed dozens of phones and telex machines. The White House provided microphone outlets for the electronic media, as well as transformers for television lights and other electric equipment.

With these housekeeping details out of the way, we all could settle down to arm wrangling with the French over detailed arrangements and writing the final scenarios. The first French-American clash developed over travel arrangements from Orly airport, where the general would welcome Nixon, back to the quai d'Orsay. The Secret Service wanted the two chiefs of state to travel by helicopter, but that idea was instantly scorched by the French.



The public affairs staff in Paris prepares

"De Gaulle hates helicopters and won't travel in one," they said, and suggested the principals travel in de Gaulle's limousine, accompanied only by an interpreter.

Bowing to the inevitable, the Secret Service abandoned the helicopter idea and agreed to ground transportation. But, they insisted, the two principals should ride in President Nixon's bulletproof Cadillac, which would be flown to Paris for the occasion. "If you insist on that," the French replied, "General de Gaulle will not greet President Nixon at the airport but on his arrival at the Palais d'Orsay. The general is the host, and he and the president will use his car." Again, the White House staff had to give in, but not until after a frantic exchange of cables with Washington. At that point the French had won what amounted to the first two falls in arm-wrestling.

The substantive scenario for the arrival could now be written: General de Gaulle would greet President Nixon at the foot of the ramp from Air Force One. The national anthems would be played and an honor guard would pass



for the arrival of President Nixon—and his press entourage.

in review. Then the two principals and designated staff members would go into the *salon d'honneur* of the airport, where welcoming speeches would be exchanged. Meanwhile, the motorcade for the ride to the quai d'Orsay would be drawn up outside, and the occupants of each car would be designated.

How the press could cover both the arrival and the ride into Paris became the next point of contention and the one that brought me into the contest.

It is worth noting at this point that the White House press corps is beyond dispute the most spoiled body of media people in the world. They assume a divine right to be in on everything and want it served to them on a silver platter. Although de Gaulle appreciated the importance of the media, he was used to a much more subservient press corps and wanted it kept in its place.

The White House routine for presidential trips within the United States is that the chartered press planes arrive ahead of Air Force One; a press enclosure is provided on the tarmac to witness the president's descent; and the

members of the press then board buses, which bring up the rear of the motorcade for the trip into town. A special arrangement is made, however, for the small press pool that always rides on Air Force One and has a priority spot in the motorcade to cover any unplanned happening.

When Elbourne, Ziegler's deputy in the advance team, proposed that this routine be followed for Nixon's arrival in Paris, the French immediately balked: the general would not stand for an unseemly stampede of the media from the tarmac enclosure into the *salon d'honneur*.

Therefore, correspondents would have to choose between covering the greeting on the tarmac or the speeches in the salon. Also, the tarmac people could board the press buses in the motorcade while welcoming remarks were being exchanged, but the salon people would have to get into town separately from the motorcade to avoid another stampede.

With infinite pain, certain exceptions from these general rules for the official White House photographer and

the Air Force One pool were negotiated, but it raised a new problem for me and my staff: how to pick all these "exceptional people"—none of whom we had ever met before—out of the crowd after they arrived and guide them to their prearranged places through massive numbers of French security and protocol people. Revisions to the press scenario for the arrival crossed the Atlantic almost continuously at this point.

Not all the sticky decisions were occasioned by the conflicting views of the White House and Elysée staffs. Some, such as who should be invited to the dinner given by de Gaulle, grew out of power struggles *within* the Nixon party. Almost every member of the advance team insisted that the president would never stand for attending that dinner without him or his superior at the presidential elbow.

But far and away the most agonizing intra-American decisions were over the arrangements for the dinner President Nixon would give in honor of his host. The French had suggested that Nixon give the dinner at the Palais d'Orsay, since that would be his "home" during the visit, but the advance team quickly ruled that the dinner had to be held on official American grounds in Paris. Shriver's residence was the obvious place, but when Clement Conger, the State Department curator of eighteenth-century furniture and unofficial arbiter of good taste, paid his first visit there, his eyebrows shot up in dismay.

The Shrivvers had redecorated and refurbished the embassy residence near place du Trocadéro in modern style. There were contemporary American paintings, mostly abstract, and a modern white couch in the salon on a shag rug matching its color. And there were, naturally, pictures of JFK and other members of the Kennedy clan in abundance. It was, Conger thought, not a setting in which a Republican U.S. president should receive a man with the conservative tastes of his French counterpart.

Some alternative venues in the embassy chancery or the Hotel Talleyrand, the historic French building bought by the United States at the end of World War II that now housed the

Paris offices of the USIS, were considered and rejected. Shriver's residence was the only possible choice after all, Conger decided, but it would have to be restored to its pre-Shriver state for one night.

The decision launched a week of frantic efforts. The period furniture of the embassy residence was taken out of storage and refurbished with the help of the *Mobilier de France*, the official repository of France's government furniture. Restorers from the Louvre worked almost around-the-clock cleaning the original pictures that had hung in the residence. Additional paintings and objets d'art were borrowed from the State Department's representational rooms and Washington museums, and flown to Paris. And a final decorative crisis was averted when the White House overruled the advance team's decision that the Shriver's personal photos of President Kennedy and the rest of the family should remain out of sight the night of the dinner.

The dinner menu briefly caused another flap. The Shriver's French chef wanted to prepare an elegant French dinner for his chief of state but was thwarted by the advance team's decision to have all the food flown over from Washington: filets mignon with green American asparagus and baked Idaho potatoes. The residence chef was able, however, to make one contribution to the feast. At his suggestion, the potatoes were stuffed with caviar.

All these decisions, of course, required more revisions to the scenarios, and the steady flow of cables from Paris to Washington continued unabated. But slowly, a disquieting realization struck us: there had not been a single answering message from Washington either approving our proposals for media arrangements or asking for changes. Even after the president had left Washington and had started his visits to other European capitals on his itinerary—stops in Brussels, London, Bonn, Berlin, and Rome preceded his arrival in Paris—no replies were received to tell us whether we were on the right track. Our cables seemed to have vanished into a void.

Finally, Lee Brady, the public af-

fairs officer, decided to send press attaché Bill Payeff to Rome to put the question to Ziegler personally. This at last resulted in a phone call from Rome telling us that no changes in the press scenarios were needed.

The mystery of the White House Press Office's prolonged silence was solved only after Payeff returned from Rome. This was the first trip abroad for Nixon since his election, and the White House staff, unfamiliar with the problems that organizing presidential trips abroad entailed, had not parceled out among themselves responsibility for the various stops on the tour. Thus, all revisions for all press scenarios for all events on the president's six-city trip landed in Ziegler's in-basket, and he was simply overwhelmed by the sheer volume of cables. Only he can tell whether he ever read any of them, but Payeff told me later that when he had dinner with Ziegler and his deputy in Rome, he found both almost zombielike with fatigue. Ziegler actually fell asleep at the dinner table while Payeff tried to discuss press arrangements in Paris.

But in the end all arrangements fell into place, and we were ready to meet the planes from Rome. There is in my files a picture taken on the steps of the Hotel Talleyrand on February 28, 1969. It shows me with most of the public affairs staff of the embassy in Paris just before we boarded the cars to take us to Orly. Each of us holds a sign nailed to a broom handle. The signs read "SALON D'HONNEUR CEREMONY," "WHITE HOUSE PHOTOGRAPHER," "AIR FORCE ONE POOL"—the solution to our problem of identifying people accorded special privileges so we could lead them to their predetermined places for later coverage.

Our constant refining of scenarios paid off because everything ran like clockwork. Almost everything, that is. When Bill Payeff guided Ziegler to the press enclosure from the first press charter plane to arrive, the press spokesman noticed that he had left his briefcase on the plane, and he started to walk back across the tarmac to get it. He was so tired that he ignored the frantic shouts of the French security

guards until Payeff grabbed him by the arm and possibly saved him from being shot.

Finally Air Force One landed, and de Gaulle greeted Nixon at the foot of the ramp while the band played the American and French national anthems. The press pool descended from the ramp at the rear of the plane and ran for the special enclosure set aside for it.

From then on, all other arrangements for the visit went smoothly—with only one incident. After having laid a wreath on the tomb of France's unknown soldier, Nixon ordered his driver to stop on the drive down the Champs-Élysées, and he got out for what the French call a *bain de foule*, a bath in the crowd, walking among the crowd of spectators and shaking hands with them. The Secret Service men and French security people nearly went out of their minds before the president could be persuaded to get back into his car.

