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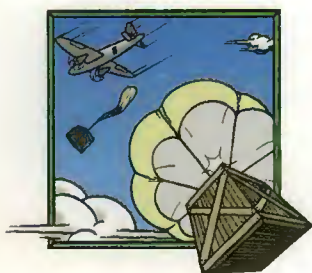


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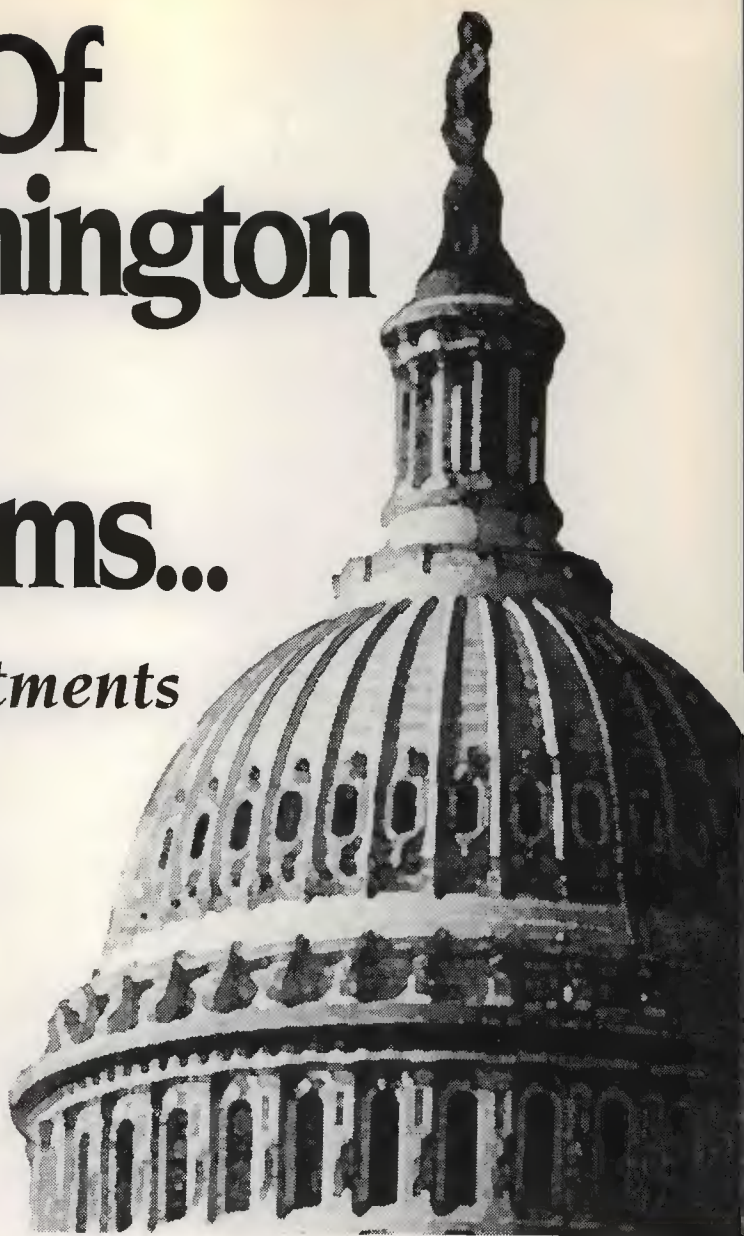
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PRESIDENT'S VIEWS

An Open Letter to Jesse Helms

BY F. A. "TEX" HARRIS

Dear Sen. Helms: You have said that you intend to "evaluate ... why the Foreign Service should operate under different personnel rules from all other of our government's civilian personnel." In other words, why a distinct Foreign Service should exist at all.

The American Foreign Service Association welcomes the opportunity hearings on this topic will afford to reaffirm the mandate that America's diplomats have carried out since the founding of the republic, and, since 1924, as the Foreign Service of the United States.

Some of my colleagues find it startling that the rationale for the existence of a distinct Foreign Service could be even subject to question. But most of us, I believe, find it healthy and even necessary from time to time to return to first principles and examine whether they are still relevant in a turbulent and rapidly changing world. I welcome what I hope will be an invitation to testify before your committee. In advance, however, I would like to offer you and your colleagues a brief statement of why the United States needs the Foreign Service in 1995 every bit as much as it did in 1924 or in 1980, when it acquired its current form.

The case has rarely been stated more cogently or eloquently than it was by the drafters of the Foreign Service Act of 1924 (The Rogers Act): "The first responsibility of good government is to

*The case for
diplomacy is
stronger today than
at any time since
World War II.*



safeguard the security of the nation. The first line of defense in achieving this first objective ... is our diplomatic corps. ... Because of the duties and responsibilities they undertake, because of the services they render to American individuals and American business interests, because of their vital role in the conduct of our foreign policy, we in Congress should demand that the service be attractive enough to get the highest type of men and women into its ranks."

In rejecting a challenge to this reasoning, the Supreme Court ruled in 1978 that, "the tasks performed by this corps were sufficiently demanding and important to the nation that it was necessary to pursue more rigorous policies to ensure excellence than those generally applicable in the government."

For all the profound ways that the world has changed in the last seven decades, the validity of the principles that undergirded the creation of the Foreign Service is undiminished. If anything, the case for the primacy of diplo-

macy in safeguarding our national security and promoting our nation's economic and political interests around the world is stronger than at any time since before World War II. With the Cold War's end, the threats to U.S. security are essentially non-military and result from the disorder of a poleless world.

Superpower confrontation has been replaced by promoting democratic institutions, advancing free-market economies and managing regional conflict. The use of military power today is reserved for defending "vital interests." In short, diplomacy is, as it was in 1924, our "first line of defense." Our embassies and USIA and AID missions are our forward trenches.

And if it was tough to attract the best into the Foreign Service then, when "hardship post" meant Mexico City or Cairo, how can we offer less today to induce the talented to sign up for Kigali or Ashkhabad? The Foreign Service has in recent years made an art of "doing more with less," but reducing resources for foreign affairs further would seriously erode U.S. influence abroad.

Mr. Chairman, the credentials and qualifications conferred by language and area expertise, transcultural negotiating techniques, and the rigors of living and working abroad under frequently adverse conditions make diplomacy a distinct profession no less than medicine or law. These critical and taxing responsibilities more than justify the "different personnel rules" you want to examine. I look forward to working closely with you to ensure that America's diplomatic link to the world remains second to none. ■

F. A. "Tex" Harris is president of the American Foreign Service Association.

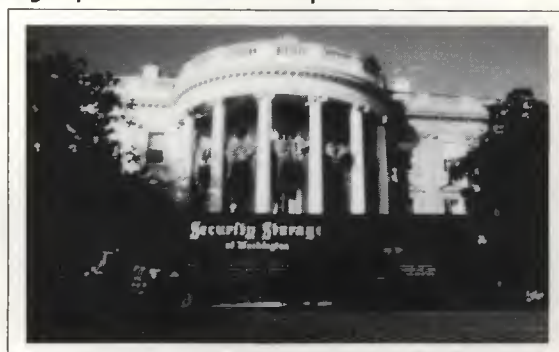
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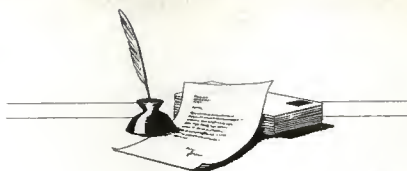
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To the Editor:

As detailed in the article "The State Department and the Holocaust" (September *Journal*), anti-Semitism was well entrenched in the State Department of the 1930s and 1940s. Basically the doors were closed until some years after World War II and possibly until after the Korean War. Things loosened up in the 1950s and finally by the 1960s, Jewish officers were no longer a rarity in the Foreign Service. There were no longer restrictions or quotas or other limitations. But there were no special recruiting programs either, no affirmative action programs, no front office quotas, no reserved slots for assignments or promotions, nothing special whatsoever. There was residual prejudice to overcome, and most people overcame it. Some didn't. Some didn't have the stuff to make the grade and were dropped. But each one did it on his or her abilities.

I've been turned away from swimming pools and had rocks thrown at me because I was a "dirty Jew." I learned early what racism is and I've hated it all my life. I worked against racism in my school's fraternities and supported — successfully — a black man for president of our senior class at Rutgers University in 1950 when it wasn't stylish. I walked out of beer halls in the army when they wouldn't seat my black buddies. I was leery about joining the State Department when I did, but I had a

long career and retired as a minister counselor. I was rated on performance only. No class action suit got me where I went.

Let's move ahead realistically with truly equal opportunity for all, but let's keep the playing field somewhat level or the end product will not merit the effort.

*Irwin Rubenstein
Retired FSO
Plantation, Fla.*



To the Editor:

Management's discourse becomes more Daliesque daily. Is there really anyone in the Foreign Service today still so naive as to believe that assignments and promotions are not routinely influenced by considerations of gender, race and ethnicity? The department's disclaimer on this issue ("AFSA News," State Department VP Voice, October *Journal*) was hardly persuasive. ... Indeed, the director general's assertions made not the least attempt to persuade. Instead, we were implicitly scolded for our presumed audacity in questioning the department's integrity.

Management seems not to grasp that it has an important interest in sustaining its credibility with employees on critical personnel issues. Tough times are here, and more are coming. We all understand that despite whatever effort management makes, the Foreign Service

likely will be further weakened by debilitating budget cuts. This means slower promotions, fewer across the Senior threshold and more premature retirements of officers in the prime of their productive lives. An altogether unhappy prospect — made more unhappy still by management's evident unwillingness to deal with its employees in good faith. It is at times like these that the department's leadership needs to level with employees and listen to them. If we cannot find a way to get through this together, our internal dissension will be the undoing of whatever bits and pieces remain of the Foreign Service when the budget cutters get through with us. Increasingly I find it difficult to believe that I really work for an organization that values interpersonal and listening skills.

Mind you, these comments are not an attack on the merits of taking gender, race and ethnicity into consideration on critical personnel decisions. Even many of us non-minority males accept that it is important that the U.S. Foreign Service be representative of the diversity of the American people, and we cannot but applaud any genuinely good-faith effort to unskew the historical prejudices underpinning the current skewed character of the Service. However, the key phrase is "good-faith" efforts.

The "good-faith" qualities will never be persuasive if they are not the result of a transparent debate.



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Neither will the outcome be persuasive if it does unwarranted violence to principles of merit. The onus is on management to ensure transparency, and on all of us to ensure that both merit and special consideration are fairly balanced in redressing the character of the Service.

Already, many of us have grudgingly but pragmatically acknowledged our diminished prospects for getting across the threshold of the Senior Foreign Service. This is not easy to accept when one is left with gnawing doubts about whether one might have fared better in a more fair-minded system.

When the weight of the evidence plainly demonstrates that the assignment and promotion process has been corrupted by non-merit considerations, the meritocratic principles that have long been the pride of the Foreign Service are seriously impeached. This also discredits the justifications for our competitive retention policies.

At the end of the day, management will no doubt get what it seems so exclusively focused on — a more “right-sized, right-mixed” corps of FSOs, and I, for one, do not argue with our need to get there. However, I wonder if management will be as pleased with the collateral damage its tactics also promise to deliver. Management assertions, in the absence of transparent personnel policies are no longer credible. Neither the Foreign Service nor the nation can afford such cynicism.

*Robert M. Holley
U.S. Mission to the
European Union
Brussels*

To the Editor:

I have just seen Howard Schaffer's letter in the November *Journal* regretting the department's apparent failure to take area expertise into account in staffing many senior field positions in South Asia. I would like to contrast that with my own experience in Brazil, which is almost a continent in itself.

In the past 35 years, the department has staffed an embassy, two major consulates general, and up to six consulates in Brazil [with] a Brazil cadre that has been built up for more than three decades. In my case, I was a junior political officer at the Rio embassy in the 1960s, returned as political counselor to the Brasilia embassy in the 1970s and served again in Rio as consul general/principal officer in the 1980s. During my second and third tours, both the ambassador and the deputy chief of mission had also served previously in Brazil. My immediate predecessor and successor in Rio in the 1980s served in Brasilia, and the present consul general served with me in Rio as a junior officer 30 years ago. My counterpart at Sao Paulo had also served previously in Brazil, as had two of his successors. Both the current ambassador and his predecessor were junior officers in Brazil, and the current DCM was country director.

With apologies to those I have left out, I'm sure experienced hands in Japan, China, Germany, Russia, the Middle East and others can develop similar rosters attesting to the good use to which the department has put at least some of us pre-Baby Boomers in areas of our concentration and expertise.

*Alfonso Arenales
Retired FSO
Bethesda, Md.*

LETTERS

To the Editor:

It is clear that the American people are very concerned at this time in our history about the problem of illegal immigrants. I think that Marshall Green did a great service by his article published in the December *Foreign Service Journal*. It is hoped that more of our leaders will finally bite the bullet and take the drastic action necessary to wipe out this cancer in our society. I use the harsh word "cancer" because the million of illegals continue to increase in numbers and use up our finite resources. The breaking of U.S. immigration laws has become so widespread that it invites disrespect for all our laws. The measures Ambassador Green suggested are by no means drastic, but they would be more effective than what we have been doing. Other democracies have successfully adopted such measures: European democracies have ID cards, heavy fines are levied for hiring illegals, and some countries deport illegals without hearings.

As a former consular officer, I can attest to the frustrations dealing with the legal immigration and non-immigration process, knowing that behind our backs in the United States we were being undermined. I vividly recall applicants laughing in my face when I refused to grant them visas for which they did not qualify. They said they would go to the United States anyhow.

There is one other point worth mentioning: By allowing millions of Mexicans and other nationals to stay illegally, we are giving those countries a safety valve for their own economic and population problems. They will never realistically face their own problems as long as they know that they have the United States as an outlet for excess population and as a source of money sent

back to their families. It is time for us to demand truly effective measures to eradicate this wholesale debasing of our laws.

*Marietta Barbier Falzgraf
Retired FSO
Bethesda, Md.*

To the Editor:

I must admit I was dismayed by Donald M. Miller's (October 1994) response to Gayle Waggoner-Lopes's letter in the July *Journal* concerning reimbursement of child-care expenses when in training at the Foreign Service Institute. I feel Mr. Miller completely misunderstood the point made by Waggoner-Lopes. The question is not one of special treatment for the care of children or shirking responsibility, but rather one of fairness. An employee with a dependent spouse obtains childcare funding while both the employee and spouse attend FSI training. Why not single parents and tandem couples?

My husband and I are a tandem couple with AID. In 1990 we took four months of French training for our posting to Senegal. We paid for our nanny to come to the United States with us to care for our 4-year-old son, plus paid for a half-day pre-school program, plus paid for a full year's tuition at the pre-school in Senegal to reserve him a place. We did not ask for total reimbursement, rather just reimbursement for the salary of the nanny (not transportation and associated costs) for the hours we were in training. We were denied [reimbursement], as we were both on work status.

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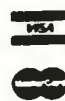


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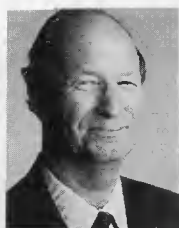
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couples. I must admit we never did follow up on the results, which were apparently nothing. I have since spoken to Frank Almaguer in the AID Bureau for Management. He stated that the issue is under review but the apparent inequity in the provision of the grant may well be eliminated by cutting the grant as a part of a larger effort to trim excessive administrative costs. He adds that he is continuing to work to maintain the grant to all Foreign Service employees in a "family friendly work environment."

I feel that elimination of the grant would be a loss to all Foreign Service families. Appropriate training for both employee and spouse is critical for success in living in an overseas environment. But children of single parents and tandems are just as much our responsibility as those of "traditional" families.

Linda L. Lankenau
Health/Population
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To the Editor:

Robert Chatten's article in the December "AFSA News" warns us that "A Foreign Service constituting less than half a percent of the federal work force ... must make special concerted efforts to make its case heard. Active and retired Foreign Service members in Washington and across America must join in this effort."

The failure of the Bipartisan Commission on Entitlement and Tax Reform to achieve any consensus, and the current bidding war between the two major political parties for tax cuts highlight the difficulty of dealing with the deficit. There is no one simple solution to reducing the horrendous federal

LETTERS



deficit. Just controlling entitlement spending, government expenditures or increases in health costs, or just raising taxes will not solve the problem. We need all of these actions to reduce the deficit.

The burden has to be shared equitably by all segments of our population — including those of us who are seniors. As citizens who enjoy the benefits of living in this great nation, as parents and grandparents, our generation needs to assume its fair share of responsibility. It is simply not right for us to leave to our children and grandchildren the total bill for reducing the deficit.

What is the case we want our lobbyist to make about the entitlements that we have now? Personally, I recommend that AFSA make clear that we recognize the threat which the deficit poses to our nation, and that one of the ways in which our membership is willing to shoulder our fair share of deficit reduction, is through reduced entitlement benefits. This is the time to communicate to our legislative liaison the case we want to make. I encourage other members to make their views known.

Robert J. MacAlister
Retired FSO
Kensington, Md. ■



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JAN. 6

MAYBE FOREIGN AID DOES GO IN RATHOLES

"Many argue that foreign aid is a waste of money. They may be right," *The Economist* reported on Dec. 10. The magazine cited a study by Peter Boone, an economist at the London School of Economics, which says that foreign money neither promotes growth nor improves the lives of the poorest. Boone writes that aid money is most often spent not on investment, but on consumption and that aid flows seem to have no impact on infant mortality rates, a reliable indication of human development. Moreover, he believes that liberal-democratic countries do not use their aid any more efficiently than authoritarian regimes, but they do on the average have better human development indicators. "Infant mortality is, on average, 30 percent lower in liberal democracies," he reported.

"If the goal of aid is really to alleviate poverty, evidence suggests that the money might be better spent supporting new democratic governments rather than trying to give to the poor over a long period. Short-term support to shore up the right kind of government may be more effective than long term programs."

GAY AMBASSADOR'S NAMING DROPPED

James C. Hormel, a 62-year-old business executive, philanthropist and Democratic Party stalwart will not be nominated by the Clinton administration as the next U.S. ambassador to

Fiji, reports David Dunlap in *The New York Times* on Jan. 1.

In December, several newspapers had reported that the White House was backing away rather than face the opposition of Sen. Jesse Helms, the North Carolina Republican who now heads the Foreign Relations Committee and is outspokenly anti-gay. However, Dunlap speculates that the administration may have learned that Fiji has strict laws against homosexuality that would have complicated Hormel's diplomatic role. He reports that the Fiji penal code makes homosexual sex punishable by up to 14 years' imprisonment.

A spokesman for a gay lobbying organization said that the episode showed that the White House lacks courage, but Hormel defended the Clinton administration's record for appointing openly gay and lesbian officials.

CHRISTOPHER GOES ON THE OFFENSIVE

"Adversity gets [Warren] Christopher going," wrote Jim Hoagland in *The Washington Post* of Dec. 20. "Problem-solving is familiar territory." Hoagland reported that Christopher spoke with uncharacteristic relish about looming policy battles with the Republicans and about carrying out his major responsibility for maintaining America's major power relationships. A huge battle looms over Bosnia, where the Republicans demand a lifting of the U.N. arms embargo against the Muslim government and air strikes against the Serbs;



Christopher referred to Bosnia as "the most serious unresolved matter we have."

In an interview in the Dec. 16 *USA Today*, Christopher acknowledged that, with Sen. Jesse Helms in office, he would be "realistic" about diplomatic nominees. Reporter Lee Michael Katz also reported that Christopher predicted new U.S.-Vietnam liaison offices will open "within weeks" and hinted at full diplomatic relations if Vietnam continued to hand over information of missing American servicemen.

Christopher disagreed with cuts of foreign aid to Africa, saying that aid to Africa was in the country's "enlightened self-interest." Christopher told *USA Today* that he has already cut 1,000 jobs at the State Department and he hopes that "lean and efficient" budgeting will forestall additional cuts. When asked of his own future, he gave the standard answer: "I'm still enjoying the job. I've got lots of important problems I've been working on."

PEACE CORPS NOW TEACHING BUSINESS

In Ukraine, Russia, Poland and other Eastern European countries, hundreds of Peace Corps volunteers are teaching business, helping local firms find foreign aid and investment, and helping in personnel training, marketing and advertising for local affiliates of major corporate firms, reported James Rupert in the Dec. 9 *Washington Post*.

The Peace Corps, which for 33 years has sent American volunteers to dig wells, build roads or teach health care in Third World countries, has a different role in the former Soviet Bloc countries, where its mission is distinctly pro-business.

Peace Corps Director Carol

Bellamy admitted that the focus in Eastern Europe on assisting and teaching entrepreneurship "has taken some getting used to" within the Peace Corps. But she said the new focus is demand driven, with many new requests from foreign governments for volunteers with business experience. However, some volunteers have complained that their volunteer experience feels like the pressured, corporate jobs they went to the Peace Corps to escape.

Peace Corps business volunteers tend to be older — the average age is 38 — than those in traditional programs. Many come from mid-career jobs, hold MBA degrees and leave an average annual salary of \$78,000. Their motivations are also different, reports Rupert. They want to advance their business careers with language skills and overseas experience and after leaving the Peace Corps many have been offered jobs with international firms.

AT AGE 50, UN RESISTS REFORM

Although reform of the United Nations was promised three years ago, the United Nations, marking its 50th anniversary this year, remains a slow-motion bureaucracy struggling to adapt to a real-time world, Julia Preston reported in the Jan. 3 *Washington Post*. Throughout the vast U.N. system there are people working for change. But, according to Preston, reform also has many enemies, including entrenched officials who refuse to break old habits and governments that battle behind the scenes to protect their favored programs from cuts.

