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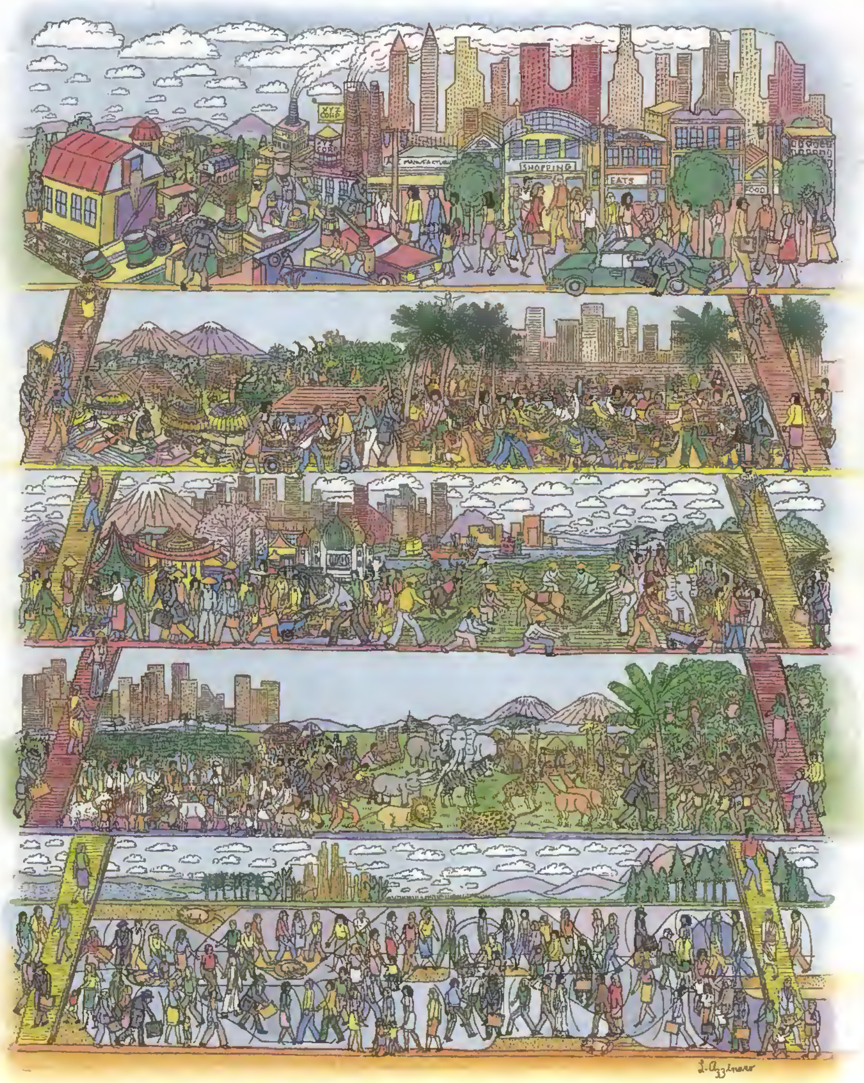

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Budget Cuts Highlight Conflict Between Agency, State

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President's Views

Nothing Works Like Diplomacy

By F. A. "Tex" Harris

The year 1995 was one of major accomplishments for American diplomacy. The short list is most impressive: a peace accord in Bosnia; an end to the nuclear threat in North Korea; peace advanced in the Middle East; elections in Haiti; a negotiated end to Cuban migration; democratization and market economies aided in Latin America, Africa and NIS; human rights defended in Bosnia, Nigeria and elsewhere; global environmental protection advanced; and major increases in demand for visas and passports met.

The Foreign Service's daily contributions from 260 posts around the globe gain loud rounds of applause from American businesspeople, government officials and the intelligence community. In fact, the community's newest study of major contributors to American intelligence again found that its No. 1 source is "Foreign Service reporting."