The private talks between the two chiefs of state were cordial and productive, ending a long period in which Franco-American relations had been at a low ebb. Nixon's dinner in honor of de Gaulle was a smashing success, with after-dinner entertainment provided by violinist Yehudi Menuhin and his pianist sister, Hepzibah.

The schedule for the dinner given by de Gaulle, however, produced an unintended political commentary on Nixon's communications skills—or lack of them. According to Nixon's carefully worked-out schedule for the dinner, de Gaulle would make a toast at the end of the meal, which then would be translated into English. Following that, it called for Nixon's toast, stipulating that "President Nixon will speak for 10 minutes and then his speech will be translated into English."

"I knew I had troubles communicating," Nixon later told the embassy staff, "but not to that extent."

Max Kraus is a former FSO with USIA. This story is from his recently published book, They All Came to Geneva and Other Tales of a Public Diplomat, Seven Locks Press.

Two Operations Center veterans describe "time on the watch"

By SANDRA ODER and JOHN KOENIG

The State Department Operations Center was created during the Kennedy administration and officially began operation on April 30, 1961. The "watch" functions as the secretary's primary duty office and crisis management center, distributing high-precedence and extremely sensitive cables; preparing briefing documents and daily press clips for department principals; coordinating department and interagency actions, particularly after working hours when an immediate response is required; housing and supporting task forces that address international crises; and coordinating the government's decision-making process in response to non-military incidents with foreign affairs implications.

Each shift is staffed by three or four FSOs and an operations assistant. The senior watch officer is typically an FS-1 or 2; the watch officer editors are second- or third-tour FS-3 or 4s, recommended by the ambassadors at their previous posts. Each of the latter rotates among the three positions of watch officer, emergency action officer, and editor. A watch officer typically rotates through a series of six shifts—two days from 7:15 a.m. to 4:30 p.m.; two days from 3:15 p.m. to 12:30 a.m.; and two days from 11:15 p.m. to 8:30 a.m.—followed by a "weekend," after which the rotation is resumed.

Just as the Foreign Service's marvelous combination of transience and a regular paycheck sets employees free from the geographic limitations of a more ordinary career, the Ops Center liberates employees from the normal weekday routine to wander from shift to shift.

Given the very real crises dealt with on the watch, involving injury, death, even war, any comment on the problems and pleasures of Ops Center personnel seems sentimental and inane. Yet these relatively mundane concerns are at least as integral to the workings of the center as terrorist incidents and sham elections. Unlike larger events, which are transitory and occur at a distance, the peculiarities of the schedule are persistent and immediate. Work is done in a windowless cocoon behind locked doors. Once on duty, no one leaves the watch. The main contact with other people is with voices on the other end of a



phone line. It can be difficult to relate to what time of day it is, or even what day. Time off comes when others are working.

Married to the watch - J.K.

The warnings and condolences began when I bid on the Operations Center toward the end of two years as a political officer in East Berlin. The ambassador and others encouraged me to seek the assignment and spoke, quite fairly, of opportunities and excitement. But there were always those mischievous disclaimers. Most dealt with the chronic fatigue and disorientation which would be my lot, the inevitable discombobulation of my internal clock. Nevertheless, despite excessive devotion to diurnal convention (fraternity brothers in college doing finals week "all nighters" had elicited my condescending empathy, but not my sympathy), I did not expect much trouble with sleep deprivation.

The Ops Center was in many ways an unaccompanied tour. In East Berlin, where my wife, Natalie, and I both worked in the political section, we were together around the clock. In Washington, with our separate jobs and schedules, we often went for three days without seeing each other, communicating by telephone and notes. I even found myself straining for a glimpse

of her on her southbound bus, as I headed home, northbound. More unsettling was the unavoidable realization that, even when both awake, we were chronically "out of sync." Natalie, a so-called night person, used to complain I was a hectoring morning type, a depressingly persistent alarm clock. During the Ops Center assignment, we both found my surges of energy annoying.

Leading the liberated life in a world bound to daily tradition can lead to a series of farcical melodramas. Halfway through the move to our new home in Washington, I had to drop everything and head to the department for a "midnight." I felt ridiculous while Natalie, all alone, shuttled boxes into the wee hours and I phoned from the office to make sure all was well. I had been semi-awake when we closed on our condo and had slept through most of Natalie's job search. The good news in both cases dragged me out of bed, causing as much irritation as delight.

Simple adjustments helped us cope with our separation. We often met for lunch to catch up on our lives. Regular phone calls allayed anxieties and alleviated some of the loneliness. To Natalie's delight, I assumed more responsibility for housework after joining the Ops Center, so our time together, though limited and irregular, was

People

more enjoyable for both of us. The romance of dating returned to our relationship after four years of marriage.

A single's perspective - S.O.

I found that a single person also has to make adjustments to work in the Ops Center. To have a social life and work the watch takes real planning and considerable flexibility on the part of friends. When a new schedule came out, my boyfriend and I scrutinized it carefully to plan when we'd be able to see each other. Even phone calls had to be scheduled during hours when I was not likely to be asleep and he was most likely to be home.

Long-term planning and spontaneity both fall victim to the watch. Seeing or phoning non-watch friends becomes a problem of juggling evening schedules and sleep. Arranging to go to the opera with a fellow watch officer added in more schedule problems. When I was off, she was working and vice versa. We finally found that we could make a Saturday matinee if I slept only three hours after a midnight shift, went

to the opera, and then took a nap before going on my next midnight shift.

But the worse consequence was gaining weight. With no regular schedule to follow, I seemed to be always hungry. I never knew which meal I should be eating. If I was just getting out of bed, I wanted breakfast, but if it was 4 p.m., shouldn't I have dinner instead? To stay awake on midnights, we would eat, competing to bring in the most chocolatey, most calorie-ridden treats we could. One operations assistant tried to convert us to health snacks, but gingerbread men co-opted her instead, and the pounds just kept adding up.

However, contrary to common belief, the Ops Center gets in one's blood, or, as usually put, it grows on you. The work is interesting and occasionally exciting. The watch is characterized by a warm camaraderie similar to first tour visa-line duty. And in off-hours, those working the watch are seldom seen standing in line at Safeway, and almost never caught in rush-hour traffic. They are the reverse commuters, the off-peak shoppers, the leisurely lunchers.

In their time off they can be found shopping, playing tennis, taking in the latest museum exhibit. They can tarry contentedly among the ethnographic exhibits of the National Museum of Natural History, unbothered by raucous crowds. Weekdays, they sit with a cup of coffee, windows open on the morning, and read the entire newspaper.

It is a rich existence, if rather solitary—a description as apt for the Ops Center lifestyle as for the broader Foreign Service. Freedom, both spatial and temporal, comes at the expense of relations with those left behind.

With an eclecticism surpassing even the Foreign Service as a whole, each watch officer has the whole world in his/her purview and moves between different roles on a frequent, sometimes daily basis. The variety, the lack of routine, the big-picture approach are as attractive in the Ops Center as in the larger Foreign Service. Against these enticements must be placed the burdens of time disorientation, often being alone and occasionally feeling lonely.

A day on the watch

Though many days are routine, others explode with frenzied activity, like November 29, 1987.

At 0635 the watch received news a Korean Airlines flight was missing between Addis Ababa and Bangkok.

The watch officer solicited information from Embassy Seoul, the FAA, Baghdad, Addis Ababa, and Abu Dhabi (the actual originating point of the flight rather than Addis as reported). KA finally confirmed the flight was missing, but didn't know if any Americans were aboard, and indicated they were considering the possibility of a hijack. The watch began making the necessary alerts.

At 0715 the dayshift arrived and was briefed. At 0847 Embassy Baghdad confirmed no Americans were aboard the missing KA flight. Concerned parties were so informed. However, calls about the incident con-

tinued throughout the day.

At 0915 a message was received indicating the Haitian elections had been canceled due to violence.

The watch established communications with Embassy Port-au-Prince. Information was shared among various government agencies and the necessary alerts were made. The secretary was briefed prior to his appearance on *Face the Nation*.

A flood of calls from concerned citizens, the press, congressmen, and officials began and continued throughout the day, as many as 10 at a time, with only four people to handle them.

Arrangements were made to return the American election observer group to the United States.

Assistant Secretary Abrams set up operations on the watch to follow the Haitian situation, and was later joined by officers from concerned offices. Be-

cause of the volume of press inquiries, a press officer was called in.