U.N. critics have gained new clout in Washington with Sen. Jesse Helms (R-N.C.) calling it, "The nemesis of millions of Americans." The United States, which pays one-quarter of the

50 YEARS AGO

"The State Department has been suffering from a good many ailments," wrote Ernest Lindley in the Dec. 24, 1944, *Washington Post*. "It has been anemic, lethargic, querulous, given to buck-passing and delay. Often it has seemed to be more energetic in defending its prerogatives than in carrying out a positive foreign policy."

At an unprecedented mass meeting of State Department employees, Secretary of State Edward Stettinius said in substance, State "takes over where the Army and Navy leave off." Arithmetically, the State Department will not expand as the Army did between 1939 and 1944. But it must expand if it is to promote effectively, here and abroad, American interests in the organization of the peace and in the postwar world. "There is no other branch of the government into which, during the next 20 years, it will be more important to draw and retain an adequate share of the ablest young men in the nation," the *Post* said. ■

CLIPPINGS

*"Warren
Christopher is a
decent man. I
look forward to
working with
him."*

— **JESSE HELMS,**
SENATE FOREIGN
RELATIONS CHAIRMAN,
USA TODAY
DEC. 16

regular budget and about 31 percent of its peacekeeping costs, contributed about \$2 billion to U.N. programs worldwide last year. The U.N. system employs more than 51,000 people worldwide and spends about \$10.5 billion a year, reports Preston.

Many U.N. employees are international civil servants, a category that protects them from being fired or moved to where the work is. "You have many terrific people who are over-worked and a lot of total incompetents who no one ever got rid of," said Ron Spiers, former U.N. undersecretary general for political affairs from 1989-92.

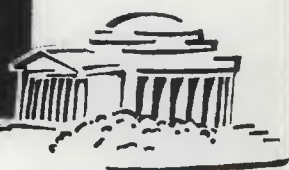
There have been some advances, with the secretariat's staff whittled down by 12 percent since 1987 and the current budget holding steady,

with promised decreases of 3.8 percent over the next two years, Preston reported.

Noted U.S. Ambassador Madeleine K. Albright, "I don't think managerial issues are favorite issues" of U.N. Secretary General Boutros Boutros-Ghali. "He had some very good ideas at the beginning but he got bogged down. I think he thought it would be easier, that he would say he wanted a reorganization and there would be a welcoming sense of breath of fresh air. Instead he encountered a lot of opposition."

His energies have also been consumed in "panhandling" to cope with a financial crisis caused by the failure of most governments, including the United States, to pay their U.N. bills on time, Preston reported. ■

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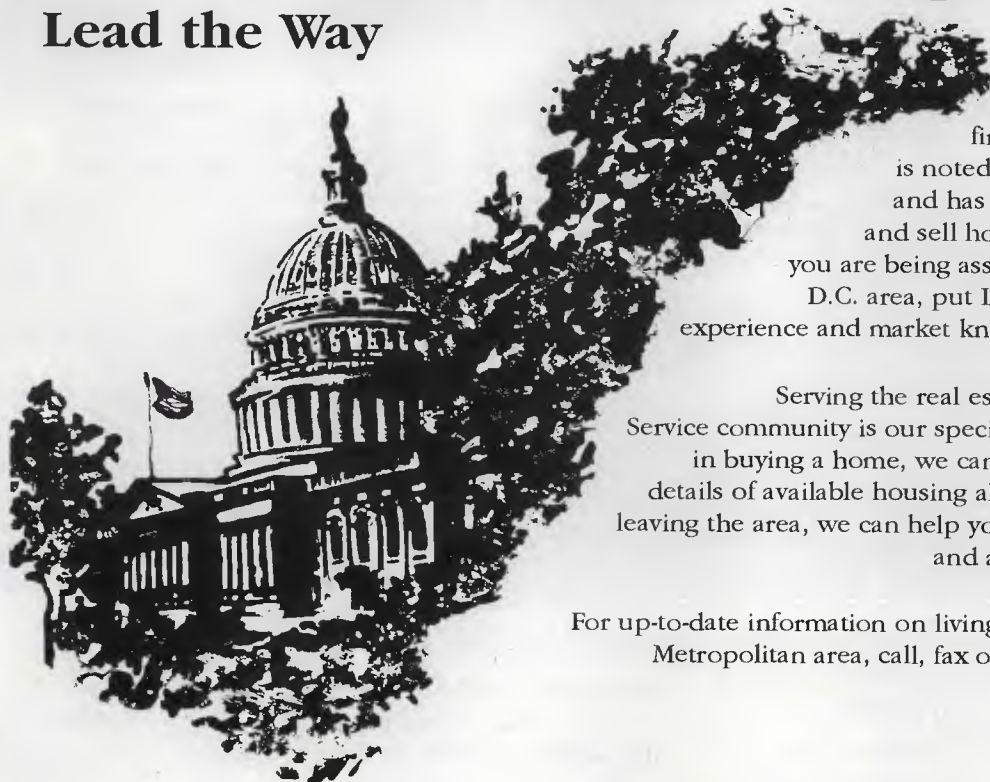
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SPEAKING OUT

Let's Return to Foreign Service Basics

BY LANNON WALKER

Sen. Mitch McConnell (R-Ky.) wonders why the State Department, the U.S. Agency for International Development (AID), the Peace Corps and other agencies that work mainly overseas shouldn't be folded into a leaner, less expensive Department of Foreign Affairs. Sen. Jesse Helms (R-N.C.), new chairman of the Senate Foreign Relations Committee, questions whether we need a separate Foreign Service. These are the right questions at the right time.

First, a little history. The aftermath of World War II and the approaching Cold War led to an America presence overseas vastly more complex than our essentially isolationist past had ever seen. To our arsenal of diplomacy and intelligence, we added propaganda, and humanitarian and economic aid. All of these new agencies, which have since become the Central Intelligence Agency (CIA), U.S. Information Agency (USIA), Defense Intelligence Agency (DIA) and about 40 others — took lodgings in our embassies abroad. Each agency had its own goals and objectives, its own administrative support requirements and its own budget process.

The 1980s saw a large buildup overseas not only of our military and intelligence presence but of other

Lannon Walker, a career Foreign Service Officer and chairman of the Senior Foreign Service Association, led the "Young Turk" reform movement of State Department career officers in the 1960s and was a key author of State 2000.

*The time has come
to replace our aged,
expensive and
ineffective foreign
affairs machinery.*

agencies as well, especially from the law enforcement side as drugs and international crime moved to the top of the U.S. agenda. Ambassadors, who have overall supervisory and coordinating authority over U.S. programs in their country, in fact never had control of any agency budget, including that of State. And in spite of clear responsibility for controlling the U.S. overseas presence, ambassadors are rarely backed up in Washington when they disagree with a given agency's plan to increase its presence.

By 1993, it was abundantly clear that our diplomatic method had not only to adapt to the information age and to the challenges posed by the globalization of the economy and transnational problems, but, more importantly, to demonstrate that American leadership did not depend solely upon the deployment of extraordinary resources overseas.

The recommendations made by career professionals in the December 1992 State report, *State 2000, A New*

Model for Managing Foreign Affairs, were specifically aimed at integrating both the foreign policy process and the organization and management of the foreign affairs community. *State 2000* called for an integrated policy process centered on the National Security Council and a field-based, integrated foreign affairs budget process aimed at significant savings and more efficiency.

State 2000 answered McConnell's question about a super Department of Foreign Affairs by recommending integration in the field first and then a performance-based budget process overseen by a reformed congressional committee structure. Career professionals did not reject an integrated Department of Foreign Affairs; indeed, they showed how such an integration could proceed. *State 2000* pointed out, however, that a Washington integration of State, AID, USIA, Peace Corps — those agencies whose activities were mainly overseas — would not address other agencies whose role is mainly domestic — Commerce, Agriculture, Justice — or of those powerful baronies like the Department of Defense and CIA.

Helms, more than any other lawmaker, has shown a strong interest in the Foreign Service. Unfortunately, his concerns have never been adequately addressed, and career professionals have failed to establish communications with him — an inexplicable failure since many of the proposals follow the thrust of the senator's concerns.

For example, two Foreign Service personnel reform committees set up



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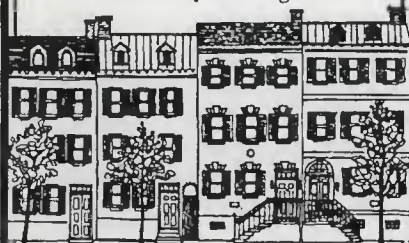
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SPEAKING OUT



to consider Helms' concerns have recommended that the director general concentrate on overall management issues for the Foreign Service personnel system and not also be the director of personnel for State.

More significantly, Helms has been a strong critic of Foreign Service personnel management and how the original discipline and willingness to serve anywhere, anytime has broken down. Again, career professionals have the same complaints and have consistently called for a return to the spirit of the Foreign Service Act of 1946.

If Foreign Service employees do not respond to world-wide availability, rank-in-person and an up-or-out, merit-based promotion system — then Congress and Americans have a right to ask why there should be a separate Foreign Service. The right answer is that Congress should insist upon a return to Foreign Service basics, which would be welcomed by career professionals.

But there is another, even more fundamental, reform required to set the Foreign Service on the right track: a return to the concept of a single Foreign Service, serving all agencies that do their main business overseas. The Foreign Service Act of 1980 missed the opportunity to establish this principle once and for all.

What has happened, in fact, is that each agency has headed in its own direction, with no clear guidance from the center. AID and Commerce are trying to recreate a hybrid Foreign Service/Civil Service system, which has failed before. Over the protest of most career professionals, State wants to impose personnel reforms that would further undercut a merit-based system. Helms and others on the Hill could perform a major service by reestablishing the principle of a single Foreign Service, overseen by the director general and soundly based on its original principles. Significant savings would result.

Administration after administration has rejected real reform of the foreign affairs process on the grounds that Congress would never be willing to reform its committee structure and its own oversight procedures. The time has come for Congress to remove that excuse by requiring the following:

■ The executive branch would submit an integrated foreign affairs budget showing how the expenditures of all agencies in a given country or international institution are coordinated and related to overall U.S. goals and objectives. This budget would be field-based, pulled together by chiefs of mission under guidance from Washington. As suggested in *State 2000*, this would require reform of the congressional oversight process.

■ Overall budget targets would be worked out between the executive and legislative branches and, if downsizing or consolidation is required, chiefs of mission would be responsible for recommending alternatives to Washington. All support costs would flow from this program budgeting process and would reflect smaller, more integrated operations abroad. One result could be to have a single administrative support base for all overseas operations.

■ Any further integration of agencies in Washington would await the results of the first round of integration in the field. But if such were to occur, consideration should be given to integrating all civilian foreign affairs agencies, or at least very clearly delineating roles and missions; such as between State and CIA.

■ The Board of the Foreign Service would be made independent, strengthened and given the role, similar to the Office of Personnel and Management (OPM), of overseeing the management of a single U.S. Foreign Service. The director general would be similarly independent and act as the executive agent of the Board of the Foreign

SPEAKING OUT



Service. The Service would be required to return to its basic principles.

It is often said that diplomacy is not as easy as when we had a clear and consistent doctrine aimed at the defeat of a single enemy. However, the exercise of American leadership never has been easy, but it has become less effective to the degree that the organization and management of our foreign policy and programs have not adapted to developments and trends in the real world.

We all agree that the time has come to replace our aged, expensive and ineffective foreign affairs machinery. And, we can agree that the time has come to bring the Foreign Service back to basics. But can we find a durable consensus on the priority of diplomacy in the hierarchy of national security?

It will help a great deal to have a better organization and management of our foreign affairs efforts, and it will be very good to improve the quality and expertise of our professional diplomats, but if we can't also agree that diplomacy is important and requires consistent support from Congress and the administration, then reforms will produce only transitory budgetary savings. The goal should be to produce both savings overall and improve our leadership position in the world. It is important to look at the overall foreign affairs budget — the money spent for programs like AID and for State's salaries and expenses, as well as for intelligence collection and export promotion — and make sure that we have our priorities straight. Career professionals assert that there is more than enough money in the foreign affairs budget to achieve American goals and objectives — if it is allocated and managed correctly.

We need a reorganization and reallocation of our foreign affairs machinery, programs and people, designed to create a new model for American diplomacy in the 21st century. ■

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LASTING TANGO IN MIAMI

DESPITE PESO'S DROP IN MEXICO,
HOPES REMAIN HIGH FOR SUMMIT TRADE GOALS

BY GEORGE GEDDA

President Clinton described it as a "magic moment," and the Summit of the Americas in Miami was indeed a watershed for United States relations with its hemispheric neighbors. To some, the three-day December conclave may have seemed to be yet another meaningless high-level gabfest but to those well-versed in the long history of fractious inter-American relations, the summit was a milestone that seemed to auger well for future ties. The hemisphere is marching for the first time to the same economic and political tune, no longer riven by Cold War-related disputes. Coming on the heels of the 18-nation Asia-Pacific summit in November, which set a free-trade target date of 2020 for that region, the 34-nation Miami summit set a 2005 deadline for concluding a similar deal for the hemisphere.

It was not a summit for naysayers and nitpickers. Clinton spoke with relish about the prospect of a free-trade area where, early next century, the hemisphere's 850 million consumers will be buying \$13 trillion worth of goods and services. Secretary of State Warren Christopher, usually given to understatement, described the summit with words like "landmark," "renaissance" and "unprecedented."

Only a few years ago, Latin America was considered a problem for the United States; now, perhaps

for the first time, it is seen as an opportunity. It took more than 150 years — until 1985 — for U.S. exports to Latin America to reach the \$30 billion mark. Between 1985 and 1993, that figure ballooned to \$79 billion. And it was against this heady background, with Latin America increasingly seen as a job-creating hub for American workers, that President Clinton invited 33 of his colleagues, all democratically elected, to Miami for the first hemispheric summit since 1967. Only Cuba's Fidel Castro was not invited.

Not surprisingly, the outcome had all been pre-cooked during extensive consultations throughout 1994, culminating in a meeting at the vice foreign minister level in Washington just a week before the summit. It was at that meeting that the 2005 target date for a regional free-trade agreement was chosen as well as the decision to integrate Chile into the three-nation North American Free Trade Agreement (NAFTA). Chile was chosen because it has moved further toward economic reform than other countries in the region.

Going into the summit, the U.S. decision to make trade the highest priority was reinforced by the strong congressional endorsement in late November and early December of the GATT pact, which lowers tariffs worldwide and also creates a new international body designed to govern commerce among nations. Before Congress gave the green light, Latin Americans seemed more enthusiastic about making trade the centerpiece of the summit than did the Clinton administration. The tilt toward trade as a

George Gedda is the diplomatic correspondent for the Associated Press.

summit focus also was evident, observers said, when pro-growth stalwarts such as Commerce Secretary Ron Brown, White House aide Thomas (Mack) McClarty and the now-departed Treasury Secretary Lloyd Bentsen took charge of the preparations.

Trade clearly dwarfed all other goals and dominated the discussion at Miami. NAFTA is just part of a patchwork of almost two dozen bilateral and multilateral hemispheric trade agreements that have sprung up in recent years, pushing intraregional trade from a paltry \$7 billion in 1983 to about \$26 billion last year. Mercosur, the trade pact among Argentina, Brazil, Paraguay and Uruguay, abolished internal duties on most products on Jan. 1. The ultimate goal is to integrate all trade pacts into a single unit.

Unhappily, nine days after the summit concluded, a major currency devaluation in Mexico raised questions about whether an expansion of the free-trade horizon in the hemisphere was politically feasible. NAFTA was sold to a skeptical Congress on the basis that it would produce a boom in U.S. exports — and U.S. jobs. At Miami, Clinton and his aides repeatedly boasted that an increase in U.S. exports to Mexico had helped create 100,000 U.S. jobs. But even as the summit was taking place, imports from Mexico had begun to outstrip U.S. exports, and the devaluation was expected to aggravate the trade imbalance further. Almost overnight, most Mexicans had become too poor to afford U.S.-made goods, and border states braced themselves for a new surge of illegal immigration. American investors lost about \$20 billion in the first few weeks after the devaluation.

Early on in the crisis, the Clinton administration extended a \$9 billion credit line to Mexico and followed that up with a proposed \$40 billion loan guarantee package. Clinton argued that the plan would help restore stability to Mexico and would accrue costs to the taxpayers only in the event of a Mexican default on its loans. He said the livelihoods of thousands and thousands of U.S. workers depend on an economically healthy Mexico.

But many lawmakers from both parties saw the help-your-neighbor proposal as inconsistent with the across-the-board cuts the Republican-led Congress was planning for domestic programs. They also contended that Clinton was succumbing to pressure from Wall Street bankers and others who made unwise investments in Mexico before the devaluation and were looking to the federal government to help cut their losses.

There was an I-told-you-so quality to the comments of anti-NAFTA chiefton Ross Perot in the aftermath of the devaluation. "American job losses to Mexico will be even greater because the cost of Mexican labor has plummeted," Perot wrote recently. "Last January, U.S. companies manufacturing goods in Mexico could hire seven Mexican workers for the cost of one American worker; now they can hire 10." NAFTA's defenders saw things differently, pointing out that the currency crisis would have been far worse without the agreement.

NAFTA's provisions are also a guarantee that Mexico won't turn toward protectionism to solve its problems. And as a result of the crisis, Mexico also is now unilaterally carrying reforms that it refused to consider when the pact was being negotiated, including 100 percent foreign ownership in financial institutions, such as banks.

Still, as of early January, serious questions were raised about whether the administration could sell Congress on its goal of expanding NAFTA to include Chile and winning congressional approval for "fast track" legislation needed to give the authority to negotiate free-trade agreements immune from congressional amendment. Last September, three months before the Mexican currency crisis, Congress had showed its wariness by allowing fast track to lapse.

A similar debate has been raging in Chile itself where the government is fending off demands from workers and environmental groups that their interests be taken into account. The nation's largest trade union refused an invitation from President Eduardo Frei to attend the summit and vowed to call repeated work strikes. Arturo Martínez, vice president of the Unified Workers Center, noted, "We're not going to stand back with our arms folded and watch while the country's wealth is handed over to the private sector." Codeff, an environmental organization, says Chile's unfettered integration into NAFTA means more investment in mining and thus more pollution of the air and water. The Chilean government wants as few impediments to foreign investment as possible, saying that is the key to

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without the treaty:*

helping the 35 percent of the population living in poverty, who have benefitted little from the spiraling economic growth.

Chile, of course, is not alone in having a poverty problem, and there is a growing consensus that free trade is a necessary but insufficient vehicle for easing the region's appalling destitution. Almost half of Mexico lives in poverty, and Brazil, with an estimated 32 million people living in extreme poverty, may be the world's most unequal society. About 55 percent of Brazilians living in the impoverished northeast are illiterate.

Douglas Payne, Latin America expert at Freedom House, a New York-based pro-democracy group, says growth through expanded trade will all go for naught without a modernization of Latin America's legal system. "No amount of economic growth will ensure the survival of weak democratic systems unless there is an established legal framework in which the powerful are held accountable for their behavior and the political rights and civil liberties of the majority are guaranteed. ... Without political accountability, the rule of law and greater respect for worker rights, market-fueled economic growth will create only more billionaires and more poor people."

Abuses by the military are a particular problem. Payne cites Guatemala, Honduras, Nicaragua, Peru, Paraguay and Colombia as examples of countries, all nominally democratic, where the military continues to repress citizens without being held accountable.

Another key question is whether hemispheric countries are capable of overcoming chronic administrative weakness. Moises Naim, a Venezuelan public policy expert at the Carnegie Endowment for International Peace, says flatly, "The state in Latin America does not work. ... Market reforms will be impossible if the performance of public institutions is not dramatically improved." Naim's point underscores why so many Latin Americans live in

abject poverty with little hope for decent education, employment or health care. Some analysts argue that free-market reforms will condemn the hemisphere's impoverished masses to perpetual penury. But David Asman of the *Wall Street Journal* says pro-growth policies have given most Latin Americans "access to opportunities, ideas and goods that they could never dream of having in old, protectionist environments."

NAFTA has caused other discord in the region. Negative fallout has included complaints by Caribbean countries that NAFTA puts their textile industries at a competitive disadvantage. The Caribbean is especially worried that American textile manufacturers will opt to invest in Mexico rather than the Caribbean because of the tariff advantage of Mexican exports to the United States. To level the playing field, the administration plans to ask Congress early this year to put Caribbean textiles on the same duty-free footing as those of Mexico.

Also on the administration's agenda is a request to Congress to seek an extension of tariff preferences for developing countries, which now expires at mid-year. Although most Latin American developing countries are assured tariff preferences under other arrangements, Argentina, Brazil and Chile would altogether lose their preferential trading status.

Just a few years ago, Latin Americans were not the type of people with whom American presidents wanted to have a summit. The degree of common ground was too narrow, the potential for failure, embarrassment, deadlock or fiasco too great. American presidents felt comfortable meeting with the heads of industrialized democracies, not with Latin Americans. Latin America was a place where anti-American sentiment was strong and where the Cuban model was envied by many. A decade ago, at a

time when the United States was trying to combat leftist expansionism in Central America, not a single Latin American government publicly backed U.S. policies. To have done otherwise could have alienated key constituencies. In the 1970s, the hemisphere was awash in military dictatorships. One analyst calculated that for each \$1 billion the United States spent on the Alliance for Progress, another 25 million Latin Americans came under military rule. Experiments in democracy often ended up in failure, as in Chile in 1973 and Argentina in 1976.