Despite these accomplishments, no White House, congressional leader or Office of Management and Budget (OMB) official is fighting for the resources to allow the Foreign Service to sustain its diplomatic achievements for America. In contrast, there is a firm commitment to maintain and even increase spending on U.S. military and intelligence services. The first line of America's defense around the world — diplomacy — is both least cost and least risk, but is taken for granted and its funding and personnel cut. Yet the exponentially costlier second and third lines of American defense — intelligence and the military — get more funding than requested and are shielded from government-wide budget cuts. The congressional committees that cover national security are fighting aggressively to provide additional funding for intelligence and the military.

> *The message is clear: The foreign affairs agencies are achieving major diplomatic successes for America.*

The committees responsible for foreign affairs programs, merged with the "domestic discretionary" part of the budget pie, are at best only mildly supportive and sometimes openly hostile to funding diplomatic action — the 150 International Programs Account. Currently the greatest threat to the American foreign affairs programs is the major hit that will be imposed by any budget deal on all domestic discretionary spending. The Republicans' latest budget offer would cut domestic discretionary spending $327 billion over the next seven years. The White House/OMB plan would cut $295 billion. A conservative assumption is that the bottom line will be a $300 billion cut from the present spending levels of all U.S. government domestic agencies, though the Defense Department and intelligence budgets would be spared.

If foreign affairs agencies such as the U.S. Agency for International Development (USAID), U.S. Information Agency (USIA), the Peace Corps and Arms Control and Disarmament Agency (ACDA), which are all funded through the 150 account, take their 7 percent proportionate share of the $300 billion hit, that would be a $21 billion cut over seven years — or $3 billion a year. This could be translated into a budget allocation of about $16.9 billion for each year through fiscal year 2002. Though this level is disastrous enough, budget watchers predict the original $16.9 billion would probably be far less, given pressure to raise domestic spending.

Depending on the outcome of the House-Senate Conference on the State Authorization Bill, part of these cuts may follow the formula for a reduction of $1.7 billion over five years, with 70 percent of that sum from operating funds as mandated by Sen. Jesse Helms (R-N.C.) and Sen. John Kerry (D-Mass.) in the Senate version of the bill.

The message is clear: The foreign affairs agencies are achieving major diplomatic successes for America. The successes are disregarded and the agencies' program and operations budgets are cut. We have to tout our successes or future cuts that will be so severe that future successes will be out of reach. We must act now. ■

F. A. "Tex" Harris is president of AFSA.

Letters

To the Editor:

After reading "Speaking Out" by Stephen Klaus ["Stop Cutting Employees' Medical Benefits," December *Journal*], I find it amazing that there are some in the department's management who continue to confuse cheap medical support with cost-effectiveness in the application of personnel policies. I suggest those managers review the history of State's Office of Medical Services [MED] over the past 20 years to learn about the actions of their predecessors.

In 1976, because of a growing perception by the Foreign Service family that MED was not responsive to their needs, an Inspector General [IG] inspection led to re-orientating and expanding medical support in the field. Those changes made MED more responsive to the needs of the Service, and as a result the effectiveness of the Service improved. The thrust of today's medical support problems appears very familiar to those of us who were involved with MED in the late 1970s.

During the late 1970s and early 1980s, the department's management and MED recognized that it was wise to spend a buck on high quality medical care in the field and appropriate medevac policies because that policy had been well tested by the practices and policies of major overseas U.S. businesses and by the U.S. armed forces. At budget presentations management was impressed that bad medical support often resulted in broken assignments. ... Management also was concerned about several multi-million dollar law suits tied to inappropriate medical decisions. Further, management understood that Foreign Service personnel worried about their health or the health and welfare of their family members did not perform at peak efficiency.

During this period, MED was placed directly under the undersecretary for management. The medical director's position was upgraded. Special physician pay was passed by Congress and the recruiting of high quality physicians and nurse practitioners was given a very high priority.

There remain a few unchanging aspects of medical support in the Department of State:

■ The medical program was established by legislation and is clearly spelled out in the Foreign Service Act of 1980.