Throughout the day, the watch was also facilitating the operations of the African bureau duty officer, who was handling a crash of a South African flight that had occurred the previous day, coordinating among the SAG, the embassy in South Africa, military and civilian authorities. Details relating to the schedule for the upcoming summit were also dealt with that day.

And, of course, the routine matters still had to be handled: assignment of cable distribution, visa-waiver requests, duty officer whereabouts, information requests from the general public, crank calls, etc.

At 1515 the swing shift reported for duty and were briefed, taking over at 1600.

Logs were prepared and the day shift left at 1700.

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AFSA's 1988 Foreign Service Tax Guide

By Sabine Sisk
Director for Administration



It's that time of the year again to think about taxes—so bestir yourself—it could mean money in your pocket.

The IRS has estimated that about 75 percent of those filing 1988 returns will get refunds, with the average refund expected to be \$750. Federal tax rates are lower in 1988 than they were in 1987, and exemptions and standard deductions are increased.

The IRS has also promised that the 1988 tax forms will be easier to comprehend due to changes in graphics and instructions. According to a recent study, 1040EZ filers need only an hour and a half to grapple with the form. Those who itemize and have to file the 1040 long form still need nine hours and 17 minutes to get to the finish line.

What follows is a summary of the major features of 1988 federal tax provisions. (See page 52 for states' tax information.) As in the past, we emphasize areas affecting the Foreign Service. Most tax questions we receive nowadays from Foreign Service members concern homeownership and tax liability upon sale of a residence. We have, therefore, devoted a special section to this issue.

AFSA's Tax Guide is intended as a guideline, and does not presume to do more than that. We try to be accurate, but many of the new provisions and implementing IRS regulations have not been fully tested. Therefore, use caution and consult with a tax adviser if you have specific questions or an unusual or complex situation. Also, do not wait until the last minute. The Tax Reform Act of 1986 is complicated and continues to go through revisions and "correc-

tions," and tax accountants expect another busy season.

A word of thanks to the legal, accounting and tax experts AFSA consulted in preparing this article. These include our tax consultant, Bob Dussell, who continues to provide advice to many Foreign Service people.

Reduced Rates: For 1988, there are basically two tax rates for individuals, 15 and 28 percent, except for high earners who incur a five percent surcharge. The rate is 15 percent for taxable income up to \$29,750 for marrieds; \$17,850 for singles. Income above that is taxed at 28 percent up to \$71,900 for couples; \$43,150 for singles. As income tops this amounts, a five percent surtax is levied.

The Personal Exemption for each taxpayer, spouse and dependent has been increased to \$1,950. This is one of the few areas where Foreign Service employees with large families come out ahead. However, the extra exemption for the blind and over 65 has been eliminated.

The Standard Deduction is for non-itemizers and alleviates the loss of many deductions. It has been significantly increased for 1988 to make it attractive for taxpayers to switch to the EZ form. For couples it is \$5,000; for singles it is \$3,000. Marrieds filing separately get a standard deduction of \$2,500 and for head-of-household filers the deduction jumps to \$4,400. Married taxpayers who are 65 or blind get an additional \$600 each, or \$750 if single or head-of-household.

Most unreimbursed employee business expenses must now be reported as a miscellaneous expense and are subject to a two percent floor of adjusted gross income (AGI). This includes professional dues and publications, employment and education expenses, home office, legal, accounting, custodial and tax preparation fees, home leave and representational expenses—and contributions to

AFSA's Legislative and Legal Action Funds. Unreimbursed moving expenses are the exception; they may be fully deducted without the two-percent floor. Medical Expenses, however, are subject to a 7.5 percent floor of AGI. This means that to have any deductible medical cost, they would have to exceed \$2,250 if your AGI is \$30,000.

State and local income, real estate and personal property taxes remain fully deductible for itemizers, as are charitable contributions. If your non-cash charitable contributions exceed \$500, IRS Form 8283 must be completed and attached.

Before "tax simplification" time all interest on loans was fully deductible for itemizers. But under the new complicated rules, interest is not simply "interest" any more and deductibility depends on the type of loan or purpose for which the loan was used. Consumer interest on credit cards, car and education loans, is being phased out. For 1988, only 40 percent is deductible. This amount is reduced to 20 percent in 1989. Mortgage interest is, for the most part, still fully deductible and is discussed in more detail in the Homeownership section of this article. Interest on loans you took out to finance investments is deductible to the extent of net income from investments plus \$4,000. Interest for loans to finance a business is 100 percent deductible. "Passive-investment" interest on loans where you are an inactive participant, i.e. a limited partnership, can be deducted only from the income produced by the investment. Interest on loans that don't fall into the above categories, such as borrowing money to buy tax-exempt securities, is not deductible.

Home Leave and Representational Expenses: Employee business expenses, such as home leave and representation, have to be deducted as a miscellaneous expense, thereby severely limiting any refunds. In ad-

dition to the two percent floor, only 80 percent for meals and entertainment may be claimed (100 percent for unreimbursed travel and lodging).

Only the employee's home leave expenses are deductible. Maintaining a travel log and holding onto a copy of your home leave orders will be helpful, should the IRS ever question you on the expenses you claim. It is important that you save receipts. Without receipts for food, you may only deduct \$14 a day, no matter how large your grocery or restaurant bill was. Lodging is deductible, as long as you did not stay with friends, relatives, or in your own home. The IRS will disallow use of per diem rates and any expenses claimed for family members. Car rental, mileage (24 cents per mile) and other unreimbursed travel expenses, including parking fees and tolls, may be deducted.

Official Residence Expenses:

Unfortunately, this remains an unresolved issue until the IRS comes out with new guidelines. As many of those affected know now, the department has not applied uniform procedures in requiring a five percent mandatory salary deduction from officers occupying an official residence overseas. To summarize: Under a 1984 IRS ruling, mandatory salary deductions for ORE were to be excluded from gross income reported on the employee's W-2 form. The department never followed this ruling and when AFSA requested compliance, it was discovered that payroll centers in the department and other foreign affairs agencies do not treat this salary deduction uniformly. For some employees, five percent is automatically taken out of their salary (These employees technically qualify for an adjustment to gross income, even though their W-2 form does not reflect the ORE withholding). At other posts, however, senior employees on ORE receive their full salary, pay expenses concerned with the official residence and claim reimbursement for expenses above five percent of their annual gross salary. The unreimbursed five percent is deductible, but only as a miscellaneous expense. This severely

limits any refunds, since deductions are subject to a two percent floor and, in the case of meals and entertainment, only up to 80 percent. The IRS is now reviewing this matter and has asked the department to refrain from any changes to its procedures. The department has informed AFSA that it is complying with the IRS request.

Homeownership

Mortgage Deductions: There are new and more generous rules for deducting home mortgage interest for 1988. They replace the cost-plus-improvements rule that was effective last year for homes purchased after August 16, 1987. For 1988, you may deduct interest up to one million dollars on acquisition debt for loans secured by a first and/or second home. This also includes loans taken out for major home improvements. On *Home Equity Loans* interest is deductible up to \$100,000 loans, no matter how much the home cost and what the loan is used for. The \$100,000 ceiling applies to the total of all home equity loans—it is not \$100,000 for each home.

The same generally applies to *refinancing* a mortgage. Please be aware, however, that points paid to obtain a refinanced loan cannot fully be deducted the same year. The U.S. Tax Court held in November 1988 that in a refinancing transaction points must be deducted over the life of the loan. This is a sore issue with millions of homeowners who refinanced their mortgages for lower rates in 1987 and 1988. The exception is where a homeowner refinanced to obtain a larger mortgage for *capital home improvements*. In this case, points are fully deductible in the year paid. A last word of caution on points: To justify any deduction, whether prorated over the life of the mortgage or in the year paid, these should be paid at settlement by separate check. The IRS will not allow any deduction for points which were rolled into the mortgage, thereby reducing the loan amount.

A qualified home is defined as your principal home and one other

home, your second home. It can be a house, condo, co-op, mobile home, or boat, as long as the structure includes basic living accommodations, including sleeping, bathroom, and cooking facilities. If your second home is vacation property that you rented for fewer than 15 days during the year, you do not have to report the income. You cannot claim rental expenses either, but can deduct all property taxes and mortgage interest.