Latin America in the not too distant past was a place where, too often, huge government debts went unpaid, where American properties were seized without compensation and where economic policies were based on the self-serving illusions of the elite. Latin countries demanded access to U.S. markets while keeping their own closed. Military dictators in Brazil and Argentina tried to develop nuclear weapons. Mexican foreign policy seemed built on the twin pillars of hostility for the United States and friendship for Cuba.

To be sure, the Latins had their list of grievances with the United States. The CIA was perceived, rightly or wrongly, as a pervasive presence by many. The United States was seen as addicted to intervention (Guatemala '54, Cuba '61, the Dominican Republic '65, Chile '73, Grenada '83, Panama '89), or to prolonged periods of neglect. Even with the recent upturn in relations, no American secretary of state has made more than a token visit to South America since 1988.

When the Falklands/Malvinas conflict broke out in 1982, the United States unhesitatingly backed Britain against Argentina; Latin America felt betrayed. It was in the same year that Mexican President José Lopez Portillo called Cuba the hemispheric country "most dear" to Mexico. Happily, in politics, 13 years is a long time. Nowadays,

Mexico and Argentina are viewed as the two Latin countries most favorably disposed to the United States. Argentine President Carlos Menem sent troops to the Persian Gulf War in 1991 and also has vigorously backed U.S. policies in Cuba and Haiti.

Latin America's 10-year democratic transformation has been widely noted and praised but no less noteworthy is the region's economic transformation. For years, Latin governments had an unshakable belief in the theory that high protectionist walls would allow local industries to flourish, end chronic trade deficits and reduce dependence on the United States. In practice, of course, this approach only promoted gross inefficiencies and prolonged economic backwardness. The economic low point was the 1980s, a period when debt-burdened economies shrank, increasing the number of Latin Americans living in extreme poverty by a staggering 40 million to 130 million. The silver lining was that a crisis of that magnitude gave governments a political opening to perform painful macroeconomic surgery. They began to opt for open markets and privatization, and the turnaround for many countries has been dramatic.

As a result of market reforms and free-trade policies, Argentina's economy expanded by 25 percent between 1990 and 1993. Chile has been growing by more than 6 percent for a decade while inflation rates have dropped to under 10 percent. And Brazil, having tamed inflation with a newly installed president committed to free-market policies, is seen as poised for takeoff. Average inflation in the hemisphere is down to 12 percent from 400 percent in 1989. Latin America also has become a magnet for foreign investment, attracting \$170 billion between 1990 and 1993. Clearly, the region is now ready to become a major player in world trade. ■


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ORGANIZED CRIME, GOVERNMENT CORRUPTION
OVERWHELM NEWLY INDEPENDENT LITHUANIA

BY SUSAN PEARCE

Freedom wasn't supposed to be like this.

Though Lithuania is the poorest of the three Baltic countries, it is one of Europe's promising new democracies. Yet, large Soviet-based crime organizations have invaded to capitalize on opportunities created by freedom without authority. A concomitant threat comes from within, as groups seek to take advantage of the chasm between Soviet control and yet-to-be-established democratic institutions. Lithuania has become a center for organized crime activity, with problems that are approaching those as severe as Estonia and Latvia.

The capital, Vilnius, bears witness to the contradictions of the country's new independence. Brightly colored boutiques with Western merchandise stand next to old, dirty, Soviet-era food shops. Refurbished historical sites rise alongside drab, dilapidated buildings with courtyards littered with trash.

Older people with fixed pensions as low as \$30 a month stand in line to redeem bottles at the state milk store, while the younger, more monied generation frequent new computer stores and trendy restaurants. The vast majority of Vilnius's residents walk or use the cheap but decrepit public system of buses and trolley cars, as there's often not enough gas to run the poorly maintained cars. Occasionally,

a brightly colored BMW or Mercedes will flash down a city street, often at alarming speed, to be met with shrugs, a mixture of disdain and desire, and the dismissive word "mafia."

In many ways, Lithuania is a microcosm of what is happening in Russia and the other former Soviet states, though its smaller size and population make it easier to identify and solve problems. Though Lithuania does not share a border with Russia and has relatively few international air routes, organized crime gangs continue to infiltrate a society that is becoming increasingly divided by the growing gap between rich and poor.

Lithuania's problems with organized crime and corruption have their seeds in the Soviet system. The people's apathy and ignorance, the dearth of public or private institutions and the lack of a sense of community are all a result of Soviet rule. People who were powerful under the old system have retained power, by virtue of access and information, under the new one.

At the request of Lithuanian officials, American crime and legislative experts have been helping the nascent government deal with the snowballing threat of organized crime. "What is most important is that everybody is concerned, in every branch of government and in the parliament — the problem is very well known," says Alfonsas Eidintas, Lithuania's ambassador to the United States. "We cannot let Lithuania become a banana republic."

Lithuania was the first of the former Soviet republics to declare independence — initially by a vote of the Supreme Council in March 1990. The

Susan Pearce is a Washington area lawyer and freelance writer.

Soviet attack on the television tower in Vilnius in January 1991, which killed 15, galvanized public opinion: The February 1991 referendum for independence received 79 percent of the popular vote. Following the failure of the August 1991 Soviet coup attempt, consolidation of Lithuanian independence came with international recognition, admission to the United Nations, and withdrawal of Soviet Interior Ministry security forces.

But the end of the Soviet military presence did not end the impact of 50 years of Soviet domination. This impact can be seen in four main areas:

Isolation was one of the most striking aspects of Lithuanian life. Ernest Rauskauskas, chairman of the Lithuanian Working Group of the American Bar Association's Central and East European Law Initiative (CEELI), first visited Lithuania in October 1991 and was amazed at "how completely successful the Soviet system had been at keeping Western ideas and information out of Lithuania." Despite visiting every library in Lithuania and meeting with judges, lawyers and university professors, he was unable to find a single copy of a Western encyclopedia in Vilnius.

Since Lithuania had been controlled from Moscow and by Russians, independent national institutions and decision-making structures no longer exist. "One of the most devastating things lost by the Soviet-style economic system is that it didn't just tell them what to do and think, it also defined their relationships with each other and their lack of relationships," noted Linas Kojelis, president of the U.S. Baltic Foundation in Washington, D.C. Thus, farmers didn't need to deal with bankers, nor mayors with churches. An integral component of this isolation was an absence of trust — in others, in public institutions, in the constitution, and in the rule of law. Skepticism about law and the responsibility of citizens under the law remains intense.

Widespread corruption was accepted. The way to get things done under the Soviet system was to know the right person or to know whom to bribe. A report on "The Development of the Private Sector in the Baltic States" from the Hudson Institute, a conservative Washington, D.C., research institute, argues that, "Probably the most damaging effect of Soviet rule for law and order came not from poor training of judges or outdated equipment for police officers, or poorly defined property rights. It was the all-pervasive culture of corruption that characterized all Communist countries."

The legal system and the administration of criminal justice were at best ineffectual and at worst tools of state tyranny. Exacerbating and underscoring the problem were the poor pay and training and low prestige of police, judges, customs officials and prosecutors. Under the Soviet system, judges were held in the lowest esteem of all civil servants. After 50 years of the judiciary being subservient to the political system, people remain skeptical of its fairness.

Yet some experts sense that Lithuanians feel remnants of an earlier national sensibility, including a considerable pride in Lithuania's long history and independence between the two world wars. Most Lithuanians, despite 50 years of Soviet rule, are aware of former traditions of law and order. Lithuania's independence has also been accompanied by ambivalence about the future, combining a new optimism with insecurity and coloring people's reaction to the present threat of organized crime. Thus, there is an important contradiction in Lithuania today: People show a mixture of contempt and envy for those who have profited from criminal activity. While organized crime and its more violent manifestations are viewed with horror, the material benefits enjoyed by those who are successful in criminal activity are envied by many. In addition, it is often unclear which "profitable" activities — illegal or immoral under the Soviet system — are now legal.

Organized crime has two faces in Lithuania. One is largely domestic, in part a product of the deteriorating economy: robbery, extortion, protection rackets, burglary and car theft, often enforced with violence. This kind of thuggery, which affects a community's sense of security, does not represent the same threat to the state as do sophisticated international operations.

The economic cost of domestic crime and corruption is high: An estimated 80 to 90 percent of private

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sector activity, particularly retail activity, pays protection fees averaging 10 percent of monthly revenues. For example, one Lithuanian-American woman who opened a restaurant in Vilnius rejected attempts by a group seeking protection money. However, fearing retaliation, she ended up spending the same amount to hire what she called "her own group of thugs."

The social cost is also high. A single mother with two sons reports that the streets are empty at 8 p.m. because people are afraid to go out. She and her sons, one a teenager, are denied the pleasures of the movies, theater and outings with friends.

Even kidnapping has become a new and frightening reality. Recently an 8-year-old boy was kidnapped on the way home from school and held for \$30,000 ransom. When his father could pay only one-third that amount, he received death threats. Although the boy was rescued by police four days later, the public remains fearful of the potential for other kidnappings.

The other type of criminal activity is imported, well-funded and well-organized. This face is even more ominous, because of its international nature, level of sophistication and the nature of the crimes. Economic crime — fraud, extortion, money laundering, counterfeiting of currency and documents and illegal trading in the "shadow economy" — poses a major threat to economic and social stability. Noted author Anatol Lieven in his 1993 book, *The Baltic Revolution*, "The threat of a criminalization of the state and economy, such as has occurred in much of the Third World, is the greatest menace facing not only Lithuania but all the states emerging from the former Soviet Union."

Ordinary Lithuanians, accustomed to the everyday breaking of the rules under the Soviet system, were totally unprepared for the uglier side of criminal activity, reflected in a high increase

in the number of murders, bombings and other violent crimes. In 1993, 150 explosions were reported in Lithuania, 31 of those in Vilnius. Most authorities agree that much of this activity was due to inter-gang violence and the enforcement of protection schemes.

Organized crime groups have gone to great lengths to avoid crack-downs on their operations. In October 1993, Vitas Lingys, the originator and chief of crime-reporting at the *Respublika* newspaper, was shot and killed by two masked gunmen as he walked to work. The editor of the paper attributed his murder to organized criminals. According to a recent report in *Editor & Publisher*, the successor at the paper moved his wife and child out of Vilnius whenever he published a potentially dangerous story and most of the paper's reporters now have guns available.

Ambassador Eidintas said the murder shocked Lithuanians. "The killing of Lingys was a very clear sign that if you will not work with [organized crime] they will kill you," he said. "This was not a crime between two crime groups, but an attack on our freedom, our democracy."

International organized crime groups bring a more cohesive organization and a higher level of violence: "[Eastern] gangs are becoming more recognizably international, brutal, and professional in their day-to-day operations. [They] are considered much more disciplined and aggressive than their homegrown counterparts in the Nordic or Baltic region," according to a Radio Free Europe Research Report, *The Growth in Crime in Russia and the Baltic Region*. The Baltic States are peculiarly vulnerable to Russian organized criminals because of their open borders with the former Soviet union. Guns, metals, raw materials

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and alcohol, narcotics, stolen automobiles and other items are moved through the entire Baltic region.

It is impossible to discuss organized crime without including official corruption, inherited from the Soviet system. As with crime, there are two levels of corruption: low-level, daily use of one's position for personal gain and systemic official corruption at higher levels.

Low salaries of \$40 per month for some officials leave low-level employees increasingly vulnerable to bribery. Much of the illegal transshipment activity is facilitated by bribes to customs officers, police and port officials. Ambassador Eidintas acknowledges that bribery is widespread, "because the problem is salaries. It was true in Soviet times, it is true in all countries [there are people] you can bribe." Under the incompletely dismantled Soviet system, virtually all private activity required some official sanction, and as the rules were unclear and burdensome, it was accepted simply to pay for some approvals. Thus the line between business as usual and criminal corruption was blurred or never firmly established.

The second kind of corruption is systemic and threatens the state's long-term stability. Privatization, with an absence of coherent policies to deal with the process, has provided enormous opportunities for those in power to plunder the country's assets. Opposition politician and former Prime Minister Vagnorius, in the Radio Free Europe report, called for rescinding much of the new privatization program, detailing "the illegal transfer of state property to a 'group of friends' of high government officials."

Organized crime funds may be finding their way into state enterprises, and prospective buyers are sometimes warned away from public auctions of state assets. This results in a lower return to the state and lower pricing of many transactions. A refer-

endum to overturn many of these privatization transfers, however, failed to attract the requisite 50 percent of registered voters and thus was defeated.

Lithuania's response to its pervasive crime problem, driven in part by aggressive media coverage, has been mixed. Several law enforcement initiatives have been successes, but in general, there has been a failure to create adequate legislative structures to address the problems. "There are no textbooks on how to transform a society from socialism. We have to transform, reorganize," stressed Ambassador Eidintas.

Lithuania inherited a Soviet legal structure inadequate to deal with organized crime and corruption. With a cash-based economy such as Lithuania's, there are no paper trails of the money. "The businessmen are way out in front of the legislators," says John Zerr, a lawyer who spent a year in Lithuania with the two-year-old CEELI project, the American Bar Association's Central and East European Law Initiative, in which local lawyers work with the judicial establishment.

In January 1993, the parliament, or Seimas, passed a law on criminal organizations that included longer sentences and fines for those convicted of specific criminal activities associated with organized crime. This did not seem to stem the tide of crime, however, and in July 1993, a preventive detention law was passed to keep suspects off the streets for two months to allow authorities time to collect evidence for cases. In December 1993, this law was extended for one year, with the added civil rights' protection that the detention had to be approved by a court within 48 hours.

According to the RFE Research Report, "The preventive detention amendment encouraged law enforcement agencies to go after the mafias. Police had long suspected who the

mafia leaders were, but had been unable to establish cases against them." While there is some disagreement about whether this led to the apprehension of many high-level criminals, it did increase police arrests.

A major victory for law enforcement was the recent arrest and conviction of the murderers of *Respublika* editor Lingys. One is the son of the alleged leader of the most powerful organized crime group in Vilnius — a Georgian with considerable business interests in the Lithuanian capital. Ambassador Eidintas attributes these arrests to the success of the preventive detention law, which has helped increase police popularity. Today, more than 30 percent of Lithuanians have confidence in the police, a dramatic improvement for a former Soviet republic.

A reversal came with an acquittal in a major case against alleged organized crime figures. Members of the Centurionas group were acquitted of the most serious charges against them, including extortion and racketeering. Witness intimidation was clearly a factor, with 11 of 32 witnesses failing to appear and five changing their original testimony. There is no witness protection program in Lithuania and judges themselves are reluctant to participate in organized crime trials. The acquittals again led to extensive media coverage and public outrage. In September, President Brauskas appointed a commission to prepare a comprehensive approach to crime control.

There have been numerous private-ly and publicly funded aid projects to support Lithuanians' efforts to curtail organized crime and corruption and to strengthen the basic institutions of a democratic state, including a legislative basis for criminal prosecution, a comprehensive taxation and banking system, and improved rules for private

commercial activity and property ownership. A key element of all programs is developing a positive mindset — an antidote to the apathy produced by the Soviet system.

In early 1993 Procurator General Paulauskas requested U.S. support to fight organized crime. The U.S. Information Agency sent Kurt Muellenberg, retired chief of the U.S. Justice Department's Organized Crime Section, to Vilnius for six months to advise officials on alternative ways of prosecuting organized criminals and to help draft relevant legislation. In addition, he lectured widely in Lithuania on related issues and spoke at a parliamentary conference in Vilnius. "In meetings with law enforcement officials on organized crime, I had the frequent impression that they felt overwhelmed by the problem as they saw it," he said. "My message always was, 'Organized crime is just crime. It is helpful to see the big picture, yet success will only come if you take it one case at a time. ... Successful prosecutions will inevitably lead to other cases'."

A major source of support to develop a legal infrastructure has been the Agency for International Development's (AID) Rule of Law program, which provides funding to government agencies and to private institutions for a variety of initiatives in Eastern Europe, including legal education, ethics training and improvement in the quality of the judicial and parliamentary government branches. Other sources of funding include the U.S. Baltic Foundation, with an educational effort that emphasizes governmental ethics, and the CEELI program, which now includes a sister law school program with three American law schools and the creation of a commercial law center, with a CEELI lawyer living in Vilnius.

Other programs are aimed at creating a more professional legislative authority. The U.S. House of

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Effective measures against organized crime require professional law enforcement to reverse decades of cynicism toward the police. Without exposure to technical skills and a sense of the way "community" works in a Western society, Lithuanians are ill-prepared to gain control of their country's institutions.

Representatives and the Seimas jointly sponsored a parliamentary conference last April. Nancy Davenport, associate director for special programs at the Congressional Research Service and one of the organizers of the conference, wanted to counter the Seimas' disbelief in its own decision-making power and the public's lack of faith in the Seimas' ability to influence events.

Effective measures against organized crime require professional law enforcement to reverse decades of cynicism toward the police. As part of an ongoing cooperation between the FBI and Lithuanian law enforcement personnel, 25 middle- and senior-level Lithuanian police investigators, administrators and prosecutors attended a two-week training session on the management of criminal investigations at the Quantico FBI Academy.

Today Lithuania is at a threshold, but much work remains. Without exposure to technical skills and a sense of the way "community" works in a Western society, Lithuanians are ill-prepared to gain control of their country's institutions. In conversations with those working most closely with Lithuania, the words "responsibility," "accountability" and "transparency" repeatedly occur. Lithuanians need to learn to be accountable for their actions and officials need to accept a degree of transparency in their financial dealings that encourages faith in their actions.

Every initiative needs to emphasize the harm continuing criminal activity does to potential foreign investment and to domestic security and that the rule of law benefits everyone.

A counterweight to illegal influences is the emergence of groups with some stake in an orderly society. Anna Kondratas, a senior fellow at the Hudson Institute, believes that, despite official figures indicating the opposite, the standard of living is improving for many Lithuanians. John Zerr, who is now developing joint ventures in Lithuania, sees hope in the growing middle class. An estimated 51 percent of those employed now work in the private sector.

Future U.S. support should continue to strengthen basic institutions: the courts, the police and the legal establishment in general. New legislation is also needed in such areas as the identification and tracking of assets. Kurt Muellenberg praises proposed penal code revisions that include such concepts as immunity, plea bargaining, prosecutorial discretion and asset forfeiture. "Passage of this legislation is a crucial next step in the battle against organized crime," concludes Muellenberg.

There is some cause for guarded optimism. Darryl Johnson, the recently returned American ambassador to Lithuania, stated in a recent interview with the *Baltic Observer*: "This country has come a long way in just three years." ■

AFSA NEWS

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AGENCIES FACE CUTS & FORCED INTEGRATION

BY F.A. "TEX" HARRIS

AFSA President

In the wake of the new Republican control of the House and Senate, the foreign affairs agencies are threatened with cuts in programs and forced integration. The following measures affecting the Foreign Service have already been proposed:

- The vice president has launched a crash study on the amalgamation of State, AID, USIA and ACDA in response to Republican budget and integration threats. Politics, not good government, appears to be driving the effort.
- State has been targeted for cuts by the Senate leadership. Republican staffers are talking about a \$350 million cut. The \$60 million cut in the salaries & expenditures account for FY 95 caused enormous budgetary difficulty for the department and a \$350 million reduction would force State to make major cutbacks and

likely result in permanent layoffs, for which Sen. Jesse Helms has provided legislation.

- AID is targeted in Sen. Mitch McConnell's proposal for drastic program cutbacks and a loss of its status as an independent agency.
- Many members of the new Congress expect justifications of USIA exchange programs
- However, a \$25 billion increase in the defense budget over the next six years has been enacted by the administration.
- President Clinton has made a commitment to support a U.S. intelligence capability second to none and promote additional program funds.

These cuts in the foreign affairs agencies are in contrast to strengthening our military capacity, called for in the Republican "Contract with America," and will impact on the Foreign Service's ability to perform its job overseas. American national security rests on the efforts of diplomats, intelligence operatives

Continued on page 4

• AFSA Dateline •

- AFSA discussed with Policy Plannings staff leadership allegations of retribution for use of the dissent channel. AFSA made clear that such retribution will not be tolerated.
- AFSA raised with the Bureau of Population, Refugees and Migration concerns about the elimination of Foreign Service nationals (FSNs) as a special priority in refugee processing. AFSA has been reassured by Assistant Secretary Phyllis Oakley that former FSNs from a country in turmoil could be placed at the head of the refugee processing queue, and that the new priorities do not constitute an abandonment of former FSNs in troubled countries.
- AFSA/USIA's Standing Committee has named a team to develop ideas for an AFSA-drafted USIA mission statement that will be submitted to the USIA counselor.
- AFSA's 1994 Legislative Action Fund (LAF) appeal was the most successful to date with more than \$60,000 raised by Dec. 23, 1994. AFSA is recruiting a full-time legislative director.
- AFSA is convinced that strong advocacy of USIA's policies and programs by agency leadership is essential to maintaining congressional support, and wrote Director

Continued on page 3

STATE DEPARTMENT V.P. VOICE

• BY TODD STEWART •

Medical Matters

No benefit is more important to Foreign Service employees abroad than quality health care. For this reason AFSA's Governing Board created a Medical Committee, with members from all five agencies, to address the neuralgic problems in this area. The committee worked over the past year with Dr. Elmore Rigamer, the new director of State's Office of Medical Services (MED), to deal with situations before they become problems.

State's regional bureaus have historically played a role in the placement of MED personnel abroad, thereby limiting MED's ability to reposition its staff. However, the AFSA Medical Committee felt that MED itself is best able to decide where regional medical officers and nurse practitioners should be assigned for maximum benefit. With AFSA's support, the department decided late last year to move several health care providers from posts in cities with adequate medical services to embassies in successor states of the Soviet Union.