■ MED is a support structure that exists only to make the Foreign Service more effective through preventive medicine, excellent treatment in the field or evacuation to the nearest adequate medical facility.

■ Medical support, properly administered, results in a more effective Foreign Service and in the longer term it saves money. If the Department of State is to retain an overseas medical support program, it must be responsive to the needs of the Service.

Certainly, times have changed. ... Management must, from time to time, review not only the size, configuration and mission of MED, but must ask is the program necessary. If the answer is yes, then MED must deliver cost-effective support. It is key to remember that cost-effective ain't necessarily cheap.

Gerald S. Rose
Retired FSO
Falls Church, Va.

To the Editor:

For the past 50 years, the Department of State's Office of Medical Services (MED) has had but one task, that of assuring the best access to medical care for all those serving the State Department overseas. Over those years, that mission has been consistently accomplished by MED and universally recognized as an essential benefit providing quality service. In no way has the mission of MED changed.

Community support for the medical program is essential. And articles such as [Klaus's] quoting examples taken out of context purporting to prove MED's manipulation of quality in pursuit of saving dollars are not helpful. Medical care is a very personal issue, as it should be. Decisions concerning the "best care" are also very personal to MED. While it may be natural for our patients to look at the value of benefits in terms of personal dollars received, MED makes its decisions based on facilitating the best quality of care. Supporting MED's best efforts without impugning its motives is in the best interest of all of us.

Dr. Elmore F. Rigamer
Medical Director
Department of State
Washington, D.C. ■

CLIPPINGS

"[A country with a crippled diplomatic operation] faces little choice between doing nothing and sending in the military."

— SEN. JOSEPH BIDEN JR. (D-DEL.) DEC. 15, THE WASHINGTON POST

NO MONEY, SERVICES AT US EMBASSIES

As the budget stalemate continued into January, the U.S. government shutdown has had major repercussions around the world. Senior State officials described a mounting crisis with the pileup of undone paperwork, the backlog of unprocessed visa and passport applications, and the scramble for funds to pay Foreign Service National (FSN) employees, Thomas Lippman reported in a Jan. 3 *Washington Post* Page 1 article. The Vietnamese government threatened to cut off electricity to the U.S. Embassy because the $1,600 bill hasn't been paid. In Moscow a loan from the Embassy Community Association helped cover the FSN employee payroll. In Cuba, drinking water deliveries were dropped until the vender is paid.

The issuance of visas and passports has come to a standstill at embassies around the world, as most consular officers are furloughed, which has resulted in hardships for many prospective travelers. Lippman reports that between 20,000 and 30,000 applications by foreigners for U.S. visas are going unprocessed each day, creating a huge backlog. And in the United States, more than 200,000 Americans are waiting for passports.

Lippman reports that the shutdown is also undermining morale in the ranks as leaves and long-planned transfers are being canceled and those who are being required to work are not being paid. In Washington the Foreign Service junior officer class met to commiserate over cancellation of its members' first assignments.

However, the curtailed staffs at first did not ground many Senate and House members planned overseas trips, reported Guy Gugliotta in a Page 1 Dec. 29 *Washington Post* article. Twenty-five trips to foreign countries were planned during the congressional break over the holidays, overloading embassies operating with reduced staffs. The American Foreign Service Association (AFSA) received "outraged e-mail messages" from Foreign Service employees in Latin America and Africa complaining of the members' planned trips. After the State Department advised congressional offices of the burdens the trips would impose during a period of furlough, a number of offices admitted they might delay their trips. However, senators Arlen Specter (R-Pa.) and Richard Shelby (R-Ala.) left on a 13-day trip to Africa, Egypt and Israel accompanied by spouses and three aides, with a list of special arrangements made for squash games and spouse activities, and several embassies were reported to have called in furloughed employees to handle the congressional visitors, according to Gugliotta.

These concerns, however, pale before impending crises in security and communications. Under secretary for Management Richard Moose told the *Post* that on Jan. 6 the State Department will run out of money to pay contractors who run its worldwide communications network, which could cut off diplomatic cables, e-mail and secure telephones. In many parts of the world where State has to cough up cash for services, including security guard salaries, the security of employees and buildings is threatened, he said.