Rental of Home If you are overseas and rented your home in 1988, you can continue to deduct mortgage interest under the passive-loss rules, as long as your AGI does not exceed \$100,000 and you are actively managing your property. You do not lose this benefit by retaining a property manager. Also deductible are property management fees, depreciation costs, taxes, losses (such as cost of improvements) up to \$25,000, after offsetting the rental income you received.

Sale of Residence If you make a profit when you sell your principal residence, you will have to pay taxes on the profit or capital gains, unless you can qualify for one of the tax benefits discussed below. Capital gains are fully taxed at the 28 percent rate; in many instances the combined total of income from wages and profits will trigger the five percent surcharge. It is, therefore, extremely important to take every legitimate deduction and to be aware of the various tax benefits that may be available to you.

One such benefit involves the **once-in-a-lifetime exemption** (The once-in-a-lifetime rule applies to singles and couples, and may not be used again even where the spouse has not reached age 55). If you are 55 years or older and sold your home, you can take a capital gains exclusion up to \$125,000 without having to reinvest in another home. In order to qualify, you must have lived in the home for three out of the last five years (however, up to two years spent in a nursing home can count as time spent in the home) prior to sale. Many Foreign Service employ-

ees are hurt by the three-out-of-five-years provision. Despite repeated attempts, AFSA has been unsuccessful in persuading Congress to grant an exemption for Foreign Service personnel, who cannot meet this requirement due to prolonged overseas service.

Under section 1034 of the Tax Code, frequently referred to the **rollover residence replacement rule**, you may defer taxes on the profit when selling your principal residence and buying a replacement principal residence of equal or greater value within two years before or after the sale. Americans working abroad, including Foreign Service employees on overseas assignment, are permitted an additional two-year period to replace their former residence. The deferral rule may also be used in conjunction with the once-in-a-lifetime exclusion. Temporary rental of the home does not necessarily disqualify you from claiming the deferral. The IRS has never defined what time period constitutes "temporary," but may challenge your claim that the home was your principal residence if it had been rented for many years and as a result had become investment property. Foreign Service employees overseas for prolonged periods during which they rent their home are increasingly subject to IRS scrutiny when they sell the house and claim deferral of capital gain.

Under a Tax Court decision (*Trisko v. Commissioner*), a Foreign Service officer was granted the deferral even though he had rented his home for a 4-1/2 year period prior to sale. The court examined the facts and circumstances in this case and determined it remained a principal residence even though it was converted to investment property. In reaching this decision, the court applied the following tests: Was the property the taxpayer's only home? Did he reside in it prior to going overseas? Did he intend to return to the residence upon completion of overseas duty, and what were the reasons for selling it?

On the basis of this decision and conversations with tax experts, AFSA suggests that you only claim the deferral if the facts and circumstances are similar in your case and if you

rent your home only during assignments overseas and not longer than four years. A copy of the *Trisko* decision may be requested from AFSA in Washington.

What happens if you purchase and move to a new residence and decide to get some rental income from the old home before selling it a couple of years later? IRS may determine that you no longer meet the "principal residence" test for the old home since you moved out of it and converted it to investment property. Again, intent is the key word here. IRS allows temporary rental prior to sale as a "matter of convenience," such as poor resale market at the time you purchased your new home. If IRS determines that rental income was your prime motive for not selling the house, you must pay tax on the gain of rental property, even though it was once used as your principal residence.

A considerable number of Foreign Service employees do not qualify under the deferral rule because of extended overseas assignments. If in any way possible, move back into the house for at least six months before selling it, thereby reestablishing principal residence. If this is not possible, you might look into a *tax deferred property exchange*, essentially a real estate investor's version of the residence replacement rule.

Tax Deferred Property Exchanges under Internal Revenue Code 1031:

Foreign Service employees whose U.S. home may no longer qualify for special tax treatment under the residence replacement rule may be eligible to replace their former home through an "exchange" under section 1031 of the Tax Code. Few individuals are aware of the exchange provision, even though it's been available for quite a few years. It is, however, gaining in popularity as a result of the 1986 Tax Act which eliminated many real estate shelters, including taxability of profits from the sale of property. As the word "exchange" suggests, technically a simultaneous trade of investments must occur. However, investors can first sell their property as long as they sign a sales contract on the new

acquisition within 45 days and close the deal within six months of the sales contract. The rules are highly complicated and exchanges must be conducted in a specific manner and time frame. A property exchange should never be attempted without assistance from real estate professionals, tax experts and competent legal counsel specializing in this field.

As noted above, exchanges are essentially real estate investors' version of the rules that allow homeowners to roll over proceeds from the sale of a home into another home. They allow investors to swap their property for another and deferring taxes on the profit. There is no limit on how many times you can defer taxes as long as you continue exchanging one property for another. They must clearly qualify as investments and you cannot reside in any of these properties at the time of exchange. Conversion to principal residence in the future may be possible.

A number of Foreign Service employees returning to Washington this summer may be interested in exchanging their rental house under these provisions. We are currently interviewing real estate professionals who are experts on this issue and are planning a separate and much more detailed article on the complicated rules in the June 1989 JOURNAL.

Many Foreign Service employees ask what items can be *added to the cost basis* (i.e., adding to the original purchase price) of their home when they are ready to sell it. You may add the cost of capital expenditures for permanent improvements or replacements such as a new roof, a deck, kitchen cabinets, etc. You may also *deduct from the sales price* money you spent on "fixing" up the home for sale to reach what is called "adjusted sales price." To qualify as legitimate "fixing-up costs," the following conditions must be met: The expenses must be for work performed during the 90-day period ending on the day on which the contract to sell the old residence was made. The expenses must be paid on or before the thirtieth day after sale of the house. Painting your house, improving the garden, and minor repairs qualify as "fixing-up costs."

1988 Foreign Service State Tax Guide

By Bruce A. Henoch
Member Services Representative



One of the most perplexing problems facing Foreign Service employees and retirees is the filing of state income tax. Every member

serving abroad must maintain a state of domicile in the United States, and the tax liability that the employee faces varies greatly from state to state. In addition, there are myriad regulations pertaining to the taxability of Foreign Service pensions and annuities.

This guide, superseding last year's article on the subject, reviews the laws regarding income tax and tax on annuities and pensions as they pertain to Foreign Service personnel. The provisions are reviewed state by state, making it easy for members to concentrate on the laws that are applicable to their situation.

The first section of the guide summarizes individual state income tax provisions; and the second section examines each state's laws on exemptions of annuities and pensions.

State income tax provisions

Many Foreign Service employees have questions about their liability to pay state income taxes during periods they are posted overseas or assigned to Washington. It is a fundamental rule of law that all U.S. citizens, because they have the right to vote, retain a state of domicile even if residing abroad. There are many criteria used in determining which state is a citizen's domicile. One of the strongest determinants is prolonged physical presence, a standard that Foreign Service personnel frequently cannot meet due to overseas service.

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

ings. In the case of Foreign Service employees, the domicile might be the state from which the person joined the Service, or to which he/she intends to return upon separation. For purposes of this article, the term domicile refers to legal residence; some states also define it as permanent residence. Residence refers to physical presence in the state.

Foreign Service personnel must continue to pay taxes to their state (or the District of Columbia, if a permanent resident thereof) of domicile while residing outside the state, including assignments abroad. Thus, it is advantageous if your state of domicile is one that has little or no income tax on income earned outside the state.

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

Thus, in addition to paying tax to their state of domicile, Foreign Service employees residing in the metropolitan Washington area are also required to pay income tax to either the District, Maryland, or Virginia. Tax liability ceases upon departure unless the state of residence in the Washington area is also the state of domicile. Most states allow a credit so that you pay only the higher tax rate of the two states, with each state receiving a share.

The District of Columbia eliminated its tax exclusion for FSOs residing in D.C. in 1987. AFSA has filed a suit to have the exclusion restored but unless or until the courts decide to restore the exclusion, employees must pay D.C. taxes while residing more than six months in

D.C. There is only one state, California, which specifically exempts all Foreign Service domiciliaries from state income taxation if they reside outside the state and do not earn income in California.

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

Six states, under certain conditions, do not tax income earned outside of the state: **Missouri, New Jersey, New York, Oregon, Pennsylvania, and West Virginia.** The requirements are that the individual have a permanent "place of abode" elsewhere, not have a permanent "place of abode" in the state, and not spend more than 30 days in the state during the tax year (31 in the case of Oregon). Also, please note that these six states require the filing of non-resident returns for all income earned from in-state sources.