MED is also searching for ways to reduce its costs, which amount to approximately \$45 million overall, including \$20 million for operation of overseas health units. One obvious way is to improve the collection of reimbursements from employees' health insurance for hospitalization and related outpatient costs that State initially paid. AFSA has worked with MED to develop new procedures, already sent to the field, which will hopefully not burden responsible employees or administrative officers with excessive paperwork. Another possibility is to impose a fee for service at overseas health units, which treated an estimated 260,000 patients in one recent 12-month period. AFSA has no problem with these concepts, provided that the department can arrange to bill the patient's insurance carrier directly and absorb deductibles and coinsurance. Any other arrangement would

penalize employees at unhealthy posts.

However, the Medical Committee appraised another cost-saving possibility: limiting the department's medical program (except medevacs) to conditions which are causally related to an employee's service abroad. For example, an employee (or family member) assigned to central Africa would be covered for malaria, but the same person would not be covered for a sprained ankle suffered during a tennis game since that injury could have occurred at home. AFSA argued that causality would be hard to determine in many cases, resulting in burdensome adjudication with possibly inconsistent outcomes. Moreover, the causality test does not address the possibility that inadequate treatment by local practitioners might worsen the condition.

While informal discussion has been productive, recent formal adjudication has disappointed AFSA. State had claimed in 1993 that employees were obliged to carry personal health insurance to be eligible for overseas medical coverage (except medevacs). AFSA maintained that no such requirement existed. When State asserted its claim in a cable, AFSA filed a grievance arguing that the department had violated the collective bargaining agreement establishing the current MED regulations. The Grievance Board finally agreed with AFSA that employees had not been required to have health insurance for coverage under the department's program. But the board added that the medical regulations were not negotiable - only consultable - since they applied to more than Foreign Service employees, and State was thus free to change the regulations without AFSA's concurrence. However MED has informally agreed that it will not cut off benefits to employees who do not have private coverage before affording them another opportunity to enroll in the Federal Employees Health Benefits Program.

THE DIPLOMATIC POUCH

The Diplomatic Pouch and Mail Division (DPM) has taken an additional step towards improved tracking of packages. When DPM signs for the receipt of packages from UPS, FedEx or a similar service, each package is identified on the pouch mail bag invoice. The receiving clerk at post who opens the mail bags signs the invoice to acknowledge receipt of those packages. As a result, if the customer can prove delivery of a package by the vendor or shipper to DPM, DPM can furnish proof of delivery to the post. This system has brought to light serious gaps in security at several overseas posts.

U.S. postal regulations do not permit delivery of registered, insured or certified mail to DPM when it is addressed to an overseas pouch address. Therefore, proof of delivery to DPM is possible only when the sender has utilized UPS, FedEx or similar service. Packages for which a chain of custody cannot be established, such as regular U.S. mail packages, are virtually impossible to track. DPM, however, has noticed an increase in open or empty parcels arriving through the mail. CDs, video tapes, etc., are easy targets for thieves, since they are small, and seldom sent by UPS.

If a post has a high level of loss, a detailed cable should be sent to IM/SO/FO/DPM. All complaints will be investigated. Posts are urged to carefully scrutinize the chain of custody in their pouch operations. Any post with additional questions or concerns should contact the AFSA Labor Management office.

AFSANET Now ONLINE

AFSA now has a new Internet address for mail and an Internet Gopher Site, AFSA INFORMATION CENTRAL, which will allow members to access the latest AFSA positions, cables, Red Tops and announcements. Coming soon will be on-line Internet conferences. AFSA Internet Mail Address: AFSA@dcez.com

AFSA INFORMATION CENTRAL : AFSANET@dcez.com

Members in the D.C. area may open an Internet account with unlimited usage for \$20 per month by calling (202) 529-9399; identify yourself as an AFSA member.

AFSA DATELINE

Continued from page 1

Joseph Duffey expressing deep concern over his lack of such advocacy during a meeting with senior congressional staff members in December.

- AFSA and AFGE have expressed strong opposition to the detail of Ernest Wilson, chief of USIA Director Joseph Duffey's new policy office, to the Center for Strategic and International Studies (CSIS). Wilson had been at USIA only six months when he moved to CSIS, and at this time of budget cuts and RIFs at USIA, such an irregular outside appointment is inconsistent with the terms of normal Schedule C employment.

- AFSA's president and Member Services Department have asked the United Services Automobile Association (USAA) to include Foreign Service specialists in its overseas automobile insurance program. Our goal is to have all Foreign Service personnel made eligible for USAA's plan.

- Over AFSA's objections, State has reduced post differentials by 5 percent of about two-thirds of hardship posts.

MEMBERS ENCOURAGED TO RUN IN ELECTIONS

Those who might be interested in becoming candidates in the AFSA election should notify Richard Thompson, coordinator for professional issues, at (202) 338-4045 or via fax at (202) 338-6820. Thompson will provide these names to anyone who inquires; these names may be especially useful for anyone trying to form an election slate.

Submission of a name in this way would not make a person a candidate; nominations must still be made formally, as described in the "Call for Nominations," on page 5. The Elections Committee hopes this procedure will broaden participation in the election, especially for those members overseas who will be returning to Washington this summer.

AID V.P. VOICE

• BY GARBER DAVIDSON JR. •

AID Should Remain Independent

There are many reasons why AID should retain its independence within the family of foreign affairs agencies. With some on the Hill threatening to slash foreign aid and abolish AID as an independent agency, it should be noted that AID has had major successes in preparing the human and physical infrastructure for economic take-off in countries like South Korea, Taiwan, Mexico, Chile and Thailand. While AID's achievements are significant and should be more widely recognized, we must look forward to the challenges of tomorrow.

The post-Cold War period may in some ways be more difficult than the fairly precise and defined world we knew before the Berlin Wall came down. It is ironic that some are calling for the elimination of AID (or a merger of its functions) at the same time that primary challenges to U.S. interests are squarely within AID's domain, e.g., achieving economic growth and security, slowing environmental degradation and explosive population growth, assisting nations to build democratic institutions to ensure human rights and the development of free-market economies.

The preservation of the nation's environmental integrity means assisting other nations to protect and preserve the world's fragile eco-systems. Preventing political crises that threaten political stability means assisting other nations, and in particular the new states of the former Soviet Union, in building democratic institutions. Freeing up limited world resources to ensure maximum productivity depends upon stabilizing world population growth and promoting human health. Expanding trade and investment opportunities for U.S. business means developing markets by assisting

The United States needs to mount an orchestrated diplomacy, which includes economic and developmental components.

nations to strengthen and grow their free-market economies. Clearly, foreign policy planners will look increasingly toward promoting vital U.S. national interests with diplomacy that includes sustainable interventions in all of these areas.

These imperatives will not be achieved through traditional diplomacy alone. The United States needs to mount an orchestrated

diplomacy, which includes economic and developmental components. The day of the development specialist has arrived, and U.S. leadership should draw heavily upon the considerable experience that AID offers to build a fresh, effective U.S. foreign affairs agenda. With the advent of the new GATT agreement, NAFTA and other advances in free trade, the United States must become smarter in its approach to international economic opportunity. AID should be in the forefront of strategies that enhance U.S. competition in foreign markets and that help to develop those markets. AID is uniquely qualified, given its broad experience with Third World commercial development, privatization efforts and regulatory reform initiatives, to assist in expanding America's trading and investment opportunities where emerging markets beckon.

A newly revitalized and reordered AID is the logical and appropriate partner for the Department of State and other agencies in the advancement of such key U.S. interests abroad. Before AID is written off in the current frenzy to cut budgets, decision makers should closely examine its potential as a major resource for the new foreign affairs agenda.

USIA V.P. VOICE • BY RAZ BAZALA •

The Challenge of Change for USIA

At a meeting Dec. 13 with employees and senior congressional staff, USIA Director Joseph Duffey emphasized the need to accept that the United States is at the end of an era and that USIA faces major changes. Change, he pointed out, is very difficult for many to accept and can be distressing. The director suggested that funds spent in projecting U.S. influence and American values abroad during the Cold War had denied some American children access to education and health care. He also alluded to a "messianic zeal" with which Foreign Service officers and specialists pursue their mission. Moreover, he said that the recent congressional elections confirmed that the American people were now more inwardly focused on domestic issues and that foreign policy issues were less significant.

We do not dispute the need for change and are troubled by the implication that USIA's Foreign Service employees are somehow stuck in a time warp circa 1989. Repeated admonitions that we must accept change and move forward concern us because these imply that we in the Foreign Service are unwilling to accept change. Change is inherent in our careers, and every Foreign Service employee must constantly cope with change in environment, assignment, location and work - often under very trying and difficult circumstances. We are not averse to change. In fact, Foreign Service employees have been instrumental in working to develop the new Information Bureau as a "reinvention laboratory"

where self-empowered teams can help our overseas posts address their key audiences and explain U.S. foreign and domestic policies. AFSA was early to support the call for joint partnership between management and labor, and we have been working in partnership for more than a year.

With the opening of the new Congress, there is a rush to institute many and different kinds of change beyond what the Clinton administration has sought to do in the "reinvention" of the federal government. Currently, USIA is seized with developing and implementing various structural and programmatic changes. We hear and read about "downsizing," "streamlining," and "delaying" as the buzz words of these changes.

While we accept change as a constant in our daily lives and in our careers, we do not accept repeated claims that we cannot accept change as a fact of life in our agency. We find such assertions akin to a Catch 22: Change is necessary; if you realize this to be so, you must be resisting it. We believe that a more open, honest dialogue about the nature of and need for changes is necessary. If Director Duffey envisions a new role for USIA and its Foreign Service officers and specialists, we ask that he be more explicit in communicating his vision to us and our Civil Service colleagues. Otherwise all of us will continue to muddle around in a swamp called "change," ensnared in popular and trendy buzz words more applicable to private, profit-making corporations, without the resolve and leadership to move USIA in a definite direction.

Quote/ Unquote

“AID has to be responsive to short-term foreign policy needs while protecting long-term development.”

- AID Administrator J. Brian Atwood, speaking at a Jan. 12 COLEAD (Coalition for American Leadership Abroad) meeting at AFSA headquarters.

FOREIGN AFFAIRS CUTS

Continued from page 1

and soldiers. Diplomacy is the "software" of national security, the military, the "hardware."

The AFSA Board has made a commitment to apprise the American public, media and Congress of the need for a more effective American representation abroad to advance and protect U.S. national interests. It makes little sense for Congress and the administration to fund the armed services and covert intelligence activities at increasing rates while cutting back on resources for diplomacy.

The board recognizes that significant reform and reengineering must be undertaken by all the foreign affairs agencies. The United States can no longer afford the duplication of effort which has become common practice in the years of financial largess of the Cold War. American efforts, resources and personnel assigned abroad have to be closely targeted. If America's principal objective in a nation is the furtherance of our economic interests, that must be reflected in the numbers and tasks of personnel assigned.

AFSA wants to target waste and misuse of resources and needs concrete examples of how a lack of resources or personnel impedes an embassy's ability to perform key functions. An example would be an economic/commercial officer who cannot use international phone lines to communicate with American business interests.

AFSA also is interested in examples of excessive expenditures, such as an ambassador or DCM who redecorates or repaints a house that was recently painted or redecorated. Staffing inequalities, such as too many drug and law enforcement agents, but not enough economic/commercial officers, should also be reported to AFSA.

AFSA SCHOLARSHIPS

This is the last call both financial aid and merit award applications, which are due by Feb. 15.

AFSA ELECTIONS

CALL FOR NOMINATIONS

This election call, issued in accordance with Article VII(2)(a) of the AFSA bylaws, constitutes a formal notice to all AFSA members of the opportunity to participate in nomination and election of a new Governing Board. All of the officer and representative positions listed below are for two-year terms beginning July 15, 1995.

A. POSITIONS TO BE FILLED

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

- President
- Vice President for State
- Vice President for USAID
- Vice President for USIA
- Vice President for FCS
- Vice President for Retirees
- Secretary
- Treasurer

2. The constituency representative positions to be filled in this election are:

- State representatives (five positions)
- AID representatives (two positions)
- USIA representative (one position)
- FCS representative (one position)
- FAS representative (one position)
- Retired member representatives (four positions)

Article V(4) of the AFSA bylaws authorizes a constituency vice president for each constituency with a minimum of 100 members and one constituency representative position for every 1,000 members or fraction thereof. The calculation of the number of constituency vice president and representative positions to be filled in this election is based upon the membership rolls as of Dec. 30, 1994.

B. NOMINATION PROCEDURES

1. Any AFSA member in good standing (i.e., a member whose dues are automatically

deducted or who has paid dues through February 1995) may submit names (including his or her own name) in nomination for any or all of the above-mentioned positions for which the nominee is eligible. 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 for more than one position.

2. In order to be nominated, a person must likewise be a member in good standing. (The bylaws require that a "candidate" be a member through June 1995.) If a member is nominated who is not on automatic dues deduction and has paid dues through Feb. 28, 1995 but has not paid through June 30, 1995, that member will be contacted and advised that he or she must pay dues through June 30 in order to be a candidate.

3. 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.

Furthermore, 1994 legislation amended 1017(e) of the Foreign Service Act of 1980 to place restrictions on the movement of Foreign Service personnel between certain positions in AFSA and certain Washington-based jobs in the foreign affairs agencies. The amendment prohibits any employee who has served as an agency management official or confidential employee during the preceding two years from participating "in the management of a labor organization for purposes of collective bargaining or acting as a representative of a labor organization for such purposes." Given the current division of responsibility, the AFSA governing board positions covered by the amendment are: the president, the vice presidents for State, AID, and USIA, and the representatives for FAS and FCS (or the vice presidents for FAS and FCS, if these constituencies are entitled to a vice president under AFSA's bylaws).

The 1994 amendment also prohibits any employee who has held one of the foregoing positions in AFSA from serving as an agency management official or confidential employee for two years after leaving his/her AFSA position.

Management officials include presidential appointees and their deputies (e.g., deputy assistant secretaries of State), Inspector General personnel, and employees engaged in labor management relations or the formulation of personnel policies and programs. However, managers abroad (including chiefs of mission, deputy chiefs of mission, principal officers and their deputies, USIA public affairs officers, AID mission directors and deputy mission directors, and administrative and personnel officers) are excluded from this definition. Confidential employees are employees who act in a confidential capacity with respect to an individual who formulates or carries out management policies in labor management relations.

Members should consider these restrictions before deciding whether to run for AFSA governing board positions covered by the amendment. Please direct questions regarding this issue to Sharon Popp, general counsel, at (202)647-8160.

4. Nominations may be submitted individually or in slates. To qualify as a slate, a proposed slate must have candidates for a majority of the officer positions and a minimum of four constituency candidates from at least two constituencies. Slate designations will be noted on the ballot.

5. All nominations must be submitted in writing, by cable or by fax. All written nominations must be addressed to the AFSA Elections Committee, P.O. Box 27854, Washington, D.C. 20038-7854. To be valid, they must, without exception, be received at this address no later than 12 noon on March 10, 1995. Members overseas can send "AFSA channel" cables marked for delivery to the AFSA Elections

AFSA ELECTIONS

Committee. They must be received in the department's Communications 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 10, 1995.

6. A nominee can indicate his or 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 members 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 or her acceptance in writing, with this confirmation addressed to the AFSA Elections Committee at the above address, to be received no later than 12 noon on March 17, 1995. Members overseas can send an "AFSA channel" message accepting nomination, which must be received in the department's Communications Center within the same time limit. Any nominee whose written acceptance of nomination has not been received by the Elections Committee by the above time limit will be considered to have declined candidacy.

C. ELECTION CAMPAIGN

1. All candidates nominated under the procedure outlined above will be given the opportunity to submit campaign statements for dissemination to the AFSA membership in the "AFSA News" section of the May issue of the *Foreign Service Journal*. 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 10, 1995. If warranted by the competition for positions on the Board, the Elections Committee may organize a second mailing of campaign material to voters, with procedures also spelled out in the "Instructions to Candidates."

2. 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 information on this and other campaign procedures will be included in the "Instructions to Candidates."

D. VOTING

Ballots will be distributed on or about May 15, 1995 to each person who is an AFSA member as of April 30, 1995. Candidates or their representatives may observe the ballot distribution process if they so desire. Each member may cast one vote for president, secretary, treasurer, and constituency vice president if the member's constituency has one and, in addition, one vote for each representative position in the member's constituency. Votes may be cast by voting for candidates listed on the official ballot, or by writing in the name(s) of member(s) eligible as of June 30, 1995, or by doing both. To be valid, a ballot must be received by Friday, June 30, 1995 at the address indicated on the envelope accompanying the ballot. More detailed balloting instructions will accompany the ballots.

E. VOTE COUNTING & ANNOUNCEMENT OF RESULTS

On or about July 1, 1995, the Elections Committee will count the ballots and declare elected the candidate receiving the greatest number of votes for each position. In case of a tie the election will be decided by a coin toss in the presence of the candidates concerned or their representatives. Candidates or their representatives may be present during the tally and may 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

next issue of the *Foreign Service Journal*. The elected candidates will take office on July 15, 1995 as provided in the bylaws.

F. QUESTIONS, SUGGESTIONS, COMPLAINTS OR CHALLENGES

Any member may file a written question, suggestion or complaint concerning the conduct of the 1995 election. Such question, suggestion, or complaint should be addressed to "Chair, AFSA Elections Committee" and mailed or delivered to either AFSA, Room 3644, Department of State, Washington, D.C. 20520 or AFSA, 2101 E Street N.W., Washington, D.C. 20037 by Oct. 15, 1995.

Members may also file a written challenge to the outcome of the election. Such challenge must be received by August 15, 1995 and should be addressed to "Chair, AFSA Elections Committee" and mailed or delivered to either address stated above. The AFSA Elections Committee will respond in writing to the challenge within three months of receipt of the challenge. If the member is not satisfied with the AFSA Elections Committee's response, the member may file a written complaint with the U.S. Department of Labor, Office of Labor-Management Standards. Such complaint must be received by the Department of Labor within one month of receipt of the Elections Committee's response.

ELECTIONS COMMITTEE

Amb. Raymond C. Ewing, chair	(703) 642-3941
Peter Downs	(202) 647-7886
Amb. C. William Kontos	(202) 966-8578
Michael Korff	(202) 619-6877
Henry Schmick	(202) 720-1336
Hugh Williams	(202) 647-3313
Richard Thompson, staff	(202) 338-4045

1994 TAX GUIDE

FEDERAL AND STATE TAX PROVISIONS FOR THE FOREIGN SERVICE

FEDERAL TAX PROVISIONS

Little has changed since last year in federal tax provisions as they apply to Foreign Service employees and their families. Foreign Service employees most frequently ask AFSA about home ownership, tax liability upon sale of a residence, and state of domicile and we have devoted special sections to these issues.

AFSA's Tax Guide is designed as an informational and reference tool. It does not presume to be any more than that. Although we try to be accurate, many of the new provisions of the tax code and implementing IRS regulations have not been fully tested. Therefore, use caution and consult with a tax adviser as soon as possible if you have specific questions or an unusual or complex situation.

For 1994, the basic tax rates for individuals remain applicable: 15, 28, 31 and 36 percent, a top rate of 39.6 percent. The 15 percent rate is for taxable income up to \$38,000 for married couples; \$22,750 for singles. The 28 percent is for income up to \$91,850 for married couples, \$55,100 for singles. The 31 percent rate is for income up to \$140,000 for married couples and income up to \$115,000 for singles. The new tax bracket of 36 percent is for income up to \$250,000 for married couples and singles. In addition, there is a new 10 percent surtax for certain high-income taxpayers. It is computed by applying the 39.6 percent rate to taxable income over \$250,000 for singles and married couples and for married couples filing separately whose income is over \$125,000. Capital gains are taxed at a maximum rate of 28 percent and are reported on the reverse side of Schedule D.

PERSONAL EXEMPTION

For each taxpayer, spouse, and dependent the personal exemption has been increased to \$2,450. There is, however, a personal exemption phaseout of 2 percent

for each \$2,500 of adjusted gross income (AGI) over \$111,800 (singles), \$139,750 (head of household), \$167,700 (joint) and \$83,850 (married, filing separately). For those taxpayers in the last category, the 2 percent is taken from each \$1,250 exemption.

STANDARD DEDUCTION

The standard deduction is given to non-itemizers. It has been steadily increasing since 1987. For couples it is \$6,350; for singles the deduction is \$3,800. Married couples filing separately get a standard deduction of \$3,175 and head-of-household filers receive a \$5,600 deduction.

Most unreimbursed employee business expenses must be reported as miscellaneous expenses and are subject to a floor of 2 percent of adjusted gross income (AGI). This includes professional dues and publications, employment and educational expenses, home office, legal, accounting, custodial and tax preparation fees, home leave, representational and other employee business expenses, and contributions to AFSA's Legislative Action Fund. Unreimbursed moving expenses are no longer an itemized deduction. As of Jan. 1, 1994, moving expenses are an adjustment to income, which means that you can deduct them even if you are taking the standard deduction. However, the deduction has been narrowed to include only the unreimbursed costs of moving your possessions and yourself and your family to your new location.

Medical expenses are subject to a floor equaling 7.5 percent of AGI. This means that any deductible medical cost would have to exceed \$2,250 for a taxpayer with a \$30,000 AGI. There is also an additional 3 percent reduction of itemized deductions (excluding medical, casualty, theft, and investment interest) if the AGI exceeds \$114,100. This 3 percent is applied to the AGI over \$114,100 and not to the total of itemized deductions on Schedule 1040 A. The maximum loss of deductions is capped at 80 percent.