Clippings

Certainly the U.S. image is suffering: In Mexico the shutdown has been front-page news and the U.S. embassy sought to allay fears about the solvency of the government by issuing a statement that the budget crisis "does not represent any fundamental inability of the United States to pay its bills."

Negligence Asserted In Pesticide Death

Two years after State Department employee Nancy Ferebee Lewis died of pesticide poisoning, her husband, Mustapha Ennaboulssi, has filed claims totaling $4.5 million and charged the State Department with negligence in his wife's wrongful death, reported John Pulley in the Dec. 25 *Federal Times*.

Lewis, a secretary with the U.S. Agency for International Development (USAID) at Embassy Cairo, fell ill after her government-owned apartment was treated for moth infestation with the pesticide, Detia, which is not registered for residential use in the United States. On Dec. 23, 1993, Lewis, her husband and his brother all fell ill with severe headaches, nausea, vomiting and weakness. Though the two men recovered, she was driven to the American Embassy health unit, where she suffered a grand mal seizure on Christmas Day and died of cardiac arrest.

When Ennaboulssi approached the Embassy seeking answers about the circumstances of his wife's death, he says he was rebuffed. His lawyer, Ralph Drury Martin, was told to pursue the matter by requesting documents through the Freedom of Information Act (FOIA). The $4.5 million wrongful death claim contends that the State Department should have prohibited its contractor from applying the deadly pesticide in employee residences.

FS Doggone Dog Returns to Va

Dushenka, the pooch separated from her Foreign Service family in war-torn Rwanda in April 1994, was finally reunited with Gregory and Gita Hemphill and their three children in time to reap the gifts from her Christmas stocking, wrote Cindy Loose and Paul Duggan in the Dec. 29 *Washington Post*. The 21-month journey home was accomplished only with the intervention of the House and Senate — and a heap of customer service from Sabena Airlines, the Belgian airline.

Dushenka was separated from the Hemphills when civil war erupted in Rwanda, where FSO Gregory Hemphill was posted with the U.S. Agency for International Development (USAID). Months later, when U.S. Ambassador David Rawson returned to the country, he found Dushenka living with squatters in the Hemphills' house. The squatters claimed all the Hemphills' possessions, but agreed to give up the 80-pound dog to Rawson who later passed her on to U.S. Col. Thomas Odum, stationed in Rwanda, who renamed her "the General" and refused to return her to the family.

News of the family's predicament spurred Sen. John Warner (R-Va.) and Rep. John Edward Porter (R-Ill.) to call the army and USAID, and to urge the dog be returned as soon as possible.

50 Years Ago

Many things have damaged the morale of the State Department in recent years, including its inefficiency in dealing with its people in the field, wrote reporter Oswald G. Villard in the February 1946 *Journal*.

"I found one minister in Europe in 1939 who told me he had been cabling between two to seven dispatches a day giving the latest news. The war had then been on over two months and he had not up to that time received a single reply to any of his messages," wrote Villard.

"He had received not a word of commendation nor of fault-finding, nor of instruction and direction. That man was doing outstanding work in the capital in which he was living, but it was not allowed to be known to the general public and the press," Villard wrote.

> "In the last 2 1/2 years, Clinton's abstract [understanding of foreign policy] went to the very concrete."
> — WHITE HOUSE PRESS SECRETARY MIKE MCCURRY
> UPI, JAKARTA POST, DEC. 28

The congressional intervention prompted the colonel to release the dog, but logistical problems — finding a large cage, getting health clearances and travel arrangements for an 8,000-mile journey — meant more than a month passed before Dushenka was reunited with her family in McLean, Va.