AFSA is aware of a case in which a Foreign Service employee was forced to continue paying state income tax even though the employee was assigned overseas, occupying government housing. The State of Pennsylvania held that "quarters provided by the government at no cost to petitioner cannot be considered as maintaining a permanent place of abode." AFSA is not aware of a similar ruling in any of the other five states, but Foreign Service employees should be aware that their tax status could be challenged if they occupy government quarters abroad.

The following list gives a state-by-state overview of the latest information available on tax liability. For further information, please contact AFSA's Member Services Department.

Alabama: State income tax on all sources of income.

Alaska: No state income tax.

Arizona and Arkansas: State in-

come tax on all sources of income.

California: Exempts career Foreign Service members living outside California from taxes on out-of-state income. No filing required. Those with income earned in California must file form 540 NR.

Colorado: State income tax on all sources of income.

Connecticut: No personal income tax, but tax liability on profits from in-state sources including the sale of property and bonds.

Delaware: State income tax on all sources of income.

District of Columbia: Income tax on all sources of income. Effective 1988, the D.C. tax exclusion no longer applies to Foreign Service Officers. AFSA has filed suit, but until the case is decided employees must pay D.C. income tax while residing in the District.

Florida: No state income tax.

Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi: State income tax on all sources of income.

Missouri: No tax liability for out-of-state income if the individual has no permanent residence in Missouri, has a permanent residence elsewhere, and is not physically present in the state for more than 30 days during the tax year. Must file a return yearly and attach an affidavit of non-residency. Filing also required on Form 40, Schedule NRI, for income of more than \$600 from Missouri sources.

Montana and Nebraska: State income tax on all sources of income.

Nevada: No state income tax.

New Hampshire: No personal income tax, but tax liability on profits from in-state sources, including the sale of property and bonds.

New Jersey: No tax liability for out-of-state income if the individual has no permanent residence in New Jersey, has a permanent residence elsewhere and is not physically in the state for more than 30 days during the tax year. Not required to file a return, but recommended in order to preserve domicile status. Filing is required on Form 1040 NR for revenue derived from in-state sources.

New Mexico: State income tax on

all sources of income.

New York: No tax liability for out-of-state income if the individual has no permanent residence in New York, has a permanent residence elsewhere, and is not present in the state more than 30 days during the tax year.

Not required to file a return, but recommended to preserve domicile status. Filing is required on Form IT-203-I or IT-203-P for revenue derived from New York sources.

North Carolina, North Dakota and Ohio: State income tax on all sources of income.

Oklahoma: State income tax on all sources of income.

Oregon: No tax liability for out-of-state income if the individual has no permanent residence in Oregon, has a permanent residence elsewhere, and is not physically present in the state for more than 31 days during the tax year. Not required to file a return, but recommended to preserve domicile status. Filing is required on Form 40 NR for income derived from Oregon sources.

Pennsylvania: No tax liability for out-of-state income if the individual has no permanent residence in the state, has a permanent residence elsewhere, and spends no more than 30 days in the state during the tax year. Not required to file a return, but recommended to preserve domicile status. Filing is required on Form Pa-40 NR for all income derived from Pennsylvania sources.

Rhode Island, South Carolina: State income tax on all sources of income.

South Dakota: No state income tax. **Tennessee:** No personal income tax, but tax liability on profits from in-state sources, including the sale of property and bonds.

Texas: No state income tax.

Utah, Vermont, Virginia: State income tax on all sources of income.

Washington: No state income tax.

West Virginia: No tax liability for out-of-state income if the individual has no permanent residence in WV, has a permanent residence elsewhere, and spends no more than 30 days of the tax year in WV. Not required to file a return, but recommended in order to preserve domicile status. Filing is required on Form IT-140 NR for all income derived from WV

sources.

Wisconsin: State income tax on all sources of income.

Wyoming: No state income tax.

Taxes on pensions and annuities

The laws regarding the taxation of Foreign Service annuities vary greatly from state to state.

In addition to the 11 states that have no income tax or no tax on personal income, there are several states that do not tax income derived from pensions and annuities. However, there are also four states—Alabama, Iowa, Kansas, and North Dakota—that tax Foreign Service annuities while exempting those of the civil service. In addition, there are three states—Arizona, Idaho, and Oklahoma—that have provisions exempting certain amounts of civil service annuities. It is unclear from the information available to AFSA whether the exemption pertains to Foreign Service annuities as well. AFSA has contacted these three states to obtain clarification, and will be working with officials of the other four to bring about legislation which will remedy any inequitable treatment of Foreign Service personnel.

It should be noted that a case is now before the Supreme Court involving states' taxing Federal pensions while excluding pensions of state employees. Several states—Arizona, Arkansas, Georgia, Michigan, Missouri, Montana, North Carolina, New York, Oklahoma, Oregon, South Carolina, Utah, Virginia, and West Virginia—tax Federal and state pensions differently. A decision is expected by the summer and we will keep members apprised of any developments in this matter.

All of the other states tax foreign and civil service annuities and pensions to varying degrees.

Alabama: Specifically exempts civil service, but not Foreign Service annuities.

Alaska: No personal income tax.

Arizona: \$2,500 exemption. However, it is not clear whether this exemption pertains to Foreign Service annuities.

Arkansas: Up to \$6,000 exempt.

California: Fully taxable.

Colorado: Up to \$20,000 exempt,

only if 55 years or older.

Connecticut: No personal income tax.

Delaware: Two exclusions: (1) Up to \$2,000 exempt if earned income is less than \$2,500 and adjusted gross income is less than \$10,000; if married and filing jointly, up to \$4,000 exempt if earned income is less than \$5,000 and AGI is under \$20,000. This is applicable if 60 years or older or totally disabled. (2) Amounts received as pension exempted up to \$2,000 if under 60, and up to \$3,000 if over 60.

District of Columbia: \$3,000 exempt only if 62 years or older.

Florida: No personal income tax.

Georgia: Up to \$4,000 exempt only if 62 years and older or totally and permanently disabled.

Hawaii: Full exemption.

Idaho: Up to \$9,394 exempt for a single return; up to \$14,090 if filing jointly. Up to \$9,394 exempt for unmarried survivor of annuitant. Must be 65 years or older, or 62 years or older and disabled. Amount reduced dollar for dollar by social security benefits. However, it is not clear whether this exclusion pertains to Foreign Service annuities.

Illinois: Full exemption.

Indiana: \$2,000 maximum exemption, reduced dollar for dollar by social security benefits.

Iowa and Kansas: Specifically exempt civil service, but not Foreign Service annuities.

Kentucky: Retirement annuities from a federal retirement system are deductible from adjusted gross income for persons 50 years or older subject to the following limitations of earned income: if earned income is \$3,000 or less, then up to \$4,000 of an annuity may be excluded; earned income of \$3,001 to \$4,000, up to \$3,000 may be excluded; \$4,001 to \$5,000, up to \$2,000 may be excluded; \$5,001 to \$6,000, up to \$1,000 may be excluded; and if earned income is over \$6,000, then no amount of annuity may be excluded.

Louisiana: May exclude up to \$6,000, only if 65 years or older.

Maine: Fully taxable.

Maryland: For individuals 65 years and older or permanently and totally disabled, pensions and annuities are

excluded using the following formula: The total amount of social security benefits received is subtracted from \$9,500. The amount of annuity that is excluded from tax is either this difference or the amount of the annuity, whichever is less.

Massachusetts: Full exemption.

Michigan: \$7,500 may be excluded on a single return; \$10,000 if filing jointly.

Minnesota: Individuals 65 and older or permanently disabled may obtain an exclusion of certain income by filling out a Subtraction for the Elderly form. Whether an individual qualifies for an exclusion depends on several criteria, including amount of income, amount of social security benefits received, and the amount of the pension. An individual must fill out this form to determine if he/she qualifies.

Mississippi: Up to \$5,000 of annuity may be excluded. If the individual is 65 years or older, an additional \$1,500 may be excluded.

Missouri: Fully taxable.

Montana: Up to \$3,600 may be excluded. In addition, individuals 65 and older may exclude up to \$800 of interest income.

Nebraska: Fully taxable.

Nevada, New Hampshire: No personal income tax.

New Jersey: For persons 62 years or older or permanently disabled, up to \$7,500 may be excluded if filing a single return or up to \$10,000 if married and filing jointly. In addition, if earned income totals less than \$3,000 on lines 13, 41, and 48 of the return, an individual may exclude any unused portion of the pension exclusion.