State and local income taxes and real estate and personal property taxes remain fully deductible for itemizers, as are charitable contributions (to American charities only) for most taxpayers. Donations to the AFSA scholarship fund are fully deductible as charitable contributions. Donations to AFSA via the Combined Federal Campaign are also fully deductible. Individuals may also dispose of any profit from the sale of personal property abroad in this manner. For 1994 tax returns, any interest paid on auto or personal loans, credit cards, department stores, educational loans and other personal interest will not be allowed as an itemized deduction. If the above charges are consolidated, however, and paid with a home equity loan, any interest on the home equity loan is allowable up to a loan limit of \$100,000. Mortgage interest is, for the most part, still fully deductible. Interest on loans intended to finance investments is deductible up to the amount of net income from investments. Interest on loans intended to finance a business is 100 percent deductible. "Passive-investment" interest on loans in which the taxpayer is an inactive participant, i.e. a limited partnership, can be deducted only from the income produced by the investment. Interest on loans that do not fall into the above categories, such as borrowing money to buy tax-exempt securities, is not deductible.

HOME LEAVE EXPENSES

Employee business expenses, such as home leave and representation, may be deducted as a miscellaneous itemized deduction. In addition to the 2 percent floor, only 50 percent for meals and entertainment may be claimed (100 percent for unreimbursed travel and lodging). Only the employee's (not family members') home leave expenses are deductible. Maintaining a travel log and retaining a copy of home leave orders will be helpful, should the IRS ever question claimed expenses. It is important to save receipts: without receipts for food, a taxpayer may deduct only \$28 to \$36 a day (depending upon the per diem

AFSA TAX GUIDE FOR 1994

rate at the home leave address), no matter how large the grocery or restaurant bill. Lodging is deductible, as long as it is not with friends, relatives, or in one's own home. The IRS will disallow use of per diem rates and any expenses claimed for family members. If a hotel bill indicates double rates, the single room rate should be claimed, and, if possible, the hotel's rate sheet should be saved for IRS scrutiny.

Car rental, mileage, and other unreimbursed travel expenses, including parking fees and tolls, may be deducted. The rate for business miles driven is 29 cents. Those who use this optional mileage method need not keep detailed records of actual vehicle expenses. The only thing necessary will be a detailed odometer log to justify the business use of the vehicle and percentage of business use. This optional mileage method does not apply to leased vehicles.

OFFICIAL RESIDENCE EXPENSES

Since Oct. 1, 1990, employees who receive ORE have not been allowed to reduce their reportable income by 5 percent. The IRS ruling regarding ORE states that "usual expenses," defined as 5 percent of salary, are not deductible. Therefore the only expenses that are deductible are those above the 5 percent that are paid out of pocket. Employees should save receipts for any out-of-pocket expenses associated with their representational duties. These expenses can be deducted as miscellaneous business expenses.

HOME OWNERSHIP

For 1994, employees may deduct interest on up to \$1 million of acquisition debt for loans secured by a first and/or second home. This also includes loans taken out for major home improvements. On home equity loans, interest is deductible on up to \$100,000, no matter how much the home cost or what the loan is used for. The \$100,000 ceiling applies to the total of all home equity loans you may have. The same generally applies to refinancing a mortgage. Points paid to obtain a refinanced loan cannot fully be deducted the same year, however, but must be deducted over the life of the loan. It is advisable to save the settlement sheet (HUD-1 Form) for documentation in the event your tax return is selected by the IRS for examination.

Qualified residences are defined as the taxpayer's principal residence and one other

residence. The second home can be a house, condo, co-op, mobile home, or boat, as long as the structure includes basic living accommodations, including sleeping, bathroom, and cooking facilities. If the second home is vacation property rented for fewer than 15 days during the year, the income need not be reported. Rental expenses cannot be claimed either, but all property taxes and mortgage interest may be deducted.

RENTAL OF HOME

Taxpayers who are overseas and rented their homes in 1994 can continue to deduct mortgage interest as a rental expense under the passive-loss rules, as long as the AGI does not exceed \$100,000 and the taxpayer is actively managing the property. Retaining a property manager does not mean losing this benefit. Also deductible are property management fees, condo fees, depreciation costs, taxes, and all other rental expenses. Losses up to \$25,000 may be offset against other income.

SALE OF RESIDENCE

If there is a profit on sale of a principal residence, taxes at a maximum rate of 28 percent are owed on the profit, or capital gain, unless one qualifies for one of the tax benefits discussed below. Although legislation aimed at reducing capital gains taxation will likely be reintroduced, capital gains are currently fully taxable.

A taxpayer 55 years or older who sells his or her home can take a capital gains exclusion up to \$125,000 without having to reinvest in another home. This once-in-a-lifetime exemption rule applies to singles and couples and may not be used again even when the other spouse reaches age 55. In order to qualify, the taxpayer must have lived in the home for three out of the last five years (up to one year spent in a nursing home can count as time spent in the home) prior to sale. Many Foreign Service employees are hurt by the three out of five year residency 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 as the rollover residence replacement rule, taxes may be deferred on profit from the sale of the principal residence when buying a replacement principal

residence within two years before or after the sale. Americans working abroad, including Foreign Service employees on overseas assignment, are permitted up to an additional two-year period to replace their former residence. The deferral rule may be applied repeatedly, and there is no limit on the amount eligible for deferral of taxation.

Temporary rental of the home does not necessarily disqualify one from claiming the deferral. The IRS has never defined what time period constitutes temporary but will probably challenge a claim that the home was a principal residence if it had been rented for many years and had clearly become an investment property. Foreign Service employees who are overseas for prolonged periods during which they rent their homes are increasingly subject to IRS scrutiny when they sell their houses and claim deferral of capital gains.

Under a 1957 U.S. Tax Court decision, *Trisko v. Commissioner*, a Foreign Service employee was granted the deferral while he was living abroad even though he had rented his home for a 44-month period prior to sale. The court determined that his house 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? In the *Trisko* case, the taxpayer was able to satisfy all of the court's concerns. Please note, however, that not all courts recognize this case as a precedent and that the facts of each individual case are very important.

On the basis of this decision and conversations with tax experts, AFSA suggests claiming the deferral only if the circumstances are similar to those of this case and if the home is rented only during assignments overseas. A copy of the *Trisko* decision may be requested from AFSA.

Many Foreign Service employees do not qualify under the deferral rule because of extended absences from the house. If at all possible, Foreign Service employees should move back into the house for a reasonable period before selling it, thereby reestablishing principal residence. If this is not possible, they might look into a tax-deferred property exchange, which is essentially a real estate investor's version of the residence replace-

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ment rule, as it involves a trade of one rental property for another.

PROPERTY EXCHANGES

Under Internal Revenue Code 1031, a Foreign Service employee whose U.S. home may no longer qualify for the customary residence replacement rule may be eligible to replace the property through an "exchange." In essence, one property being rented out may be exchanged for another, as long as that also is rented. In exchanging the properties, capital gains tax may be deferred. Technically, a simultaneous trade of investments occurs. Actually, owners first sell their property, place the equity proceeds in escrow, identify in writing within 45 days the property they intend to acquire, and settle on the new property within 180 days, using the money held in escrow as part of the payment.

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

Foreign Service employees who are contemplating the sale of a rental property that had previously been a residence and are expecting to roll the proceeds of the sale into a new home without tax consequences are urged to check their status under IRS rules with tax experts before taking any definitive action. If the property is considered an investment by the IRS, a straight sale will trigger capital gains tax obligations. In this circumstance, the Section 1031 exchange provision, as an alternative method of disposing of property, may offer very significant tax relief.

TEMPORARY RENTAL

What happens if one purchases and moves to a new residence then decides to get some rental income from the old home before selling it a couple of years later? The IRS may determine that the taxpayer no longer meets the "principal residence" test for the old home, since he or she moved out of it and converted it to investment property. Again, intent is key. The IRS allows tempo-

rary rental prior to sale as a "matter of convenience," such as a poor resale market at the time the new home was purchased. If the IRS determines that rental income was the prime motive for not selling the house, taxes must be paid on the gain of rental property, even though it was once used as a principal residence.

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

STATE TAX PROVISIONS

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, as each state has different rules about the conditions under which individuals are liable for taxes on such income.

This state guide reviews the laws regarding income tax and tax on annuities and pensions as they pertain to Foreign Service personnel. Please note that while AFSA makes every attempt to provide the most up-to-date information, readers with specific questions should consult a tax expert in the state in question at the addresses given.

Most Foreign Service employees have questions about their liability to pay state income taxes during periods posted overseas or assigned to Washington. It is a fun-

damental 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 where the individual has family ties, where he or she is registered to vote or has a driver's license, where he or she owns property, or where the person has bank accounts or other financial holdings. In the case of Foreign Service employees, the domicile might be the state from which the person joined the service or where he or she intends to return upon separation. For purposes of this article, the term domicile refers to legal residence; some states also define it as permanent residence. Residence refers to physical presence in the state. Foreign Service personnel must continue to pay taxes to the state of domicile (or to the District of Columbia) while residing outside of the state, including during assignments abroad, unless the state of residence does not require it.

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

Foreign Service employees residing in metropolitan Washington, are also required to pay income tax to either the District, Maryland, or Virginia in addition to paying tax to the state of their domicile. However, most states allow a credit, so that the taxpayer pays the higher tax rate of the two states, with each state receiving a share. The state of California regards Foreign Service employees who are domiciled in California but reside outside the state and do not earn income in California as nonresidents for tax purposes. AFSA would like to continue hearing from employees who have a problem over this exemption.

There are currently seven states with no state income tax: Alaska, Florida, Nevada,

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South Dakota, Texas, Washington and Wyoming. In addition, New Hampshire and Tennessee have no tax on personal income but do tax profits from the sale of bonds and property.

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

Pennsylvania holds that "quarters provided by the government at no cost to Petitioner cannot be considered as maintaining a permanent place of abode." Thus members of the Foreign Service domiciled in Pennsylvania who occupy government housing overseas must pay income tax to Pennsylvania. If they rent their own home overseas, however, they will be exempt from these taxes. AFSA has not heard of a similar ruling in any of the other five states but Foreign Service employees should be aware that states could challenge the status of government housing in the future.

The following list gives a state-by-state overview of the latest information available on tax liability, with addresses provided to write for further information or tax forms. Tax rates are provided where possible. For further information please contact AFSA's Member Services Department or the individual state tax authorities. * These states did not respond to AFSA's request for updated information for 1994. Members are advised to double-check with these states' tax authorities.

Alabama: Individuals domiciled in Alabama are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Alabama's tax rate ranges from 2-5 percent. Write: Alabama Department of Revenue, Income Tax Forms, P.O. Box 327470, Montgomery, AL 36132-7470.

***Alaska:** No state income tax.

***Arizona:** Individuals domiciled in Arizona are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Arizona's tax rate ranges from 3.8 - 7 percent. Write: Arizona Department of Revenue, Attention: Forms, 1600 West Monroe, Phoenix, AZ 85007-2650.

***Arkansas:** Individuals domiciled in Arkansas are considered residents and are subject to tax

on their entire income regardless of their physical presence in the state. Arkansas's tax rate ranges from 1 - 7 percent. Write: Department of Finance and Administration, Income Tax Forms Division, P.O. Box 3628, Little Rock, AR 72203.

***California:** Foreign Service employees are considered non-residents and do not have a tax liability on out-of-state income. Write: State of California, Franchise Tax Board, Taxpayer Services, P.O. Box 942840, Sacramento, CA 94280-0040.

Colorado: Individuals domiciled in Colorado are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Colorado's tax rate is a flat 5 percent. Write: Department of Revenue, Taxpayer Service Division, State Capital Annex, 1375 Sherman St., Denver, CO 80261.

Connecticut: Individuals domiciled in Connecticut are considered non-residents and are exempt from tax on their entire income if they have a permanent place of abode outside the state, have no permanent place of abode in the state and spend no more than 30 days in the state during the taxable year. Write: Department of Revenue Services, Taxpayer Services Division, 92 Farmington Ave., Hartford, CT 06105.

***Delaware:** Individuals domiciled in Delaware are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Delaware's tax rate ranges from 3.2 - 7.7 percent. Write: Division of Revenue, Taxpayers Assistance Section, State Office Building, 9th & French Streets, Wilmington, DE 19801.

***District of Columbia:** Individuals domiciled in the District of Columbia are considered residents and are subject to tax on their entire income regardless of their physical presence there. The District's tax rate ranges from 6 - 9.5 percent. Write: Taxpayer Assistance Services, 300 Indiana Ave. N.W., Rm. 1046, Washington, D.C. 20001. From 1988, the D.C. tax exclusion ceased to apply to Foreign Service employees.

Florida: No state income tax.

***Georgia:** Individuals domiciled in Georgia are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Georgia's tax rate ranges from 1 - 6 percent. Write: Georgia Department of Revenue, Forms Division, 305 Trinity-Washington Building, Atlanta, GA 30334.

***Hawaii:** Individuals domiciled in Hawaii are considered residents and are subject to tax on their entire income regardless of their physical

presence in the state. Hawaii's tax rate ranges from 2 - 10 percent. Write: Oahu District Office, Taxpayer Services Branch, P.O. Box 3559, Honolulu, HI, 96811-3559.

Idaho: Individuals domiciled in Idaho are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Idaho's tax rate is \$1,387.50 plus 8.2 percent for incomes over \$20,000. To request forms write: Idaho State Tax Commission, Forms Division, 700 West State Street, P.O. Box 36, Boise, ID 83722.

Illinois: Individuals domiciled in Illinois are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Illinois's tax rate is 3 percent. Write: Illinois Department of Revenue, Forms Division, 101 West Jefferson St., Springfield, IL 62794.

Indiana: Individuals domiciled in Indiana are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Indiana's tax rate remains 3.4 percent. Write: Department of Revenue, Taxpayer Services Division, State Office Building, Room 208, 100 N. Senate Ave., Indianapolis, IN 46204.

Iowa: Individuals domiciled in Iowa are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Iowa's tax rate ranges from 0.4 - 9.98 percent. Write: Department of Revenue and Finance, Forms Division, Hoover State Office Building, Des Moines, IA 50319.

Kansas: Individuals domiciled in Kansas are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Kansas's tax rate ranges from 3.5 - 7.75 percent. Write: Kansas Taxpayer Assistance Bureau, 915 SW Harrison, 3rd Floor, Topeka, KS 66612-1588.

***Kentucky:** Individuals domiciled in Kentucky are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Kentucky's tax rate ranges from 2 - 6 percent. Write: Property and Mail Services Section, 859 East Main Street, Revenue Cabinet, Frankfort, KY 40620.

Louisiana: Individuals domiciled in Louisiana are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Louisiana's tax rate ranges from 2 percent on the first \$10,000 of net income to 6 percent on any amount over \$50,000 of net income. Write: Department of Revenue and Taxation, Forms Division, P.O. Box 201, Baton Rouge, LA 70821-0201.

Maine: Individuals domiciled in Maine are

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considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Maine's tax rate ranges from 2-8.5 percent. Call 1-800-338-5811 or write to: Bureau of Taxation, Forms Division, State Office Building, Augusta, ME 04333.

Maryland: Individuals domiciled in Maryland are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Maryland's tax rate is 5 percent for all income over \$3,000. An individual is also subject to a county income tax rate which is a percentage of the State income tax liability. For the 1994 tax year, Worcester County charges 30 percent, Baltimore and Queen Anne Counties - 55 percent, Prince George's - 58 percent, Alleghany, Montgomery, Somerset, St. Mary's, Talbot and Wicomico - 60 percent. All other counties charge 50 percent. Write: Income Tax Division, State Office Building, 301 West Preston St., Room 903, Baltimore, MD 21201-2384.

Massachusetts: Individuals domiciled in Massachusetts are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Salaries and pensions are taxed at 5.95 percent, dividends etc., at 12 percent. Write: Massachusetts Department of Revenue, Supply Forms Section, 100 Cambridge Street, Boston, MA 02204-7033.

***Michigan:** Individuals domiciled in Michigan are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Michigan's tax rate is 4.6 percent. Write: Department of Treasury, Forms Division, Treasury Building, Lansing, MI 48922.

Minnesota: Individuals domiciled in Minnesota are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Minnesota's tax rate ranges from 6 - 8.5 percent. Write: Department of Revenue, Forms Division, Mail Station 4453, Saint Paul, MN 55146.

Mississippi: Individuals domiciled in Mississippi are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Mississippi's tax rate is 5 percent on taxable income over \$10,000. Write: State Tax Commission, Forms Division, P.O. Box 1033, Jackson, MS 39215.

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

a return yearly with an attached "Statement of Non-Residency" (Form 374). File also on Form 40, Schedule NRI, for income of more than \$600 from Missouri sources. Write: Tax Administration Bureau, Forms Division, PO Box 220, Jefferson City, MO 65105-2200.

***Montana:** Individuals domiciled in Montana are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Montana's tax rate ranges from 2 - 11 percent. Write: Montana Department of Revenue, Income Tax Division, PO Box 5805, Helena, MT 59604.

Nebraska: Individuals domiciled in Nebraska are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Nebraska's tax rate ranges from 2.37 - 6.99 percent. Write: Department of Revenue, Forms Division, 301 Centennial Mall South, P.O. Box 94818, Lincoln, NE 68509-4818.

Nevada: No state income tax.

***New Hampshire:** No personal income tax, but tax liability 8 percent on profits from in-state sources, including the sale of property and bonds. Write: Taxpayer Assistance Office, 61 So. Spring St., P.O. Box 2072, Concord, NH 03302-2072.

***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. Filing a return is not required, but is recommended in order to preserve domicile status. Filing is required on Form 1040 NR for revenue derived from in-state sources. Write: Department of the Treasury, Division of Taxation, CN 269, Trenton, NJ 08625-0269.

New Mexico: Individuals domiciled in New Mexico are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. New Mexico's tax rate is based upon income and filing status. Write: New Mexico Taxation and Revenue Department, Taxpayer Services, PO Box 630, Santa Fe, NM 87509-0630.

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

Write: Department of Taxation and Finance, Technical Services, W.A. Harriman Campus, Albany, NY 12227.

North Carolina: Individuals domiciled in North Carolina are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. North Carolina's tax rate ranges from 6 - 7.75 percent. Write: Department of Revenue, Taxpayer Services Department, Revenue Building, Raleigh, NC 27640.

North Dakota: Individuals domiciled in North Dakota are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. North Dakota's tax rate is 14 percent. Write: Office of State Tax Commissioner, State Capitol, 16th Floor, 600 E. Blvd. Ave., Bismarck, ND 58505-0599.

***Ohio:** Individuals domiciled in Ohio are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Ohio's tax rate ranges from 0.743 - 6.9 percent. Write: Ohio Department of Taxation, Taxpayers Services, P.O. Box 2476, Columbus, OH 43266-0076.

Oklahoma: Individuals domiciled in Oklahoma are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Oklahoma's tax rate is based upon income and various exemptions. Write: Oklahoma Tax Commission, Taxpayer Services Division, 2501 Lincoln Blvd., Oklahoma City, OK 73194-0009.

Oregon: 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. Filing a return is not required, but it is recommended (Use Form 40N) to preserve domicile status. Write: Department of Revenue, Forms Division, 955 Center Street N.E., Salem, OR 97310.

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. Filing a return is not required, but it is recommended to preserve domicile status. File on form PA40-NR for all income derived from Pennsylvania sources. Pennsylvania does not consider government quarters overseas to be

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a "permanent place of abode elsewhere", so Foreign Service PA residents abroad in government quarters must continue to pay income tax. Pennsylvania's tax rate is 2.8 percent. Write: Commonwealth of Pennsylvania, Department of Revenue, Taxpayer Services Department, Harrisburg, PA 17128-1061.

***Rhode Island:** Individuals domiciled in Rhode Island are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Rhode Island's tax rate is 27.5 percent. Write: Rhode Island Division of Taxation, Taxpayer Services Division, 289 Promenade St., Providence, RI 02908-5801.

***South Carolina:** Individuals domiciled in South Carolina are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. South Carolina's tax rate ranges from 2.5 - 7 percent. Write: South Carolina Tax Commission, Forms Division, 301 Gervais Street, P.O. Box 125, Columbia, SC 29214.

South Dakota: No state income tax.

Tennessee: No personal income tax, but tax is charged at 6 percent on profits from in-state sources, including the sale of property and bonds.

Texas: No state income tax.

***Utah:** Individuals domiciled in Utah are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Utah's tax rate is 7.2 percent. Write: Utah State Tax Commission, Taxpayer Services Division, Heber M. Wells Building, 160 East Third Street, Salt Lake City, UT 84134-0200.

Vermont: Individuals domiciled in Vermont are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Vermont's tax rate for 1994 is 25 percent (down from 28 percent in 1993). The two surtaxes remain the same: 3 percent on the federal liability between \$3,400 and \$13,100, and 6 percent on the federal liability over \$13,100. Write: Vermont Department of Taxes, Taxpayer Services Division, Pavilion Office Building, Montpelier, VT 05602.

***Virginia:** Individuals domiciled in Virginia are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Virginia's tax rate ranges from 2 - 5.75 percent. Write: Virginia Department of Taxation, Taxpayer Services Division, P.O. Box 1317, Richmond, VA 23210.

Washington: No state income tax.

West Virginia: No tax liability for out-of-state income if the individual has no permanent residence in West Virginia, has a permanent residence elsewhere, and spends no more than 30 days of the tax year in West Virginia. Filing a return is not required, but it is recommended to preserve domicile status. Filing is required on form IT-140-NR for all income derived from West Virginia sources. Write: The Department of Tax and Revenue, Taxpayer Services Division, P.O. Box 3784, Charleston, WV 25337.