SELLING STATE ON CYBERSPACE

Last month Deputy Secretary of State Strobe Talbott sat down at a computer in his home and attempted to argue, through cyberspace, the case for deploying 20,000 troops in Bosnia. Talbott's typing on America Online's (AOL) premier chat show, "Center Stage," was part of an all-out effort by the Clinton administration to sell its Bosnia policy to the American public, wrote Michael Dobbs in the Dec. 13 *Washington Post*.

Talbott's audience of 100 or so cybernauts grumbled about "lies, all lies" as Talbott answered questions on foreign policy. This new form of communication for the White House was just one thrust of White House press effort on Bosnia, which blanketed the nation's news media with interviews, opinion pieces and talking points, as well as the AOL interview. "This is part of the wave of the future," said Talbott, an acknowledged computer neophyte. "Whether you talk on radio or AOL, you are getting questions that echo the fundamental concerns about Bosnia." State officials argued that talk shows and cyberspace provide opportunities to correct misconceptions about Bosnia and other foreign policy issues. ■

Speaking Out

Bring More Objectivity to State Promotion Process

By David Timmins

The promotion boards at the State Department evaluate two-thirds, or about 7,000 FSOs for promotion every year, which can be overwhelming. The possibility of distinguishing the good from the better and the better from the best is daunting, particularly given the inflated vocabulary employed by some supervisors in describing subordinates' work. Quite often, the reputation of the supervisor writing the Employee Evaluation Report (EER) and the position held by the one under review are as important to the board as the report's contents — making the assignment process perhaps more important than performance itself in determining who is to be promoted.

Modifications, based on the military, medical and academic professions, could improve the process even more. Promotion ratings could include a point system related to periodic, voluntary written exams. Medical doctors must sit for board exams to specialize as cardiologists, surgeons, internists, or pediatricians. Academics must meet publication standards to be tenured or promoted. Why not institute an exam system for FSOs as moving up the promotion ladder?

> *Medical doctors must sit for board exams to specialize. Academics must meet publication standards for tenure. Why not an exam system for promoting FSOs?*

After entering the Foreign Service, those wishing to specialize in political reporting/negotiations could take an exam more advanced than that given to prospective candidates. This exam would demonstrate a candidate's deeper knowledge of current events and world political systems or would highlight a junior officer's specialized knowledge of a geographical region or country. A candidate for the economic cone could take a similar examination in comparative economic systems, macroeconomies, international trade and international finance. Consular officers might be tested regarding citizenship law and services, visa law and regulations, notarial services and consular issues reviewed in the Foreign Affairs Manual (FAM).

Indeed, every officer could be required to take a periodic examination of FAM sections related to his specialization, as well as of his command of foreign languages. Points could be assigned to each element, such as language, considered a special qualification for promotion in the Foreign Service. For example, one could accumulate 5 points for a 2 ranking in speaking and reading (S-2, R-2) in a foreign language and 10 points for S-3, R-3, and perhaps 15 for S-4, R-4. Bonus points could be accorded for so-called "hard" languages — or ones with a shortage of language-qualified officers. Competence in additional languages might be required to pass from junior officer to mid-career, and from mid-career to the Senior Foreign Service (SFS) — so a qualified senior officer would be competent in at least four languages: his own, the language that qualified him for tenuring, the language that qualified him for advancement to mid-career rank and the one that qualified him for advancement to the Senior Foreign Service. Similarly, one should be required to earn 5 points for the appropriate FAM examination which applies to

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David Timmins, a retired FSO, served in England, France, Iceland, Paris, Madrid, Morocco and Guatemala. He now lives in Switzerland, where his wife, Lola Timmins, is an FSO posted to the U.S. Mission in Geneva.

career specialization, as well as those relevant to all Foreign Service personnel (such as travel, education, housing, allowances), and bonus points for passing supplementary FAM exams, demonstrating broad career flexibility, plus another 5 points for each element of an advanced "conc" exam. Additional points could also be acquired as a result of superior evaluation reports — possibly 1 or 2 points per report. This would encourage even more frequent evaluation reports.