New Mexico: Up to \$3,000 is exempt.

New York: Up to \$20,000 may be excluded only if individual is over 59 1/2 years.

North Carolina: Up to \$4,000 may be excluded.

North Dakota: Exempts civil service, but not Foreign Service, annuities.

Ohio: Gives a tax credit based on the amount of the retirement annuity. If the annuity is below \$500, then there is no credit. An annuity of \$500-1,499 merits a \$25 credit; \$1,500-2,999, a \$50 credit; \$3,000-

4,999, an \$80 credit; \$5,000-7,999, a \$130 credit; and any annuity over \$8,000 merits a credit of \$200. If the individual is 65 years or older, an additional \$50 tax credit is given. **Oklahoma:** Up to \$4,000 excluded. It is not clear whether this exemption pertains to Foreign Service annuities.

Oregon: Up to \$5,000 may be excluded if other income (not including social security benefits) does not exceed \$30,000. Amount of exclusion is reduced by one dollar for each dollar of income above \$30,000. Thus, if income is \$35,000, no exclusion is allowed.

Pennsylvania: Full exemption.

Rhode Island: Fully taxable.

South Carolina: Up to \$3,000 may be excluded.

South Dakota, Tennessee, Texas: No personal income tax.

Utah: For those under 65 years of age, up to \$4,800 may be excluded. For those over 65, up to \$6,000 may be excluded. If adjusted gross income for a couple filing jointly is over \$32,000, amount of exclusion is reduced by 50 cents per dollar of additional income.

Vermont: Fully taxable.

Virginia: For persons 62 years and older, whose adjusted gross income is under \$17,028, a tax credit is given based on the following formula: each age group 62 and above has a base amount: \$8,292 at age 62, \$9,072 at 63, \$9,468 at 64, and \$10,056 for those 65 and over. To figure the amount of credit, subtract \$12,000 from the total federal adjusted gross income. Multiply by two. This is figure A. Then, subtract any social security or railroad retirement benefits received from the base amount for your age. This is figure B. Subtract A from B. The total credit is 5 percent of this amount, as long as 5 percent does not exceed your total tax liability, in which case the credit is the amount of the total tax liability.

Washington: No personal income tax.

West Virginia and Wisconsin: Fully taxable.

Wyoming: No personal income tax.

AFSA opposes medical release form

The Bureau of Diplomatic Security has been requesting that Foreign Service employees sign a special medical information release form, in addition to the standard information release form during a background investigation or security update. AFSA is concerned about this unnecessary invasion of employee privacy. The release form authorizes DS agents to examine and obtain copies of

records and secure information "relating to any hospitalization, confinement or other medical care, military or civilian." It further releases all parties from any liability resulting from the release.

AFSA has formally questioned the department on the use of these forms. Employees should note that they are not required to sign these forms on a routine basis. A background investigation or security update can proceed without them. Further, it is possible for the employee to modify any information release form by limiting the sort of information that may be released, declining to release parties from liability, limiting the individuals to whom the information may be provided, or limiting the individuals who may provide the information. For example, an employee could authorize M/MED to provide information but decline to authorize a private physician to provide such information.

Employees should also be aware that in the absence of such authorization, the employee's private physician is bound by physician-patient confidentiality not to discuss this information. If employees have already signed the new medical release form, they may formally rescind it in writing. The rescission will be prospective only; you cannot retroactively rescind your consent to the provision of medical information.

Bargaining on screening proceeds

Negotiations have resumed with the department on its proposed psychological screening program for individuals assigned to posts in Eastern Europe and the Soviet Union. As reported in the December *AFSA News*, negotiations broke down as a result of the department's reluctance to provide AFSA with important background material that was used to develop the proposed program. During a recent negotiating session, the department clarified several elements of the screening program. Among them were the factors that will disqualify an individual from service at a post in Eastern Europe or the Soviet Union. These are alcohol or drug abuse, manic depression, and schizophrenia. The department also explained that individuals will be subject to the screening procedure upon bidding on an assignment in Eastern Europe or the Soviet Union. Individuals will also be subject to the screening program each time they bid on an assignment to an Eastern European country or to the Soviet Union.

The program will involve screening every candidate for every position at posts in Eastern European countries and in the Soviet Union prior to assignment. The department admits that the logistics of the program are formidable, but claims that the screening is necessary in order to ensure the department's security interests. AFSA is proceeding with negotiations in an effort to mitigate the adverse impact of the program.

State Department specifies reasons for polygraph testing

AFSA is currently negotiating regulations to govern the department polygraph testing plan. The department's proposal indicates an extremely limited scope for testing. Only 13 department employees would currently be subject to polygraph testing. The department would authorize polygraph testing under three specific circumstances.

The first is during a criminal, counterintelligence or personal investigation "after all other reasonable investigative steps had been taken." The second is when an employee requests the test in order to exonerate himself from alleged actions for which he is being investigated. The third is when an employee volunteers to work for an intelligence agency that requires polygraph testing or volunteers to participate in programs carried out jointly with employees of the intelligence community.

Because AFSA objects to widespread use of polygraph testing, we intend to carefully monitor the department's implementation of the polygraph testing program. We will oppose any attempt to alter or expand the program beyond the strict confines described to us.

AFSA meets with AID Inspector General

AFSA, AID, and the AID Inspector General's Office (IG) have met and agreed to produce a booklet advising AID employees on the role and procedures of the IG, as well as employee's rights and responsibilities during investigations. The meeting occurred in response to concerns raised by AFSA members regarding some IG investigations.

A cable sent to the field by AFSA asking for employees' perceptions of the IG indicated that there is some misunderstanding in the agency about the role played by IG investigators and concern regarding IG procedures and controls. While AFSA did not request, and the

field responses did not provide, details of specific cases, responses did indicate that employees are not always aware of what their specific rights are during investigations. It was mutually agreed that the interests of both the IG and employees would be served by making the IG's activities, as well as employee responsibilities and rights, as clear and straightforward as possible. The proposed booklet would be produced by a joint team of AFSA, IG, and management representatives, and would be distributed to all agency employees. Both AFSA and the IG are awaiting a definitive management response to this proposal.

AFSA acts on behalf of secretaries and clerical workers

AFSA recently looked into several aspects of problems affecting Foreign Service specialists. The Association is particularly concerned about professional growth opportunities among Foreign Service secretaries. As part of an effort to examine these issues in greater depth—and to pinpoint solutions to the most pressing problems—AFSA has been in contact with pertinent offices at the Department of State and the Foreign Service Institute (FSI).

There is no doubt that action needs to be taken in certain areas to improve morale among Foreign Service secretaries (e.g., augment employee award programs, increase opportunities for language training and career mobility). However, we were pleased to find in our research that there are a range of training and professional growth opportunities open to secretaries. Unfortunately, many of these opportunities do not seem to be adequately publicized, particularly overseas. A major obstacle to secretaries receiving the training they need stems from pressure to either remain at their desks or get on to the next assignment. The solutions to this problem are an increase in resources and greater sensitivity on the part of supervisors. These are long-term solutions, but in the meantime we are forwarding the following information as a service to our members.

FSI offers a wide range of courses which are open to secretaries, including area studies programs (which new secretaries now attend routinely); WANG training; a class on office management designed specifically for secretaries; workshops on decision-making, supervising, and writing skills; and courses in language training, provided the employee is in a language-designated position. Information on upcoming classes and their starting dates can be obtained through FSI, or through the administrative officer at overseas post.

Also available to secretaries are numerous courses from the Overseas Briefing Center (OBC) designed to address the more personal aspects of Foreign Service life. Course titles include "Community Skills," "Going Overseas," "Understanding Regulations, Allowances, and Finances in a Foreign Service Context," "American Studies, Cross-Cultural Adaptation and the Logistics of Foreign Service Life," and a series of programs on "Transition to Washington." In addition, the OBC maintains an information center, whose staff can provide referrals and answer questions about specific posts.

In a related matter, AFSA has been engaged in a dialogue with the department on the issue of special pay raises for certain categories of clerical and secretarial workers. AFSA originally raised this issue with the department after learning that the Office of Personnel Management (OPM) had authorized an immediate two percent pay raise for certain clerical and secretarial positions in the civil service. AFSA immediately contacted the department to determine whether Foreign Service personnel serving in comparable positions would be granted similar raises. The department responded with a briefing, during which a payroll specialist explained the specifics of the special pay rate program.