Wisconsin: Individuals domiciled in Wisconsin are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Wisconsin's tax rate ranges from 4.9 - 6.93 percent. Write: Department of Revenue, Taxpayer Services Division, 125 South Webster Street, P.O. Box 8933, Madison, WI 53708.

Wyoming: No state income tax.

STATE PENSION & ANNUITY TAX

The laws regarding the taxation of Foreign Service annuities vary greatly from state to state. In addition to those states that have no income tax or no tax on personal income, there are several states that do not tax income derived from pensions and annuities. There are three states — Iowa, Kansas and North Dakota — that tax Foreign Service annuities while exempting those of the Civil Service. In addition, Idaho and Oklahoma 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.

In response to the U.S. Supreme Court's decision in Davis v. Michigan Department of the Treasury, annuitants in a number of states challenged unequal taxation of state versus federal annuities. In this precedent-setting decision, the court ruled that the policy of the state of Michigan to exempt from taxation the annuities of retired state of Michigan and local government employees while taxing the annuities of retired federal employees residing in Michigan discriminates against federal annuitants and is therefore unconstitutional. Because many states (including Virginia, but not Maryland or the District of Columbia) had similar practices regarding the treatment of annuitant income, individuals and groups are currently involved in litigation in order to compel their states of residence to refund the taxes they paid on their annuities during the period immediately before the states

changed their tax laws to comply with Davis v. Michigan. Virginia has given those who paid this tax from 1985-88 a settlement of approximately 76 percent of the tax paid. They have the option of either accepting the offer or waiting for the result of Harper v. Virginia, a case brought by retired government employees which is currently pending before the Virginia Supreme Court.

All other states tax Foreign and Civil Service annuities and pensions to varying degrees.

Alabama: United States Foreign Service Retirement and Disability Fund Annuities are not taxable.

Alaska: No personal income tax.

Arizona: Up to \$2,500 exempt.

Arkansas: Up to \$6,000 exempt.

California: Fully taxable.

Colorado: Up to \$20,000 exempt if over age 55.

Connecticut: Fully taxable.

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: Up to \$3,000 exempt, only if 62 years or older.

Florida: No personal income tax, but Florida has an "Intangibles Tax."

Georgia: Up to \$10,000 exempt for those 62 years or older and permanently or totally disabled.

Hawaii: Full exemption.

Idaho: Up to \$13,056 exempt for a single return; up to \$19,584 if filing jointly. Up to \$13,056 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. See above paragraphs for further information.

Illinois: Full exemption.

Indiana: Up to \$2,000 exemption for most 65 or older, reduced dollar for dollar by social security benefits.

Iowa: Fully taxable.

Kansas: Full exemption.

Kentucky: Full exemption.

Louisiana: Up to \$6,000 exempt if 65 years or older. (\$12,000 if both filers over 65).

Maine: Fully taxable.

Maryland: For individuals 65 years or older at

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permanently disabled, federal pensions and annuities, including Social Security, are excluded up to \$13,600. For other annuitants, the total amount is taxable.

Massachusetts: Full exemption.

Michigan: Full exemption for Civil Service annuities. See above for discussion of U.S. Supreme Court decision in *Davis v. Michigan*. Foreign Service annuitants may exclude \$7,500 when filing single and \$10,000 when filing jointly.

Minnesota: Certain persons over 65 with incomes under \$42,000 may be eligible for a subtraction - fill out a "Subtraction for the Elderly" form to determine if qualified.

Mississippi: From Jan. 1, 1994, retirement income was exempt from state income tax.

Missouri: Fully taxable.

Montana: Up to \$3,600 exemption for a maximum of \$32,000.

Nebraska: Fully taxable.

Nevada: No personal income tax.

New Hampshire: No personal income tax.

New Jersey: In general, pensions and annuities are subject to the New Jersey income tax with the following exemptions for individuals who are 62 years or older, or totally and permanently disabled, to exclude all or a portion of their pension

income as follows: singles can exclude up to \$7,500; married filing jointly can exclude up to \$10,000; and a married couple filing separately can exclude up to \$5,000 each.

New Mexico: All pensions and annuities are fully taxed.

New York: Full exemption.

North Carolina: Up to \$4,000 exempt.

North Dakota: All pensions and annuities are fully taxed.

Ohio: Gives a tax credit based on the amount of the retirement annuity. If the annuity is below \$500 then there is no credit. Annuity of \$500-1,499 merits a \$25 credit; \$1,500-\$2,999 merits \$50 credit; \$3,000-\$4,999 merits \$80 credit; \$5,000-\$7,999 merits \$130 credit; and any annuity over \$8,000 merits a credit of \$200. The maximum credit per return is \$200.

Oklahoma: Up to \$5,500 exempt however, it is not clear whether this exemption pertains to Foreign Service annuities. See above paragraph for further discussion.

Oregon: Up to \$5,000 exempt if over age 59 and household income less than \$22,500 (\$45,000 if married filing jointly).

Pennsylvania: Full exemption for government pensions and social security.

Rhode Island: Fully taxable.

South Carolina: Under age 65 a \$3,000 exemption may be taken. Over 65 years of age a \$10,000 exemption may be taken.

South Dakota: No personal income tax.

Tennessee: Full exemption.

Texas: No personal income tax.

Utah: Under age 65 a \$4,800 exemption may be taken. Over 65 years of age a \$7,500 exemption may be taken.

Vermont: Fully taxable.

Virginia: Up to \$12,944 plus \$800 personal exemption (excluding social security) for individuals over 65. \$6,472 is exempted (excluding social security) for people 62-65. There is no exemption for annuities for taxpayers under 62 years of age.

Washington: No personal income tax.

West Virginia: Up to \$8,000 exempt, only if 65 years or older.

Wisconsin: Pensions and annuities are fully taxable unless the individual became a member of a federal retirement system before Jan. 1, 1964, in which case a limited exemption applies.

Wyoming: No personal income tax.

Bruce Hirshorn of Boring, Parrott & Pilger, P.C. provided assistance in preparing this article.

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PURSuing A SECOND CAREER

No doubt 1995 will bring a new sense of urgency for retirement planning by Foreign Service employees, given government-wide staffing cuts and Congress's mandate to reduce the number of Senior Foreign Service officers. The result is expected to be a continuing flurry of retirements.

Seeing the foreign affairs agencies ripe for budget cuts, Congress mandated that the number of Senior Service officers be reduced by 52 by next September — from a high of 822 two years ago. These cuts will be partially accomplished by slower promotions and by fiscal 1994 buyouts, which prompted 66 Foreign Service retirements, 25 from the Senior Foreign Service.

About 300 Foreign Service employees retire from State every year, according to Dan Webber, head of State's retirement office. In 1994, new Foreign Service annuitants numbered 533, including 313 from State, 111 from the Agency for International Development (AID) and 63 from the U.S. Information Agency (USIA). Close to 12,000 annuitants, including spouses and divorced and widowed spouses, received Foreign Service pensions in 1994, according to Webber. Pensions ranged from \$14,000 for a 20-year secretary whose salary was \$35,000 at retire-

ment, to \$82,395 a year for a senior officer who retired after 35 years and accumulated the average of the highest three years after the salary increase in 1991, to \$115,000.

The average Foreign Service pension in 1994 was \$43,274, compared with an average annuity in 1989 of \$31,692. The highest annuity that year was \$74,508. Although Foreign Service employees are eligible for retirement as early as age 50, after 20 years of service, for the last four years the average year of retirement was 57. In the Foreign Service system, annuities are based on 2 percent of salary for each age of employment, with a 20-year pension of 40 percent and a maximum of 70 percent of salary. Civil Service salaries are based on 1.5 percent of that same formula, and retirees in this personnel system are eligible for retirement at age 55 after 30 years of service.



JOHN CALDWELL/INTERNATIONAL

DON'T EVER PUT
ALL YOUR EGGS
IN ONE BASKET

By FRANCINE MODDERNO

With more officers being forced out at the top end of the Foreign Service and fewer being hired at the bottom, competition to retain jobs is more fierce than ever. For example, 13 percent of those eligible for the Senior Foreign Service made the grade in 1993, compared to 17.6 percent in 1990, according to State statistics. In 1993, the average length of service was 19.2 years.

Most people — 273 in the last five years — have retired at the O1 level, having not been promoted past the Senior Service threshold. A large number of Senior officers have also retired in the last five

F O C U S

"Things aren't as they were when I came into the Foreign Service," said retired FSO William Cunningham. "It used to be that you went to work for an institution and stayed there until social security or death. ... There are no more lifetime careers."

years, 198 at the OC level, and 154 at the MC level. Lower levels, FS grades 5-3, have averaged 22 to 29 a year.

"But competition isn't anything new," said William Cunningham, a retired FSO now teaching foreign affairs at the University of St. Thomas in Houston. "There have always been a number of decision points in a career — at the stage of tenure, at age 50 when one must choose whether to go into the Senior Service, and all along the way, with the up-or-out situation."

Although government downsizing is the reason for the increased retirements in coming years, early retirements and second careers are becoming an ordinary stage for many Foreign Service and American workers in general. "Things aren't as they were when I came into the Foreign Service," said Cunningham. "It used to be that you went to work for an institution and stayed there until social security or death. The reality is that there are no more lifetime careers."

Since the beginning of the century, Americans' life expectancy has increased by about 26 years, from 46 to 72 for males, and from 48 to almost 79 for females. Many people will live nearly twice as long as their grandparents and most will fill some of these additional years with work, be it for financial purposes, personal satisfaction, or simply sanity. According to the 1994 edition of *Statistical Record of Older Americans*, 54 percent of males and 37 percent of females in the 60-64 age group are still working; this drops to 26 percent for males and 16 percent for females among those aged 65-69.

State's Career Transition Center, which in 1993-94 held four classes ranging in size from 71 to 92 participants — the largest groups so far — has an outplacement job search program that helps retiring

FSOs hook up with post-retirement jobs. The program includes how-to seminars, networking and mentoring leads, access to job search books, and a placement service. The fall 1994 class included 24 participants from AID, 14 from USIA, and 33 from State. Seventeen percent of the State contingent were senior officers, of whom a record number, six, held ambassadorial rank.

"People coming into the Foreign Service now should realize that they will probably want a career after the Service and that most of them will work at more than one job during their lifetime," says Cunningham. In a world where multiple careers will be a normal part of any profession, it's becoming increasingly important to ask, "What does the Foreign Service prepare me for?"

There are a surprising array of answers to that question: cattle rancher, stockbroker, bed and breakfast owner, mayor, writer, teacher, interpreter and guide, just to name a few. And, although many retirees admitted that it was initially difficult to leave the Service, they expressed great satisfaction with their second, third or fourth careers.

"I have one of the best jobs in the world," claims David Anderson, 56, a State retiree who heads the Aspen Institute in Berlin, an independent affiliate of the U.S.-based Aspen Institute. "I'm sitting here on the edge of a lake outside Berlin, in the midst of a forest, and I spend my time discussing international problems with the world's top academics, politicians and diplomats. I have my own budget, and I don't have to put up with government interference." Anderson described some aspects of his institute work in familiar terms: "It's like running a big staff meeting."

Anderson's job is an example of how Foreign Service work can be useful in the private sphere. Social and management skills are what most retirees cited as the

Francine Modderno is a freelance writer who was a Foreign Service spouse for more than 21 years. She had postings in Belgrade, Taiwan and Hong Kong.

F O C U S

most useful and marketable assets they obtained in the Foreign Service, particularly for those who moved into business as a second career.

"The Foreign Service is unique in that it teaches you how to adjust to different situations and how to listen," said Virginia Schafer, who worked as a stockbroker for Dean Witter after retiring in 1984 as ambassador to Papua New Guinea and the Solomon Islands. Following that stint, Schafer worked on the executive staff of the mayor of Seattle, heading his Office of International Relations. Working as a stockbroker was quite an adjustment for Schafer. She underwent six months' training, culminated by an all-day exam. But she found she enjoyed the work, which she obtained through a newspaper ad. She was interested because, "Frankly, I wanted to know what to do with my own financial situation." It wasn't easy to convince the company to take her on. "They said I was overqualified," she recalled. In the end, however, her maturity worked to her benefit; the company

decided her age would enable her to relate to middle-aged investors.

Foreign Service contacts often open doors leading to other careers. "My Foreign Service experience running the U.S. mission in Berlin and the embassy in Belgrade provided a huge network of contacts," retiree Anderson recalled. Anderson took early retirement in 1985, at age 47, when the Foreign Service Retirement System was merged with the Federal Employees Retirement System, a more flexible system based on Social Security that allows employees to carry pension benefits. Anderson said his career took him "to all the B posts — Belgrade, Bamako, Berlin, Brussels and Bonn." He landed his job with the Aspen Institute following a three-year stint lecturing in foreign affairs and German studies at Simmons College and Harvard University.

Anderson already is eyeing a third career. "I plan to retire from the Institute when I'm 60, in three or four years," he said, "Then I'll probably write, maybe articles for magazines, or my memoirs."

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FOCUS

The Foreign Affairs Reserve Corps, whose rolls now include about 600 retirees, are eligible for short-term employment in the State Department to fill seasonal and emergency personnel gaps. During the Gulf War crisis, several corps members were called to serve in the Middle East. Corps members also have been sent to fill manpower gaps in the former Soviet Bloc nations. Others work part-time declassifying documents for State's Classification and Declassification Center.

The majority of employed Foreign Service retirees interviewed found work in a foreign-affairs related field, often in international voluntary, civic, educational or cross-national organizations and associations. Natural magnets for former FSOS include private voluntary and educational groups such as Catholic Charities, the Council for the International Exchange of Scholars, the Carnegie Endowment, the U.N. Association of Greater Chicago, People to People, the International Media Foundation, the Salvation Army, the Japan-American

Society, the Council for the Americas, the U.S.-Japan Academic Exchange, the Center for International Leadership and the Pacific Institute. Short-term consultancies in the foreign affairs arena are other avenues of interest. One USIA retiree served as an OAS election observer in Peru, another served as a U.N. international polling officer in Cambodia, and another served with the U.N. Observer Mission in South Africa during the April 1994 elections.

Others, like Ed Williams, the head of the Foreign Service Retirees of Central North Carolina, have gone back to school to get additional academic credentials. Williams retired in 1981 from the State Department and then received a Ph.D. in political science at the University of North Carolina. After teaching at the university for six years, he burned out on that career and began serving as a State Department interpreter and guide for Spanish-speaking foreign officials traveling in the United States. His charges have included the economic advisor to the president of Guatemala and Chile's



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under secretary of justice, as well as foreign chambers of commerce, legislators, medical workers, academics, police and military officers. One of Williams' frequent assignments is accompanying foreign police to training seminars and exercises organized by the Office of Diplomatic Security. "I learn skills like how to make bombs right along with my clients," he said.

Williams attributed his obtaining escort work to his fluency in Spanish, which he gained at his posts in Montevideo, Buenos Aires and Madrid. "It didn't matter one bit that I was a retired FSO," he says. "What mattered was that I had developed an excellent grasp of Spanish during my career, and that I could think on my feet in interpreting situations." Williams works as much as he wants as an escort, taking on jobs about a third of his time. "It pays only about \$155 a day, plus per diem, but I don't do it for the pay. I do it because I love the work."

Networking is what gets most retirees their jobs. Cunningham started his job search about a year before he retired. He was in the first group of officers who went through the State Department's Career Transition Center outplacement service, back in summer of 1979. He traveled to several U.S. cities to sniff out the employment situation, but it took him about a year to find a job in Houston. "I got lots of nibbles, but no real offers until a friend I'd met on my job search in Texas, who had a son in the Foreign Service, remembered me and asked if I'd be interested in directing the International Center at the University of St. Thomas." Although he had only a master's degree and no teacher training, his experience in the Foreign Service in Europe, East Asia, at the United Nations and an assignment working with the East-West Center in Hawaii prepared him for his work with the international center.

A number of retirees are among those working under personal service contracts (PSCs) for the Agency for International Development (AID). The agency had 1,500 personal service contracts current in fiscal 1993, ranging in duration from a few weeks to 12 months, but no figures are available as to how many of those might have been filled by Foreign Service employees.

Working as a consultant can turn into a full-time job. Irvin Coker, a former AID mission director in Uganda and Ghana who has been consulting since he retired in

1988, said, "I stay too busy." Coker admits he was traveling overseas for eight months out of the last 12. He has worked for the U.N. Development Program on the reform of public service, traveling to such diverse countries as Nigeria, Uganda, Bangladesh and Armenia, and for the International Fund for Agricultural Development, going to Ghana and Tanzania on macro-economic projects. He has also worked for AID on a strategy for the recruitment of new hires.

Other AID retirees join development consulting groups. Bob Maushammer, an economist, is with Development Associates as the team leader for a five-year AID project with the finance ministry in Nicaragua. As soon as Maushammer retired in 1992, he began traveling to Armenia for several months at a time helping to plan development projects. Finally he and his wife decided they were ready to uproot themselves for another stint abroad. His work with AID in Latin America made him a prime candidate for his position in Nicaragua.

Another retired AID development economist, Ed Costello, works for the Inter-American Development Bank as a loan officer, assessing funding for development projects. "My work isn't much different from what I did at AID for 26 years handling project development," said Costello, who served in Latin America and Africa. "The big difference is that I don't have to operate at the [funding] whim of Congress."

"You have to make a decision early on about what you want to do and focus your job search," he said, adding, "I made the decision that I didn't want a new career, just a new boss." Costello found that his economic skills had become rusty and that he was more competitive with his project development skills. With three college-age children, Costello began looking for a job almost two years before his retirement from AID in 1992. The bank was undertaking a major recruitment effort at the time, and a friend told him about the opening. It took about a year to complete the hiring process, and he moved directly into the new job from his AID position.

It was through connections with the San Diego World Affairs Council that retired FSO Richard Matheron heard of the position he now holds on the San Diego Grand Jury, responding to citizen complaints in 18 cities in the county, and serving as a watchdog on all public facilities, including schools. Jury members also initiate

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Social and management skills are what most retirees cited as the most useful and marketable assets obtained from the Foreign Service, particularly for those who went into business.

their own studies and investigations. "It started as a three-day-a-week job, but soon became a five-day job," said Matheron, who served as charge in Ethiopia and as ambassador to Swaziland before leaving the Foreign Service in 1986. As the local Africa specialist, the San Diego TV station often interviews him about Africa.

When Vernon Merrill retired from Monrovia, he took an administrative job at an isolated iron-ore mine in Africa. He worked at the mine from 1969-79, then moved to Long Branch, Washington, on Puget Sound, where as administrator of a private clinical practice, he managed a handful of doctors for several years. In 1988, he was elected treasurer of his small town of 400 people. Other retired FSOs working for state and local governments include Charles Shields, executive head of the North Carolina World Trade Center, and James Shinn, director of international affairs for the mayor of Dallas.

One former FSO who moved from international public service to domestic public service also changed his title: from ambassador to mayor. Larry Piper, former ambassador to The Gambia, has been mayor of the small town of Sweeney, Tex., for two years, and is preparing to run again in May. "It's a dollar-a-year job," he said.

Piper puts in three hours each morning at the town hall, then spends the rest of his day raising cattle. After retiring in 1986, Piper took several short-term assignments for State's Bureau of African Affairs, traveling to the Sudan and Angola on temporary missions. He also was part of a delegation to Vienna on disarmament talks. Then, after 32 years serving in Europe, South America and Africa, Piper decided to return to rural America, to open a general store in Driftwood, Tex. He chose Driftwood because "it's a delightful place to live, out away from everything," in the cattle country where he grew up.

Unfortunately, the isolation that attracted him made it difficult to find help to run the store. "It was a Mom and Pop kind of operation," he says, "My wife and I had to work from 6 a.m. to 6 p.m., six and a half days a week. I enjoyed it, but I began to realize that there was more to life."

After two years working together in the store, Larry

and Marjorie Piper decided to sell out and move to Sweeney to be near Marjorie's aging mother. Piper had worked with cattle before joining the Foreign Service, so he decided to try his hand at raising cattle. "A lot of my Foreign Service friends were surprised to hear that I was returning [to the rural life of Texas]. But I'm very happy with what I'm doing." Piper is not the only retired FSO who went into the cattle business: State retiree Bruce Howe is in Golden Creek, Mont. and retired agricultural specialist Willy W. Williams is in Tyler, Tex.

When asked how the Foreign Service prepared him to be a mayor, Piper said, "The Foreign Service gave me a great deal of background in dealing with people and taught me how to get along with all kinds and in difficult situations."

"What sells are good interpersonal relations, and good knowledge for your area of expertise," says William Lehfeldt, who is one of many who made the transition from the Foreign Service to business. Formerly consul general in Barcelona, Lehfeldt retired from the Service in 1972, when he joined General Electric as vice president in the Middle East. He was there until the Iranian Revolution, then returned to the States to work for the company until 1992, when he became executive director of Diplomatic and Consular Officers Retired (DACOR). Other former FSOs work in the international divisions of Exxon, Shell and Phillips Petroleum, according to Lehfeldt.

The ranks of retired FSOs also include entrepreneurs. One USIA retiree, Edward Franco, recently started up a computer retail company in Mexico City with a Mexican partner. AID retiree Bernie Chapnick ran a bed and breakfast in New England for 10 years, and retiree Edmund Parsons opened the El Dias Cantina restaurant in Texas.

Retirees stressed the need to start working on a second career well before retirement. "If you wait until you retire to start thinking about what you want to do,

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you're probably already behind the curve," says Don Tice, who gives seminars to retiring foreign affairs people at the Career Transition Center. "By then, you'll be two to three years behind the competition."