Advanced conc exams could be prepared by the Princeton group that handles the Foreign Service exam, or that task could be assumed by the Board of Examiners (BEX) experienced at designing questions for use by oral exam and lateral-entry candidates. BEX examiners present individually devised and targeted questions designed to assure that lateral-entry candidates possess the knowledge to operate at the rank for which they are being considered. Under the open promotion system, BEX could design candidate-specific written exams, taking into account what sort of knowledge might be expected of a candidate with experience in specific countries.

Points from whatever source would remain valid for up to five years. When one had accumulated a certain number of points, say, 20, one could opt for consideration by that year's promotion board. If it looked like a slim year for promotions owing to low attrition or a limited budget, one might choose to wait a year — although this could subject one to a larger panel of potential promotees, reducing one's chances of reaching the cut off and possible expiration of an accumulated point or two.

This would, in effect, extend the current open assignments process to a more open promotion process, not an altogether negative consideration. Its main achievement, in addition to introducing a bit of personal control over the promotion process, as with open assignments, would be to reduce further the evaluation load on the panels, permitting more attention to be paid to distinguishing the best from the good. And it would reduce the subjective element in EERs, which are inevitably vulnerable to personal chemistry between evaluator and evaluee and to divining the extent of vocabulary inflation in a specific EER, which all panel members find difficult to deal with. Inclusion of an annual confidential peer-evaluation might also be a useful addition to keep panels up-to-date with respect to one's qualifications for promotion. This would somewhat reduce panel reliance on the more subjective evaluation report written by a single superior officer. As former Secretary of Defense Robert McNamara is quoted in a *Newsweek* article commenting on his new book about Vietnam, "Something which can be counted and a number attached is always more reliable than a purely subjective impression." Regrettably, there is all too much subjectivity in the current evaluation of officer performance.

Peer evaluation, which is becoming increasingly important in considering academics for tenure and advancement, might also be used to parallel supervisors' EERs. Points covered could include short paragraphs on principal achievements during the rating period, contributions to others' work in the section, performance as a team member, and performance in any "acting" capacity in the absence of a supervisor. Such peer ratings might reduce the vocabulary inflation of some supervisor ratings; might downgrade the effects of high-profile assignments; and would limit the luck of the draw, if evaluated by a supervisor of towering reputation.

The Foreign Service might also take a page from the military and require advanced training at periodic stages to qualify for advancement. The State Department offers a A-100 course for junior officers and a senior seminar for the Senior Foreign Service. For years it had a mid-career course, which has now been discontinued. Such courses can be particularly relevant and valuable as FSOs serve on interagency task forces. It is sad to think that mid-career FSOs are deprived of this exposure to Civil Service colleagues from other departments, and — after several years abroad — to an advanced refresher course in contemporary American history and thinking.

With the new National Foreign Affairs Training Center (NAFTC), the U.S. government is finally equipped to provide the in-service training for foreign affairs professionals, including adequate language training, political and economic reporting and area and country specialization. This training could become part of the qualifying process for promotion with written tests at the end of each course providing points for promotion qualification.

With space now available, perhaps some offerings could include lectures by university professors on contemporary social, political, economic and cultural thinking, as well as briefings by relevant Senate and House committee staffers and State Department office directors. Possibly a post-tenure course offering specialized professional training in political or economic reporting could also be considered. It is widely, if not universally, acknowledged that management can be learned by training — or else why has there been such outstanding success of business schools at the University of Chicago, Harvard University, Stanford University and University of Pennsylvania or at Dartmouth University's Amos Tuck School of Management.

At mid-career, and certainly in the Senior Seminar, selected instructors from those schools should be invited to teach management as applied to an embassy section or a departmental bureau.

Therefore, a typical Foreign Service employee would go through at least three courses: A-100, post-tenure specialization, mid-career, and, a select few, a fourth — the Senior Seminar or the National War College. NFATC would, of course, continue to present pre-overseas assignment area and language courses as at does now. Performance in each of these courses could, imaginatively employed, provide objective material for personnel folders and promotion panel consideration, further reducing some of the subjectivity of the current promotion process. ■

WHY AREN'T YOU WRITING?