Unfortunately, the program is governed by OPM regulations which stipulate that special pay rates can be authorized only for employees paid under the General Schedule (GS). The regulations further state that the special rates can be authorized only for employees in specific geographic locations after participating agencies have conducted salary studies which demonstrate a clear need for these alternatives to the regular GS pay schedule. Agencies taking part in such studies must demonstrate that they are having serious staffing problems for specific job categories because pay is the most significant factor in: a) recruiting individuals for these occupations at the existing GS entry pay levels; and b)

retaining employees in these occupations because existing GS pay levels cannot match better paying jobs in the private sector. The requirement to meet OPM standards for preferential pay are further complicated since Foreign Service employees are subject to transfer overseas.

AFSA's understanding has been that the department is in serious need of qualified clerical workers and secretaries. While management acknowledges that it has some recruitment and retention problems in these job categories, department statistics indicate that such problems are not insurmountable at this point, and are not primarily due to low pay levels vis-a-vis the private sector.

Secretaries may be heartened by the view of their colleagues in the Foreign Service that secretarial salaries should be higher. In a recent poll of the AFSA membership, respondents stated by almost a five to one margin that the grade cap for secretaries should be raised. AFSA's anecdotal experience supports the idea that lack of job satisfaction among Foreign Service secretaries—which appears to be increasingly widespread—is less a function of pay levels than it is other matters (e.g., lack of career mobility and opportunities for professional growth). AFSA will continue to look into these issues, and would encourage secretaries and other specialists to forward their views to the Association.

AID Membership Drive



Charles Uphaus, AFSA AID representative, recently spoke to new AID employees at a luncheon hosted by the AFSA membership department.

Scholarships

Scholarship recipient writes about Foreign Service life

Cristin K. Springet
Scholarship Administrator



When a student is awarded a scholarship for financial aid, he/she is "assigned" a donor for that year from among the current bequests, memorial scholarships, or contributions.

At this time of the year, we receive letters from the students acknowledging receipt of the scholarships. Following are excerpts of a letter from one of the students which I thought was particularly insightful.

Dear Sirs,

I would first like to thank the Robert Woods Bliss Scholarship for the grant I

have been awarded for the 1988-89 school year.

Like all the students receiving AFSA scholarships, I am a Foreign Service student, and like Mr. Bliss, I have spent time in Argentina and Belgium. I have also lived in Greece, Chile, England, and Indonesia.

Like many Foreign Service students, I believe that an international background has given me a broader perspective on life than the typical American, and that each specific place has added to that perspective in its own way. Nobody can live in Indonesia, for example, without coming away with a radically altered perspective concerning personal wealth. An American making \$15,000 a year, for example, might consider himself poor. But in comparison with the living standards found in Indonesia, he is one of the wealthier people in the world.

This is the kind of open mindedness—to differing perspectives, people, and cultures—that one gains from the Foreign Service life. But on the other hand, one loses something as well. While I've been able to live among, and somewhat immerse myself in, many cultures, I am very conscious of lacking a sense of belonging to any. Of course, my life has always centered around America, and I have always been around Americans, and consider myself an American. But I have never lived in America, and feel that, consequently, there is a void in my life.

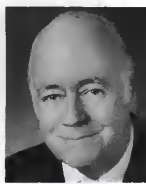
It is for this reason that I am especially looking forward to returning to the U.S. to attend college. I've always loved America, if from a distance, and I now feel ready to return, and to fill that void.

Glen Carpenter

Congressional Issues

Legislative Crystal Ball

Robert Beers, Congressional Liaison



While any prediction in this area is always a long-shot, it seems a fairly safe bet that four issues will dominate the domestic agenda of the 101st Congress:

1) The budget deficit; 2) the environment; 3) child care for working mothers; and 4) health care. Of the four, the first and fourth issues would have the most direct impact on the Foreign Service community, both active and retired.

Efforts to trim the deficit can generate proposals that could seriously undermine the structure of federal pay and retirement benefits. We have already been exposed to some of the possibilities through the administration's budget submissions to Congress over the last eight years. Capping federal pay scales; raising the retirement age, with penalties for earlier retirement; imposing a gradual increase in employees' retirement con-

tributions (under the so-called "old" retirement system) from seven to 11 percent of salary; cutting back on the replacement rate i.e., the percentage of salary used to calculate a retirement annuity; calculating annuities on the basis of the high-five rather than the high-three salary years; either cancelling or capping retirees' COLAs—these are some of the steps that have been urged on the Congress for action in the past. And AFSA, working as part of a coalition of 23 federal employee and retiree organizations, played its role in helping defeat these proposals.

As for health care, there is general agreement that the Federal Employees Health Benefits Program (FEHBP) is due for a comprehensive legislative overhaul. The impact of the recent enactment of the Catastrophic Health Care addition to Medicare on the FEHBP has yet to be fully assessed, while initiatives surely will be launched to reduce the overall cost of Medicare itself through cost-containment and other measures. There are those who still promote the

notion that the FEHBP should be operated under a voucher system. Federal employees/retirees would be furnished with a voucher good for a fixed amount toward the payment of a FEHBP premium with which they could then shop for a plan that best suited their needs.

In the broader health care picture, pressures are building for the enactment of a federally sponsored insurance program which would protect against the devastating cost of long-term care for the chronically ill outside of a hospital. With the addition of this element, it may not be too much to hope that a new approach to meeting the rising costs of health care services may bring about a coordination of the benefits provided by Medicare and FEHBP, resulting in more comprehensive overall coverage at lower overall cost.

As any new legislative program develops, AFSA will continue to represent the best interests of the Foreign Service community whenever and wherever they are at issue.

Professional Issues

United We Stand

Richard S. Thompson, Professional Issues Coordinator



AFSA cooperates with broader organizations to pursue common aims. One of these organizations is the Public Employees Roundtable (PER), a non-profit, non-partisan educational organization representing 27 professional and employee organizations with a combined membership of over 800,000. PER was established in 1982 to strengthen American public service by pursuing three goals: to educate the public on the contribution of public employees, to promote excellence in government, and to encourage young people to enter the public service.

PER has a small paid staff and relies largely on volunteer efforts by members and assistance from government departments to carry out its programs. A cooperative relationship with the White House has been maintained through the President's Council on Management Improvement and PER will expect to maintain this tie with the Council or a successor organization in the new administration.

PER carries out a wide range of activities of which only a sampling can be given. Top priority is promotion of Public Service Recognition Week the first week in May, which includes presentation of awards for excellence in public service at a "Breakfast of Champions" and exhibits on the Mall demonstrating what public servants do for citizens. In 1989 the activities for this week will include an international conference of 100 or more public service leaders from about two dozen countries who will look at the future of the public service in the light of expected demographic, environmental, technological, and economic trends. (A forerunner of this conference was held in December with representatives from Canada and Britain.) Public Service Recognition Week events

are planned for all 50 states and some of our retired members may find it interesting and useful to take part.

Another major focus of PER is on schools and education. In 1988 26 scholarships were awarded; three recipients indicated a particular interest in the Foreign Service. PER has worked with the National Forensic League to set national speech topics on public service, and is

conducting a national contest to develop lesson plans for elementary, middle, and secondary schools on the role government plays in the lives of citizens.

Through membership in PER, AFSA is enhancing the image of public service and promoting excellence in government on a national scale, paralleling similar AFSA efforts with regard to the Foreign Service.

Christmas Party Enjoyed by All



More than 600 AFSA members mingled at the December 8 Christmas party, held at the Foreign Service Club. Among the guests was Deputy Secretary of State John C. Whitehead.



Discussion group ponders integrity issues

When he joined the Service in 1959, Ambassador Anthony C.E. Quainton would never have asked the question, "Is integrity important?" It was considered a quality inherent to Foreign Service personnel. But today, posted to the independent Inspector General's office as the deputy inspector general, he has found it is a question that can't be taken for granted. He addressed this issue at a November AFSA professional issues lunchtime discussion.

Seventy percent of the U.S. public think if you're in government, you're corrupt. This astonishing figure reflects an attitude held not only by the public, Quainton noted; numerous executive orders have provided ethical guidelines for government employees. Congress has shared this perception, too; in 1978, the Ethics in Government Act and the Inspector General Act were established to close the integrity gap.

Because the General Accounting Office saw the internal inspection system previously in effect at State as "pulling its punches," the department was included under the IG Act of 1978. Today, the independent office at the State Department is authorized 240 employees, with its own budget and own personnel system. The trend toward more accountability in government continued into 1988, when the IG Act was extended to the Treasury and Justice Departments.