Tice was working in the White House for the National Security Council when he retired in 1989 and began working for Booz, Allen & Hamilton as a business development consultant. Tice's experience in representing the State Department in negotiations in both telecommunications and disarmament, as well as his senior political postings in Bulgaria and Yugoslavia, prepared him well to help Booz, Allen with its telecommunications development work in Eastern Europe and the former Soviet Union. Now Tice is working on a peace-keeping project with the United Nations. "The problem with finding a job in industry, ... where you can use your experience and skills ... is how to make them see the dollar sign," he says. Tice originally planned to work for five or six years before retiring permanently, but now he thinks he'll keep on going as long as he's successful.

Another former FSO, Glenn Schweitzer, says, "The most important thing I learned in the Foreign Service was how to write." Schweitzer put that skill to work on weekends to author two books, *Techno-Diplomacy: U.S.-Soviet Confrontations in Science and Technology* (Plenum, 1989) and *Borrowed Earth, Borrowed Time: Healing America's Chemical Wounds* (Plenum, 1991). He is now head of the Office of Central Europe and Eurasian Affairs at the National Academy of Sciences, across the street from the State Department. He has recently returned from Moscow, where he spent 27 months on temporary leave from the academy, setting up an International Science and Technology Center and working as its first executive director.

A graduate of West Point with a degree in mechanical engineering, Schweitzer was the State Department's first science attache back in 1963, and believes he's still the only FSO sent to graduate school by the department to obtain a Ph.D. in nuclear engineering. Since leaving the Service, his work has kept him intimately involved with the Service, particularly with science attaches. "I have no plans to retire," he notes.

The hours spent writing Foreign Service reports also helped William Knight realize his ambition to become the author of two spy novels. Knight, who retired from the State Department in 1975, is now into his fourth, or

maybe fifth, career — if you count his pre-Foreign Service work as a B-52 bomber in World War II and his latest work as a book publisher and promoter.

The first hat Knight tried on fresh out of the Foreign Service was that of inventor. After devising a special sling to carry survivors out of mountain accidents, he then patented it and founded a company to produce and sell it. Knight eventually realized that the cost of making his rescue sling was too expensive to market, and dissolved the company.

It was then that he decided to try writing, with his Foreign Service career providing the background and atmosphere for both his novels. His first novel, *Tiger Game*, was published in 1986 by Dembner Books. He self-published his second novel, *Bamboo Game*, last year, starting Araluen Press out of his home.

USIA retirees, who spend their Foreign Service careers working with the media, are particularly prolific in post-retirement writing. A number have published books, so many in fact, that the USIA Alumni Association newsletter has a regular column titled "Book Marks," which carries items about new alumni publications.

Some FSOs create their own opportunities. Global Access, Ltd. was started in 1991 by retired FSOs Charles Schmidt and the late Ashley Hewitt to help U.S. companies carve out niches in the emerging markets in Asia, Latin America and Eastern Europe. The firm advises companies on how to get and do business overseas. Global consulting companies, dubbed by some as "Foreign Service temp" firms and "rent-an-ambassador" services, don't work on salary, but are paid by the project, at a rate of \$1,000 to \$2,000 a day. "Our effort is a great way to put to good use the hundreds of thousands of dollars the American taxpayer has spent to train us in the skills we have," says Schmitz.

FSOs now have to conduct their careers in ways that will cultivate skills, such as writing, negotiating and language training, that "will make them productive, useful and employable in a second career," said William Cunningham. "They must plan ahead and need to learn all they can about what's needed in their subsequent employment field." "Ironically," he adds, "those skills also will make them more competitive within the Service, and more effective in carrying out U.S. policy." ■

WHERE ARE THEY NOW?

Home for Foreign Service retirees includes 67 foreign countries, as well as every state in the United States. Although 95 percent of the 12,000 living Foreign Service annuitants live in the United States, there are 600 retirees scattered in other countries around the globe.

Some 40 percent of the total retiree population live in the Washington, D.C., area. Jobs, Foreign Service friends, cultural offerings, previous home ownership and nearby children and relatives lead the list of reasons why Foreign Service retirees remain in the capital area. "Washington offers much more cultural stimulation than some less expensive areas," says retired FSO and author William Knight, who chose to remain in his long-time Bethesda, Md., home.

The state of Virginia claims by far the most retirees, almost 1,000 more than Maryland. The next largest number of retirees are in Florida (11 percent of all annuitants), followed by the District. After the Washington area, the west is the preference of about 21 percent of retirees, with California, Texas and Arizona the most popular states.

Although Florida is attractive primarily because of its famed retirement amenities, it also offers work opportunities. The head of the Foreign Service Retirees Association of Florida, Paul Byrnes, works in real estate, as do several of his Florida colleagues. The increasingly international mecca of Miami also offers teaching opportunities for those with international experience.

About 5 percent of Foreign Service retirees live overseas. Europe, with about 340 retirees, has 60 percent of those who live abroad, with France, with some 100 retirees, the country of choice. About 20 percent of Europe's retirees live in southern Europe, and 18 percent live in the United Kingdom.

The second foreign region that most attracts Foreign Service retirees is South and Central America, where some 50 people, or 9 percent live. The Caribbean (including Bermuda), Southeast Asia, Canada and Mexico each have about 5 percent of the Foreign Service expatriates. Most of those in Southeast Asia live in Thailand and the Philippines,

with one each in Cambodia, Singapore and Malaysia. In East Asia, seven are in Hong Kong and five each are in Japan and Taiwan. Sub-Saharan Africa, the Middle East and Australia each claim 10 retirees. Over half of those in Africa live in South Africa.

Popular lore has it that the majority of today's American retirees choose sunny climes for their leisure years. Not so for FS retirees. About 60 percent of those living in the United States, or almost 6,900, live in states with frigid temperatures. Those who do opt for the Sun Belt usually are into serious retirement. "Most of our members are a more senior bunch," says Wendell Anderson, president of the Foreign Service Retirees Association of Northern Arizona. Most live around Phoenix — Sun City, Tempe and Scottsdale.

Popular visions of retiring to a tropical paradise don't seem to hold up either. Only about 23 percent of foreign-located retirees live in hot climates and only six percent live in island-paradise havens. If you add Hawaii's 80 retirees to the retirees who live in similar foreign settings, such as Montserrat, Sri Lanka or Fiji, the lucky are few, comprising only about 1 percent of all Foreign Service retirees.

Why, other than jobs, do Foreign Service retirees pick their retirement spots? Several retirees overseas are married to host-country nationals, living near their spouses' families. Some accompany spouses who haven't retired yet from the Foreign Service or spouses at overseas international business jobs.

And some choose places that impressed them at a younger age. At least two retirees chose places they'd visited in their youth. Vernon Merrill, head of the Foreign Service retirees of Washington state, first visited Puget Sound while in the Navy. He liked the area because of its mild climate and a beauty that reminded him of Maine. Al Williams fell in love with La Jolla, Calif., in 1957, when he visited San Diego as a young naval reserve officer. He also liked the climate, and, perhaps more important when he chose to retire there, the fact that it was near a foreign country. ■

— Francine Moddermo

WRESTLING WITH ANGST, ANGER

Two hundred years ago, Samuel Johnson commented, "There is a wicked inclination in most people to suppose an old man decayed in his intellects. If a young or middle-aged man does not recollect where he laid his hat, it is nothing; but if the same inattention is discovered in an old man, people will shrug up their shoulders and say 'his memory is going.'" While much has changed in the world since Samuel Johnson wrote these words, his comments may have an all too familiar ring.

Today, as men and women prepare for retirement, they face one of modern life's greatest psychological challenges. Two hundred years ago there was no retirement — people worked until they died. Modern medicine has dramatically increased life expectancy from 47 years in 1900 to 73 in 1980; 75 years is projected for the year 2000. Today, people may spend as many years in retirement as they did during their working career or in raising a family. The challenges for this time include finding a new and meaningful role outside the workplace, coping with the loss of work identity and deriving satisfaction and self-esteem from their new role. This involves a complex set of adaptive capabilities that were set in motion at birth and culminate in this last major stage of life development.

Since a person's life cycle contains alternating patterns of stability followed by change, how a person has negotiated the tasks and demands of each earlier phase of the cycle — childhood, adolescence, young adulthood, middle age — will influence the quality of one's life in retirement.

For example, a normal child's basic sense of trust and inner feelings of self-worth help him to make the transition from home to school. Similarly, building on tasks accomplished earlier in life, the adolescent negotiates the major transition of leaving home and moving out into the community either for further education or employment. In both instances there is an increased demand on psychological resources to adapt to these changes, which may show up in an array of symptoms: nail-biting, aggression, irritability or rebellion.

What is important to recognize is that these symptoms are temporary and reflect the work of adaptation. At each stage of the life cycle, change must occur in order to successfully move on to the next. Retirement brings the most numerous changes and the major developmental task in the early stages of the aging process is to clarify, deepen, and make use of what one has already learned in a lifetime of adapting.

The event of retirement signals significant change and feelings of loss — in role, lifestyle, productivity and income. The values on which American society places a premium — work, youth and monetary success — are



MONTES DE OCA/IPC INTERNATIONAL

HOW TO AVOID A CRACKUP WHEN THE PRESSURES OF RETIREMENT SURFACE

*BY JILL CHOBANIAN
AND RITA SIEBENALER*

F O C U S

The more balanced a life has been in terms of family, friends, community and individual pursuits apart from work, the easier the transition into retirement may be.

diminished at retirement and during the last decades of life. While retirement is not necessarily synonymous with old age, our society tends to lump these concepts together, further highlighting feelings of loss and displacement for some.

As Samuel Johnson noted, "the wicked inclination" is for society to take the older person less seriously and to assume that his or her contributions are no longer important. However, aging is not inherently a negative process, since the powerful feelings evoked during major life transitions — frustration, ambivalence, sadness, disorientation, confusion and anxiety, for example — can also impel one to adapt to new situations in creative ways. It is important to identify the normal and expectable feelings in this evolution to understand that these feelings are not unusual and to begin the process of letting go of the old roles and expectations and substituting new ones.

One of the most universal and pervasive feelings of pre-retirement is fear, which translates into worries about health, one's role in society and financial and physical security. Whether retirement has been long-awaited or vigorously resisted, moving out of the workday world involves real and perceived role losses. For some, it involves the loss of being part of a larger cause and the absence of familiar surroundings and routines and brings feelings of being obsolete or discarded. To prevent this grieving, some energy should be redirected into pursuits other than work prior to retirement, so one's sense of identity is not solely derived from a career.

For example, Andy, age 65, was a Foreign Service officer for 32 years. As the day of his retirement neared, Andy began to feel irritable and he had difficulty sleeping; his twice-weekly tennis games didn't seem to relieve his anxiety. Instead of one drink before dinner, he began to have two or three.

After his retirement, he found himself walking from room to room wondering how to fill the hours until his wife came home. He was reluctant to talk about his anxiety with his wife because he felt he should handle this on his own. But one evening, after he snapped at her in irritation, she confronted him about his moodiness. As he began to talk, he realized how sad he was and how much he missed his office's collegial atmosphere. He became determined to join some daytime activities, and during the following weeks he contacted two volunteer organizations, requested class information from American University's Institute for Learning in Retirement and joined a sports club. While he still missed his work, he also began to feel renewed and resumed sleeping through the night.

Some retirees deny the reality of retirement changes because it is painful or confusing to consider new choices. Comments like, "It won't be difficult," or "Everything is okay," are typical of the denial stage, a protective stance to shield against the pain of change. Only by being realistic can one understand feelings about the loss of this significant, active and productive part of adult life.

Carol and David retired from the Foreign Service after a 30-year career. He had been the Foreign Service officer, but she, too, had worked at various embassies in short-term positions, and the Foreign Service was an important part of both their lives. They moved to a small, lakeside community a comfortable drive from Washington, D.C., Carol was pleased with their new home but soon she began to show symptoms of depression. David had taken over much of the cooking since he wanted to relieve his wife of this daily task.

As her mood worsened, Carol consulted a mental health professional. It didn't take long to discover how resentful and angry she felt about David's usurping her role in the kitchen. Cooking had been her entrée into many foreign cultures and had been a major source of satisfaction and affirmation for her. But as she talked to the therapist, Carol realized that David was having difficulty dealing with his loss of status and his work role, and

Jill Chobanian is a clinical social worker in the Employee Consultation Service of the State Department Office of Medical Services. Rita Siebenaler, a clinical social worker, was employed in the same office from 1984-94.

F O C U S

by taking over the cooking, was avoiding his own sadness. Together they spoke about their fears and anxieties about aging and how difficult it was to relinquish their Foreign Service life. As they became more involved in their community through volunteer activities, they came to terms with the ending of a career and gained pleasure from past and present accomplishments.

In some cases, Foreign Service personnel do not freely opt to retire. The decision may be made for them due to personnel regulations, time-in-class restrictions, mandatory age, illness in the family or other factors. When retirement is not initiated by the retiree, the lack of control over the timing can impede the transition. Some blame a rating officer or a rigid personnel system; others blame themselves with repetitive thoughts such as "If only I had ..." These feelings of unfounded blame or guilt can be turned inward, ultimately causing depression. Some men and women fear expressing anger and may deny its existence, even though it's a normal response to frustration and loss. Alcohol and prescription drug abuse also may increase at

such a time. Difficulties in concentrating, irritability and sleeplessness are all hallmarks of this phase.

Evelyn, a 58-year-old Foreign Service secretary who served abroad for 23 years retired when her mother needed 24-hour supervision and care. This was an extremely difficult decision. She was unable to sleep, lost her appetite and felt irritable and resentful. She finally spoke with a social worker who specialized in geriatrics. Together they tapped community resources to give Evelyn respite and talked through the difficult decision to place her mother in a nursing home when a Medicaid bed became available. While the problem was not yet resolved, Evelyn found support, began to think about what she wanted to do in retirement and felt a sense of hope returning.

Emotional healing is akin to physical recovery. Both take time, patience and care. Just as pain and scars lessen with time, so do emotional setbacks. The prescription includes talking with others who value honest expression and can empathize. Moving through denial to honesty expends less energy than repressing emotion. When anger

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- 8:30 A.M.** *Walked 2 1/2 blocks to meeting at State Department.*



- 5:00 P.M.** *Picked up dessert at Watergate Pastry Shop and walked home.*
- 5:45 P.M.** *Buzzed in guests at front door.*
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F O C U S

diminishes and hope and enthusiasm return, the disengagement phase of retirement has been accomplished and new goals can be set. During one's early worklife, competing successfully in the workplace and gaining competence and confidence are strong motivators. In later life, the search for meaning becomes much stronger.

What type of person successfully negotiates the turmoil so common after retirement? According to Dr. Bernice Neugarten, gerontologist and professor of human development at the University of Chicago, they are people who "take pleasure from daily activities, regard their lives as meaningful and take responsibility for them, feel they have reached their major goals, have a positive self-image and are optimistic in attitude and moods." And for those who may not have attained their life goals, they are accepting of themselves, their flaws and imperfections. The more balanced a life has been in terms of involvement with family, friends, community and individual pursuits apart from work, the easier the transition may be. If the work life is overdeveloped and other meaningful connections are

underdeveloped, the loss of work leaves a greater void.

Many men and women use retirement as a time to sort out priorities and find new ways to be involved and to give service. Some choose partial retirement to allow for more leisure time and a slower pace. This becomes good preparation for a shift to full retirement at a later stage. As other networks are forged outside the work world and existing relationships renewed, the transition into a full retirement is greatly eased. Transformation and self-renewal are frequent by-products.

As retirement approaches, it is important to look back on earlier stages of development and remember the sting and sweetness of leaving a part of one's life behind and embracing new experiences successfully. Having weathered earlier life transitions — leaving home to explore the outside world, risking the uncertainties of intimate relationships, becoming responsible for oneself, adapting to new cultures and languages — Foreign Service men and women can feel optimistic about learning to accommodate unstructured time, even if it brings short-term angst. ■

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CONFESSIONS OF A RETIRED FSO

“**A**ny fool can be fussy and rid himself of energy all over the place, but a man has to have something in him before he can settle down to do nothing.”
— J.B. Priestley

There must be scores of defrocked diplomats scattered around the country who have taken the pains to ruminate on life's great transitions and the meaning of it all. Or, if they are of a more practical nature, they may be able to offer useful and relevant advice on readjusting to The Land of the Round Doorknobs for folks who still think they need a travel voucher to go to Wal-Mart. You will find precious little of all that here. Profundity eludes me and my conclusions, after only nine months among the superannuated, are bound to be fairly inconclusive. On the other hand, no one who has worked for the State Department for 20 years is likely to be too hung up about being perceived as irrelevant.

There are probably as many reasons for leaving the Foreign Service as for joining it. For the record, I joined because, having already

been a bartender, steelworker, school teacher and pool hall manager, I needed a change. Like a modern-day apostle, I was fitted with a clerical collar marked “discretion” and dispatched on a veritable Magical Mystery Tour to points all over the biblical compass: Israel, Greece, Rome, Scotland (where diplomacy and Calvinism make icy bedfellows), winding up at that nexus of the Reformation and other excesses, Germany. Was ever a poor sinner more blessed with choice assignments?

But I have long held the view that the Foreign Service belongs rightfully to the keen of eye and swift of foot — a younger person's game, in short — and that the subliminal message behind the preposterously generous option to retire at 50 was, “Thanks, now go away and do something else.” Such a view will no doubt sit

poorly with those who hold that longevity (or, if you insist, experience) is a virtue unto itself.

The Department of State is quite solicitous about not dumping its veterans on the street with their collections of tribal masks, cuckoo clocks, bamboo bric-a-brac and mismatched luggage. The department offers courses that run the gamut of skills and information necessary to

keep people from terminal bewilderment and return them to semi-functional literacy in what our military brethren call civilian life.

I must confess, however, that I did not drink from that proffered cup, the Retirement



MONTES DE OCA/IFPC INTERNATIONAL

**EVEN WHEN YOU'RE
NO SPRING CHICKEN,
STARTING OVER'S FUN**

BY DOUGLAS H. JONES

F O C U S

At the risk of seeming maudlin, starting over — personal renewal and redefinition — is the great American birthright. Board the windows, sell the car, get on your bicycle and try someplace else. No other country has this kind of tradition.

Seminar, believing as I do that the most precious thing in life is its uncertainty. Besides, the scheduling didn't work out. A constitutional aversion to "smooth transitions," however, can be a big drawback with respect to onward employment. I do occasionally envy those former colleagues who, by carefully polishing the stones in the great mosaic of foreign policy and the apples of professional contacts, put themselves in a position to leap, like latter day Pony Express riders, from the weary gelding of public service onto the rampant stallion of private enterprise: think tanks, universities, institutes, multinationals, the media, business itself.

The somewhat disconcerting task once fell to me of registering as a foreign agent a former colleague who had accepted a senior position with a foreign company. Before leaving government service, he had had to recuse himself from a variety of otherwise compromising duties. This astonished me. I could not imagine ever having to recuse myself from anything. I felt inadequate. Only later did I realize that conflict of interest presupposes interest. Unfortunately, I had always found discussions with businesspeople to be like the novels of Henry James: edifying but deadly.

But even if you don't fall into the arms of a sweetheart deal, you still have to feed your Ben and Jerry's habit somehow. Whether you are an inveterate activist or, like me, ergasiophobic, it is essential to list something under "occupation" that implies that you are busy. Otherwise, dozens of civic, church and charitable organizations, upon discovering that you are time-rich and reasonably sentient, will seek to carve up your new freedom into filets of volunteerism and community spirit and feed them to a ravenous assortment of good causes.

What then do you put on your shingle when all else fails? "Consultant" seems a pretty good way to start. It implies that your time is expensive, and doesn't commit

you to anything. In my experience, most people who seek the services of a consultant just want to tell you their problems anyway, and anyone who has ever done any consular work can sing in that choir.

Actually, having already pocketed a lifetime of employment benefits, ex-Foreign Service personnel are in a pretty strong position to attack the current job market. Even a cursory reading of employment ads shows that a trend in business, education and even the public sector is increasingly toward hiring temporary, project-specific contract employees in order to cut overhead and long-term benefit costs. People who prefer variety over a "second career" may find that being a retired "generalist" puts them in the catbird scat.

In some respects, retirement is like a car accident that you walk away from unscratched, only to notice later those manifestations of trauma. One of those may be I.D.S. (Information Deficit Syndrome). How do people live without the wireless file, the "take," intelligence summaries, staff meetings, rumors, leaks and lies, the disconnected data from which we once wove our institutional view of the world?

The urge to worry about things and events over which you have no control and about which your interest was at best academic is a lingering malady of Foreign Service life, but you will never need such a variety of information again unless you plan to appear on "Jeopardy." The meddling urge, after all, was based on the conviction (inherited from the British when we became top nation) that we are at the moral center of everything that happens in the world. The good news is that you no longer have to care. The better news is that, in today's politically correct America, such a Luddite view does not automatically classify you as an uninformed ignoramus. The worst that can be said of you is that you are "selectively aware."

I.D.S., by the way, can be treated very effectively by your local librarian. For the environmentally conscious,

Douglas H. Jones retired in May as the principal officer of the U.S. Embassy branch office in Berlin.

FOCUS

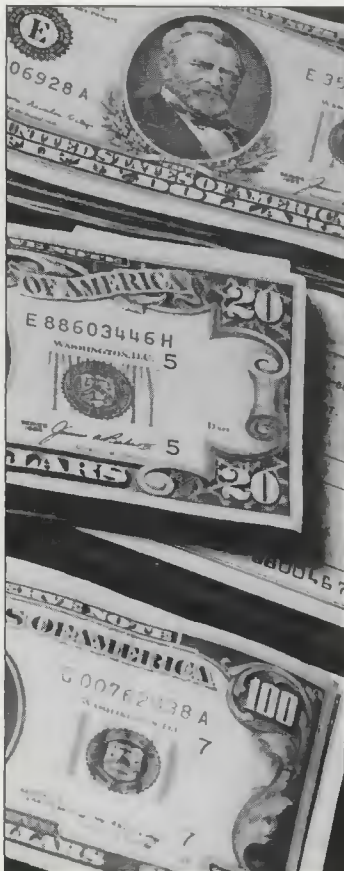
"otherwise useless information" can be reeyeled into *The New York Times* crossword puzzle.