IT WAS A DARK AND STORMY NIGHT: AN FSO'S GUIDE TO PENNING FICTION

BY MARTHA F. BRADY

Maynard Markham, a promising young security officer, looked at the corpse on the embassy floor. Right off he knew there'd been trouble. How will I ever crack this case, he mused. A million thoughts crossed his mind and he glanced about the building, frisking it for clues. Suddenly he heard footsteps. Thud. Thud. Thud. Heavy footsteps. Foreboding footsteps. Unarmed, he had never been in a worse spot. Cree-ee-aa-kk. A door opened down the hall. He could see a large, scarred hand on the knob. Markham's heart was beating lickety-split and a sinking feeling struck him in the pit of his stomach.

You can't wait to read what happens next? Well, gosh, thanks. Pretty nice for a writer to know she's brought enjoyment to her Foreign Service friends. But let's talk about you.

Why aren't you writing? Yes, you. What with all the fascinating experiences you're having, it's a shame not to share them. And when you look at all the stuff that's published, hey, how hard can it be?

Rosemary, the recently arrived assistant personnel officer, was beautiful. With her soft, brown curls her oval face, she looked nice and neat. But that June night at the Marine house in Yemen with the commercial attache named David, who hailed from Houston, which is in Texas, was different. Real different.

Of course, like the great writers say, you should write about your personal experiences. And you've had plenty of those. Look at all the countries you've lived in. Think of all the people you've met. Remember your first visit to the central market? Now there's a topic. How about the time they packed your passport with your household effects? Hilarious. And don't forget those two months when you had dengue fever and you didn't speak Swahili and the doctor didn't speak English, but it didn't matter because there was no doctor. Boy oh boy, those stories would surely be funny in print. I hope you're keeping a journal.

Christmas was only weeks away, and Fielding stood in his office sorting through the holiday invitations. An engraved announcement of the Yuletide Ball requesting the pleasure of his company, a card from the Embassy Wives' Association for a tree-decorating party at the San Sebastian orphanage, and a note from the deputy chief of mission for hot toddies with the minister of transportation. So many invitations, such generosity. Fielding felt his eyes water, his heart squeeze and he was overcome with the spirit of Christmas and the love of his colleagues. He stood transfixed in silence, thinking only: How can I get out of these?

Martha F. Brady is the spouse of Charles Brady, an FSO with U.S. Agency for International Development (USAID) in Haiti; previously, he has been posted to Guatemala, Colombia, Bolivia, Vietnam, Philippines and El Salvador. Martha Brady has previously published fiction in the Foreign Service Journal.

Admittedly, good writing doesn't come easy and sometimes you have to change your words around before you decide the right order, but don't despair. Do you know how long it took leo Tolstoy to write *War and Peace*? Neither do I, but it was probably a long time.

Dependent wife! How she hated the term. She was anything but dependent, what with the thousand and one tasks she performed each day: the children, the marketing, the entertaining. She felt like a piñata *beat this way, that way, this way, that way. Yes, come to think of it, that's how she felt all right.*

Most new writers find the beginning the hardest. So start with a cliffhanger. Put your characters in difficult situations. Tie them to a railroad track, throw them from an airplane, leave them on the fault line. Guaranteed to keep those pages turning. And if you write yourself into a corner, do what others do. Write: "It was all just a dream." Or, "He got run over by a bus."

Political officer Davy Burns would never forget that Fourth of July in Bangkok. The humidity hung in the air like wet towels in a spa and steam rose from the rice fields; it was molten, muggy, steamy. To go outside was to brave an immense oven where temperatures climbed to 100 degrees before noon, and fireworks ignited without the benefit of matches. Large blotches of sweat showed through Davy's shirt, and a punishing sun bore down on humans and animals alike, blistering the earth and burying it under an oppressive, smothering blanket. In other words, it was hot.

Some people say writing is laborious and gut-wrenching, but that's because they keep tinkering with it, trying to improve the words. They have standards. I say write whatever comes into your head, go back through it once or twice, stick in some local color, a few verbs, and you're done. Time spent revising could better be applied to your golf game.