But the issue is not only a matter of perception, Quainton asserted. The State Department Inspector General's office deals with "real problems, not just perceptions of problems, in integrity." In 1988, 200 cases were under investigation for allegation of wrongdoing or abuse of authority involving Foreign Service, civil service and Foreign Service national personnel of all ranks, from ambassadors on down. Most of these allegations are disproved but a few lead to criminal procedures or administrative sanctions.

The abuse of authority usually centers around money and property; in the case of senior officers, it can involve misuse of cars, residence, or staff support. At two large embassies, "P.E. enthusiasts" used monies intended for communications and household furnishings to build squash courts or work-out rooms for staff use.



Photo by Patty J. Meier

Deputy Inspector General Anthony C. E. Quainton discussed the need for heightened professional awareness of integrity issues.

During 1988, "10-12 major cashier thefts, overseas and in the department" were subjects of IG investigations, with several leading to criminal charges.

Even more important to the IG than the investigation of wrongdoing is the promotion of an environment of integrity in the department. To achieve this goal "the department must demand and enforce a higher standard of accountability," Quainton said. The inspection program continues to be the primary factor in the department's effort to promote more effective management and to eliminate waste, fraud, and abuse. Inspection teams look at each post every three years. The question inspectors bring with them to post is, can the management of resources be done more effectively and are the necessary systems of accountability and control in place.

A second force for change in department management is the large audit group. When it is at full strength later this year, it will be comprised of more than 100 auditors, chosen in a competitive process from throughout the U.S. government. They are not "number crunchers," but management specialists, who look at across-the-board issues, such as "how to do our work more effectively, efficiently, and economically." The audit group may, for example, analyze a problem identified at one post, find it is systemic, and work to develop management answers.

A third, new aspect to the IG's man-

date is investigation of wrongdoing. The IG pursues public, congressional, and internal complaints. A hotline for people within the system enables employees to share information on improper conduct. Protecting "whistleblowers" is a concern for the IG, as is ensuring that "frivolous complaints" don't distract from investigating serious claims of wrongdoing. Under the current system, any hint of impropriety may be reported to the IG for investigation and action. The majority of these cases don't lead to criminal or disciplinary action.

Quainton detailed some specific concerns for the Foreign Service. "We need to regain public and congressional confidence and our own self-esteem," he emphasized. "We manage words, ideas, and analyses well. We usually manage foreign policy well. But a lot of us are not managing money, people, or things well. If we don't do so, or learn how, we will get less resources to manage." Quainton suggested that one way for the Foreign Service to improve is for AFSA to publicize some of the problems that exist and emphasize a high standard of rectitude. "The motto on the Department of Justice seal—Justice, Integrity, Service—should be AFSA members' motto," he concluded.

Legislative Action Fund Contributions 1988

The following individuals are a partial list of those who gave their support to the American Foreign Service Association's legislative efforts in 1988.

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1989 Election of AFSA officers and constituency representatives

This election call, issued in accordance with Article V(I) of the AFSA Bylaws, constitutes formal notice to all AFSA members of the opportunity to participate in nominations and election of a new Governing Board. All of the Officer and Representative positions listed below are for two-year terms beginning July 15, 1989.

A. Positions to be Filled

1. The officer positions to be filled in this election are:

- (a) President
- (b) Vice President-State
- (c) Vice President-AID
- (d) Vice President-USIA
- (e) Secretary
- (f) Treasurer

2. The Constituency Representative positions to be filled in this election are:

- (a) State Department Representative (5 positions)
- (b) AID Representative (2 positions)
- (c) USIA Representative (1 position)
- (d) Commerce Representative (1 position)
- (e) Agriculture Representative (1 position)
- (f) Retired Member Representative (3 positions)

AFSA Bylaws, Article IV(4) authorize one constituency representative position for every one thousand members or fraction thereof. The number of positions to be filled in this election is based upon the membership rolls as of December 31, 1988.

B. Qualifications for nomination and being nominated

1. Any AFSA member in good standing (i.e., a member whose dues are automatically deducted or who has paid dues through February 28, 1989) may submit names (including his/her name) in nomination for any or all of the above-mentioned positions for which the nominee is eligible.

2. In order to be nominated, a person must likewise be a member in good standing. (The Bylaws require that a "candidate" must be a member through June 30, 1989. If a member is nominated

who is not on automatic dues deduction and has paid dues through February 28, 1989, but has not paid through June 30, 1989, that member will be contacted and advised that he or she must pay dues through June 30 in order to be a candidate.)

C. General Provisions

1. No member may nominate more than one person for each officer position or more than the number of representatives established for each constituency. No member's name may appear on the ballot as a candidate for more than one position.

2. Management officials and confidential employees cannot be nominated for positions on the Governing Board, nor may they make or support nominations or serve on nominating committees.

3. Nominations may be submitted individually or in slates. Slate designations will be noted on the ballot.

D. All nominations must be submitted in writing or by cable. All written nominations must be addressed to AFSA Elections Committee, Box 15710, Chevy Chase, MD 20815. To be valid, they must, without exception, be received at this address no later than 12 noon March 3, 1989. Members overseas can send "AFSA Channel" cables marked for delivery to AFSA Elections Committee. They must be received in the Department's Communication Center within the same time limit. Alternatively, nominations can be hand-delivered to a committee member who will be in the AFSA office, Room 3644, Department of State, from 11 a.m. to 12 noon on March 3.

E. A nominee can indicate his/her acceptance of a nomination by appending a letter to the letter of nomination or by appropriate notation on that letter. Otherwise, an authorized representative of the Elections Committee will communicate with each nominee (including mem-

bers who nominate themselves) as quickly as possible after the receipt of each nomination to determine whether the nominee wishes to be a candidate. Any member who so accepts the nomination must confirm his/her acceptance in writing addressed to AFSA Elections Committee, Box 15710, Chevy Chase, MD 20815, to be received no later than 12 noon, March 10, 1989. Alternatively, the written acceptance can be hand-delivered to a Committee member who will be in the AFSA office, Room 3644, Department of State, from 11 a.m. to 12 noon on March 10. Members overseas can send an "AFSA Channel" message accepting nomination which must be received in the Department's Communication Center within the same time limit. Any nominee whose written acceptance of nomination has not been received by the Elections Committee within the above time limit will be considered to have declined candidacy.

F. All candidates nominated under the procedure outlined above will be given the opportunity to submit brief biographies and campaign statements for dissemination to the AFSA membership in the May issue of the Foreign Service Journal in AFSA News. Further information regarding such statements and Foreign Service Journal editorial deadlines will be contained in the "Instructions to Candidates" which will be issued by the Elections Committee on or before March 3, 1989.

G. The AFSA Bylaws provide that, should candidates wish to mail supplementary statements to the membership, the Association will make available to them on request, and at their expense, the membership mailing list or address labels. Further details on this and such other services that the Elections Committee may be in a position to provide can-

didates will be included in "Instructions to Candidates," mentioned in F above.

H. Ballots. The ballot will be distributed on or about May 15, 1989 to each person who is an AFSA member on April 30, 1989. Each member may cast one vote for each Officer position and in addition one vote for each Representative position in the member's own constituency by voting for candidates listed on the official ballot, or by writing in the name(s) of member(s) eligible as of June 30, 1989, or by both. To be valid, a ballot must be received by the Elections Committee no later than 12 noon Tuesday, June 30, 1989 at the address indicated on the envelope accompanying the ballot. More detailed balloting instructions will accompany the ballots.

I. Tally. On or about July 1, 1989, the Elections Committee will count the ballots and declare elected the candidate receiving the greatest number of votes for each position. Candidates or their representatives may be present at the counting and challenge the validity of any vote or the eligibility of any voter. The Committee will inform candidates individually of the election results by the swiftest possible means, and will publish the names of all elected candidates in the September issue of the Foreign Service Journal. The elected candidates will take office on July 15, 1989, as provided in the Bylaws.

J. Questions, Suggestions, or Complaints. At any time following publication of this Election Call through September 15, 1989, any member may file a written question, suggestion, or complaint concerning the conduct of the 1989 election. Such question, suggestion, or complaint should be addressed to AFSA Elections Committee, P.O. Box 15710, Chevy Chase, MD 20815.



Chrysler New Yorker



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Plymouth Grand Voyager



Dodge Daytona



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