Retirement is one of life's rituals of disengagement, like graduation, making out a will or, I suppose, divorce — the department keeps the house, the silver and the unused home leave; you get the plaque, the pension and the memories. It is also a time for stocktaking, decision-making and large-scale spiritual housecleaning, something that is, to my knowledge, not covered in the regulations. Say what you will about Mother State, the life made many of these face-offs with reality indefinitely postponable, which is no doubt why the mere contemplation of leaving prompts some folks to quake and shake. Better to die with your wingtips on than face starting over.

At the risk of seeming maudlin, however, starting over — personal renewal and redefinition — is the great American birthright. Board the windows, sell the car, give away the dog, get on your bicycle and try something and someplace else on for size. No other country has this kind

of tradition. State Department retirement policies virtually beg people to take advantage of it. Sadly, the media give many in the Foreign Service the impression that they will be shot on sight if they return home. The horror stories that television and the press insist on representing as what is happening in America are debilitating to Americans tasked with representing their country overseas. They may be an accurate reflection of our limitless fascination with the extremes of aberrant behavior (Why else do we televise congressional debate?), but not of the infinite variety America offers.

Though we enjoyed our tours in Washington, the D.C. area did not seem to be the most propitious place for redefinition and renewal. So, applying the Sherlock Holmes principle of homesteading — once you have eliminated every place else, whatever remains, however improbable, must be home — we decided to boldly go where no one would expect us to. That is how a Californian, an Air Force brat, an itinerant fifth-grader and a Scottish terrier wound up on the south coast of Maine. Mainers themselves, an



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F O C U S

unpretentious lot, profess perplexity as to why people with other options would choose to come here. But they sell themselves short. Despite its reputation for insularity, Maine offers that same sense of belonging to a place as soon as you arrive that is characteristic of America. So far, it looks like a good tour, and even the vaunted dreich days of winter hold no terrors.

To our surprise, the Foreign Service had already established a beachhead here. A thriving colony of ex-Staters and veterans of the FAA, FBI and other three-letter clubs constitutes a virtual backwoods bureaucracy in exile.

Now a word or two about that plaque. It was a nice gesture, a swell surprise, and a dandy little dust catcher. The State Department foundry does impressive work. Unfortunately, it's a little retro. Americans no longer hang their lives on the wall, they wear them on their sleeves or chests or hats. They do not need a plaque commemorating their years of loyal service, but a personalized sweatshirt that makes a career statement.

Something like, "I practice safe diplomacy; let's negotiate," or, "Dial M for Murder," or "Ten Ways to Tell a Foreign Service Officer From a Newel Post."

Actually, recognition does not reside in mementos or honors, but in the Service itself. Nothing can replace having been, however briefly, a part, however small, of "those events that alter and illuminate our time," as Walter Cronkite used to say. A career in the Foreign Service is its own advertisement and, like virtue, its own reward.

Plaques, posters and other memorabilia may serve to let other people know you had a life. Whether you still do depends on whether you think you retired from something or to something. Either way, though, for anyone who has been associated with it long enough to retire, the Foreign Service will always be a part of how you define yourself. In that sense, it's a lot like the Hotel California in the song by the Eagles, "You can check out any time you want, but you can never leave." ■



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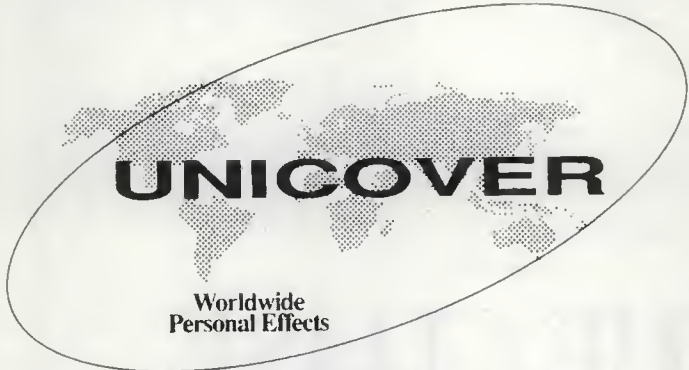
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BOOKS

BALANCING ON MOVING SANDS

The Politics of Miscalculation in the Middle East

Richard B. Parker, Indiana University Press, 1993, \$17.95, soft-cover, 273 pages.

BY ARNOLD SCHIFFERDECKER

Richard Parker, a former Foreign Service officer and ambassador to Lebanon, Algeria and Morocco, has written a fascinating and well-documented study, which includes many personal observations on the Middle East. He focuses on three notable policy blunders of the Arab-Israel conflict of 1967-73. Has this retrospective been overtaken by events? Most definitely not.

Parker's detailed analysis of Middle East miscalculations is a useful reminder that violent regional conflict has been due as much to individual mistakes as to historical forces, such as Zionism vs. Arab nationalism. While that is unlikely to be a startling revelation to Middle East hands, a study of how and why those miscalculations occurred offers valuable insights for today's policymaker.

Parker's definition of miscalculation does not imply that conflict would have been avoided if the mistakes had been avoided. In many ways each event — the 1967 war, the runup to the 1973 war and the disastrous events of 1982-83 in Lebanon

— were logical outgrowths of the grievances, imbalances and instability of previous actions and confrontations against the backdrop of Cold War politics.

The blunders cited by Parker are not limited to those of the United States. Indeed, much of his treatment of the three selected events deals with mistakes of perception, the ignoring of intelligence by regional policymakers. But the former Middle East envoy also spares none of the U.S. participants for policy errors based on "selective hearing," favoring intuition over intelligence or failing to consult widely before taking significant decisions. The most fascinating examples are detailed in Parker's extensive interviews of the participants in the failed 1983 U.S. effort to gain Syrian withdrawal from Lebanon in return for an Israeli pullout. But here, Parker cannot fault former Secretary of State George Shultz for failing to consult widely, for as he shows all the U.S. envoys in the region were able to weigh in with advice during a chiefs of mission meeting in Cairo in April 1983. The U.S. effort failed, not so much from miscalculation of the motives or likely responses of the regional leaders, but because the goal had become politically unattainable.

Parker is careful to leave final judgments on the rightness or wrongness of particular policy decisions to historians after full documentation becomes available. Nonetheless, he concludes, there are clear examples of miscalculation in all three case studies to show

the diplomat or policymaker of today how and why their predecessors acted the way they did. If his recounting of those events helps even marginally to decrease the chances of future miscalculation, then Parker's study will have been well worth the effort.

Arnold Schifferdecker is a career Foreign Service officer who is a regional adviser on the U.S. delegation to the U.N. General Assembly.

DO POLICY REFORMS HURT AFRICAN POOR?

Adjusting to Policy Failure in African Economies

Edited by David Salm, Cornell University Press, 1994, \$19.95, soft-cover, 421 pages.

BY ANTHONY S. CHAN

Among most mainstream economists, one will find little disagreement over the necessity for adjustment and reform in the African economies. But the question of whether adjustment measures unnecessarily hurt the poor is a topic of much debate.

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this volume of a three-book series of the research findings, conducted in 10 countries in sub-Saharan Africa: Cameroon, Gambia, Ghana, Guinea, Madagascar, Malawi, Mozambique, Niger, Tanzania and Zaire.

For example, Ghana's cocoa had been a crop mainstay until the late 1970s. Then domestic and external shocks combined to reduce agricultural output by 12 percent. Capital stock was also depleted. Consumption, which was about 75 percent of GDP in the early '70s, increased to 94 percent by 1983, followed by visible symptoms of economic decline, such as increased malnutrition. Imports and delivery of government services had already been severely curtailed by the time measures to restructure began; for example, per capita education spending declined from \$20 in 1972 to \$1 in 1983. The author makes the point that excess profits accrue to particular individuals when there are consumer goods shortages, which helped create the *kalabule*, or underground economy. Deregulation, often part of any restructuring program, may actually have improved income distribution by reducing these excess profits, though that was difficult to measure.

Anthony S. Chan is an AID Foreign Service officer in Nairobi.

BOOK PRIZE ANNOUNCED

The American Academy of Diplomacy announces the creation of a new book award to recognize distinguished writing in the field of U.S. diplomacy. The award, which carries a cash prize of \$2,500, will be presented in fall 1995. Nominations are due July 31. For more information contact Ambassador Bruce Laingen at (202) 223-0510. ■



IN MEMORY

John Raymond Baine, 85, died Dec. 9 of cancer in Waterford, Va. A native of Paragould, Ark., Baine graduated from Ouachita College with a degree in chemistry. While working for the U.S. House of Representatives, he prepared for a career as an operatic tenor.

In 1938, he and his wife, Alice May Bennan Baine, pursued singing careers in New York City. They later moved to Philadelphia; in 1942 he was inducted into the U.S. Army and was recruited to the Army's Office of Strategic Services (OSS) in Washington, D.C., where he served in various assignments until the end of World War II. He remained in intelligence work when President Harry Truman created the Central Intelligence Agency.

His first overseas post was Milan in 1947. His long CIA career included two tours in Rome and one in Lisbon. In 1964, he retired to Waterford, Va.

He is survived by his wife; his son, William B. Baine of Highland Park, Tex.; his grandson, Britton A. Baine, of Waterford, Va.; and his sister, Mrs. William Shelby of Carol Stream, Ill.



W. Tapley Bennett, 77, a former ambassador to the Dominican Republic and Portugal, died on Nov. 29 in Washington, D.C. He was born in Griffith, Ga. He graduated from the University of Georgia, attended

law school at The George Washington University and joined the Foreign Service in 1941. Enlisting in the U.S. Army, he was stationed at the Pentagon, where he became a lieutenant in intelligence.

He returned to the State Department in 1946, spending one year at the National War College, and was later executive assistant to Under Secretary Robert Murphy. He then served as counselor to U.S. embassies in Vienna and Rome, as minister-counselor in Athens, and as ambassador to the Dominican Republic and Portugal. Subsequently, he served as State Department adviser at the Air War College, as ambassador to the Security Council and then as deputy permanent representative to the United Nations. In 1977, he was appointed permanent representative to NATO. In 1983 he returned to State as assistant secretary of State for legislative and intergovernmental relations. He retired from the Foreign Service in 1985 and became an adjunct professor at the University of Georgia in international law.

He is survived by his wife, Margaret R. White Bennett, of Washington, D.C.; five children, William T. of Washington, D.C., Commander John C.W. of Charleston, S.C., Anne B. of Lexington, Mass., Ellen B. Godsall of London, and Victoria R. Bennett of Seattle, Wash.; his stepmother, Jessie S.M. Bennett of Athens, Ga.; and three grandchildren.

Claris Lorris Chevoor, 73, wife of a retired controller of the Agency for International Development, William A. Chevoor, died in Belmont, Mass., on Oct. 26.

She had accompanied her husband on assignments in Turkey, Holland, Italy, Yugoslavia, Peru, Dominican Republic, Korea and Pakistan. She is survived by her husband; a daughter, Adrienne; two sons, David and Michael; and two grandsons, Austin and Cameron.



Albert B. Franklin, 85, died on Nov. 26 in Manhattan, Ky.

Franklin was originally from Massachusetts and received his undergraduate degree from the University of Miami. He later earned his master's degree and Ph.D. in romance philology at Harvard University in 1938. He served on the faculty at Williams College and taught at the University of Maryland.

In 1943, he entered the Foreign Service. His assignments included service as cultural attache in Montevideo, Havana, Buenos Aires and Rangoon. In addition, he served as dean of the Foreign Service Institute in Washington from 1954-56; consul general in Jerusalem from 1956-57; counsellor of embassy and deputy chief of mission in Tegucigalpa from 1958-62 and consul general in Madras from 1963-68.

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IN MEMORY

He is survived by his wife, Nancy Bush Franklin; four children, Woodman of Brooklyn, New York, Ana Michels of Shirley, W. Va., Charles of Redondo Beach, Calif., and John of New York City; and four grandchildren.

Wanda Engle Stanard, 102, widow of Foreign Service officer Hugh Stanard, died on Nov. 9 in Oteen, N.C.

She was a native of Baxter, Ia., and served in the U.S. Army Medical Specialist Corps from 1918-1922. Her husband, who died in 1962, served in Foreign Service posts in China before and during World War I.

Mrs. Stanard worked as a freelance writer and authored a regular column on word origins for the *Miami Herald*. She published other pieces in the *Asheville Citizen-Times* until she was well into her 90s.

Serban Vallimarescu, 72, died of cancer on June 28 at his home in Buenos Aires. Mr. Vallimarescu was born in Bucharest and graduated from the Sorbonne in Paris before immigrating to the United States in 1940. In 1942 he graduated from Harvard and then served in the U.S. Army in Europe during World War II.

He worked for the Voice of America in New York, where he eventually became chief of the Romanian service. In 1957, he moved to Washington.

His subsequent career included assignments to Mexico and the Dominican Republic. From 1964-66, he was a public affairs officer with the Bureau of Inter-American

Affairs at the State Department, and then served with the U.S. Information Agency in Paris. Later he was chief of the European division of Voice of America.

From 1973-74, he was with the National Security Council. He subsequently served as deputy assistant director of USIA broadcasting service, deputy director of Voice of America, associate director at USIA for policy and planning and senior inspector. His final posts were with USIA in Madrid and Buenos Aires.

Survivors include his wife, M. Barbara Fisch, of Buenos Aires; two children from his first marriage, John Vallimarescu of Washington, D.C., and Dan Vallimarescu of Rye, N.Y.; two stepchildren, Nicholas and Sophia Fisch, both of Buenos Aires; and four grandchildren.

Robert E. Wilson, 83, died on July 6 in Santa Barbara, Calif.

After receiving his B.A. from the University of Arizona in 1933 and his M.A. in 1934, he joined the Foreign Service in 1936. He subsequently served in Mexico, Argentina, Bolivia, El Salvador, Honduras, Spain, India and the Netherlands, where he served as U.S. consul general at the U.S. Consulate Rotterdam from 1958 to 1961.

Mr. Wilson joined the faculty at the University of California at Santa Barbara (UCSB) in 1961 as a lecturer of Spanish and Portuguese. He served as director of the University of California Education Abroad Center in Mexico City from 1968 through 1970. Upon his retirement in 1978, he continued to teach at UCSB until 1982.

He is survived by a son, David R. Wilson, of Los Angeles. ■

RETIREMENT AD SUPPLEMENT

RELOCATING: WHAT TO LOOK FOR

By Dan Kubiske

After putting in the requisite number of years in the service of your country, you've announced your retirement date. You're still healthy, with only the minor aches and pains that come with age, so you're not ready for a retirement home. However, you've decided that you do want to move to a community of similarly minded people and you want to maintain your tennis and golf. The most logical solution is to move to a planned community that features all the recreational options.

Your first step should be to take a long and sober look at your financial situation. Planning for retirement may mean hiring a financial planner to review your situation and to make recommendations as to how you should rearrange your finances to accommodate your retirement plans. You might consider hiring a financial planner to review your finances and make recommendations that will allow you to reach your goal of a comfortable retirement.

Deciding where to live after retirement is no longer just a choice of remaining in your own house, moving in with your children or living at a senior citizens' center.

Dan Kubiske is a freelance writer in Northern Virginia.

Similarly, the question of where to move is not necessarily a geographic issue, but more often one of lifestyle.

Some retirees will remain in the same area where they have lived and worked for years. For others, the dual benefits of moving to a warmer climate and to a smaller house, thus drastically reducing housing costs, are too attractive to pass up. Once a decision has been made to move, the active retiree has a few options available.

For the healthy and active retiree who wants to live in a community of similarly active retirees, the most popular type of housing is the Active Retirement Community. The type of person most likely to enter this type of community is one who wants to continue sports such as golf, tennis and swimming. Most ACRs offer no medical care on-site and the amenities focus on the needs of younger and more active retirees. Located predominantly in the Sun Belt states, ACRs represent only 2 percent of the senior-housing market.

Houses in an ACR are usually owner-occupied, although some companies now offer rental units. Some ACRs have large sections set aside as hotel or conference facilities, so a restaurant is also often located on the grounds.

RESOURCES

Several organizations offer free literature for retirees seeking housing options.

For the computer literate, many online services have retirement forums that include databases on housing needs and options. On the various computer bulletin boards, you can post questions to other retirees about their experiences and recommendations.

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American Association of Homes and Services for the Aging
901 E St., NW
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The average age in Independent Living Communities, also known as Congregate Care Facilities, is the 70's and 80's, and the minimum application age is usually 60. As with any major purchase, asking a lot of questions and carefully examining the fine print will aid with the final decision.

Before spending money traveling from place to place looking at houses or apartments, first identify your needs. Then, talk to friends already retired or who are also looking at retirement communities. Chances are you and your friends share a number of concerns that will allow you to

bypass some investigative work.

For some it is helpful to prepare a list of desired qualities in a retirement community. After drawing up the list, arrange the items in order of desirability from "absolutely must have" to "nice, but not necessary." You will be surprised how many places you will eliminate before you waste one drop of gasoline to visit the location.

After you have narrowed your search, investigate the various communities' developers. What kind of track record does each company have in retirement villages? How many communities has each developer built? Does the developer manage the community or is that responsibility passed on to another company? If so, what is the background of that management company? Find out what other retirement villages are in the same area. Often you will be able to compare the costs of the nearby communities to get an accurate assessment of the local market.

If you are selecting a location with a medical facility, you look into the qualifications of its staff and administrators and what services are provided as part of the basic fee.

Also, look closely at total costs. Many retirees are attracted to places because of low monthly rentals, but forget to add maintenance and entrance fees. ■

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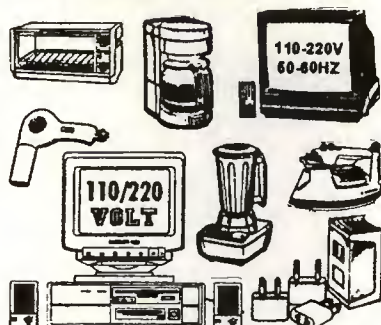
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POSTCARD FROM ABROAD

In India, a Tribal Craft is Revitalized

BY REBECCA MCCULLOUGH

The mountain villages on the Indian border with Tibet are like a wonderful dream, a world away from hot, frantic New Delhi. This area is one of the most remote spots in India. Arriving in India nearly five years ago, I soon became involved with a project to help Indian women in this region revitalize their weaving craft.

My Indian friend, Mukti, had become interested in these women's traditional weaving and was helping them obtain the soft, exquisite native wools they had used decades ago. After I began selling the traditional shawls and blankets in the American community, she invited me to join her on a trip to the villages to meet the weavers. We traveled 18 hours in a jeep over 10 mountain ranges.

After nine hours of driving the pine forests became thicker, and the last remnants of civilization fell away. Here, at the top of the world, storms thundered around us; the air was as pure as I have ever breathed, however I was appalled at the degradation and de-forestation, caused by the resin-tapping still practiced by many mountain dwellers.

We stayed in guest houses and Raj-era bungalows, which had no hot water or electricity. We washed down spicy curried vegetables and warm breads with river water and local brews.

Rebecca McCullough, whose husband Dundas was a political officer at U.S. Embassy New Delhi from 1990-94, now lives in Nokesville, Va.

*I think about the
quiet strength in
the eyes of the
tribal weavers.*



The mountain villages are peopled by an interesting mix of Indians and Tibetans. Normally the men followed a nomadic lifestyle, since they were the only ones who could freely cross the border. The women remained in the villages, but this was a more matriarchal society than most I had encountered in India. As we climbed up and down the stone-lined walkways of the tiny villages, women invited us inside for tea. They would bring out their woven wares, glowing with pride in their work, and show me their looms and the naturally dyed wool they carded and spun.

Mukti had taught me about the wool — *pashmeena*, the local name for cashmere — angora and *shatoosh*, each used for a specific type of weaving. *Pashmeena* is the down wool of goats, lambs and camels, which is gathered in the spring when the animals shed their warmest winter wool. Items woven from this are not as soft as angora rabbit wool, but they will become softer with age. *Shatoosh* wool, literally worth its weight in gold, can be gathered naturally in the

wild from Himalayan gazelle. I still treasure the *pashmeena* shawl and small *shatoosh* scarf that the village women gave me as gifts.

I learned about the wool caravans that used to wind their way to and from Tibet through the tiny villages on both sides of the border. The wool was transported on the backs of camels, goats and ponies through the passes and around mountain glaciers, and traded for gold, spices and jewels. Weavers would then create the beautiful shawls and blankets that would be sold to the elite of Tibet and India.

When war closed the Indo-Tibetan border in 1962, this important source of winter income for the tribal women was lost, and they began weaving with cheap, artificially dyed wool. Weaving was rapidly becoming a lost art. But Mukti, hoping to revitalize the dying craft and again give the weavers a source of income, began buying the original wool for the women. And once again, the weavers began hand-carding, spinning and weaving the traditional way, selling their goods to the "American ladies far away."

When I visited the weavers, they promised to think of me as they wove their beautiful shawls. They also told me to return soon. I still think of the jagged contours of the mountains and the sun sparkling off the snowy peaks. I think about the quiet power and strength that radiated from the mountains and from the eyes of the tribal weavers. Yes, I will definitely return. ■

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