Conrad was always working late. If it wasn't the congressional presentation, it was the action plan. Well, she had her own action plan, one that starred Raul, their strapping 25-year-old gardener who at that moment was pruning the banana tree. He was stripped to his waist, and the Andean sun was bathing his body in golden highlights, sculpting his biceps in bronze, and in general making him mucho macho. Swoosh, swoosh, swoosh went the machete slashing the broad green leaves, and with each swoosh and slash she began to pant and tremble, grow dizzy, and dissolve into weightlessness. She considered asking him into the safe haven room. But how safe was it? She decided instead on the bed of banana leaves. Swiftly she pulled off her tank top, pressed her body against his, swam into those coffee-colored eyes, and begged, "Do you find me attractive?" to which he replied, "Yes, Mrs."

Like the great writers say, you should write about your personal experiences. And you've had plenty of those. Look at all the countries you've lived in. Think of all the people you've met.

Well, there you have it. A few tips to get you started. Understandably, this essay doesn't cover everything about writing, because there's lots to learn about plots and sentences and relative pronouns. But the important thing is source material and with years of serious sightseeing behind you and touching encounters with faithful servants, you've got plenty of that. So break out that legal pad, sharpen those pencils and start writing.

Oh,. you're probably wondering what happened to Markham, the young security officer alone in the embassy without a gun. He got run over by a bus. ■

An Invitation For Fiction Submissions

The *Foreign Service Journal* is seeking works of fiction, from 2,00-4,000 words, for its annual fiction issue. Preference is given for Foreign Service settings, situations and characters. A small honorarium is offered. Submissions, by mail (disk preferred) or fax, may be made by June 1 to Karen Krebsbach, Editor, *Foreign Service Journal,* 2101 E St., NW, Washington, D.C. 20037, or at (202) 338-8244. No exceptions to the deadline. The four or five favorite stories of the Editorial Board will be published in the *Journal's* August issue.

MARK TWAIN, INTERNATIONALIST

TRAVEL WRITER AND DIPLOMAT WANNABE WAXES SATIRICALLY ON ENVOYS, IMPERIALISM

BY RHODA NEWMAN

Mark Twain, that man of many contradictions, that quintessential American, chose to uproot himself for more than one-third of his 74 years to live abroad and lecture around the world. At various times he even claimed, not entirely in jest, to have been offered the posts of U.S. minister to China and U.S. minister to Vienna, and U.S. consul at Johannesburg. Instead, his diplomatic career was limited, as he wrote in 1898, to "self-appointed ambassador at large of the U.S. of America — without salary."

Twain's first experience outside his native shores came in March 1866 when, at age 30, the sometime riverboat pilot, prospector and newspaperman persuaded the editors of the Sacramento Union to send him to the Sandwich Islands (now Hawaii). The four months he spent there were to change his life.

More than 20 years later, he still remembered Hawaii's beauty, "its garlanded crags, its leaping cascades, its plumy palms drowsing, its remote summits floating like islands above the cloud rack."

The dispatches to the *Sacramento Union* demonstrated not only his gift for vivid description, but also his satirist's eye. The islands' exotic mix came alive to readers from portraits of missionaries, whaling captains and jaded expatriates. To these, he added irreverent comments on the local legislature and the pragmatist's view of investment possibilities. The descriptive talents he developed laid the groundwork for a lifetime of travel writing. Twain subsequently extolled the value of travel for his countrymen as "fatal to prejudice, bigotry and narrow-mindedness, and many of our people need it sorely on these accounts." Again and again, the old prospector tapped into his mother lode of reminiscences. The Sandwich Islands dispatches, for example, were later recycled into chapters of Twain's *Roughing It* and *Following the Equator.*

On returning to San Francisco, Twain found his dispatches had made him an instant celebrity, serving as a springboard for yet another successful career: sure-fire draw on the lecture circuit. For the rest of his life, lecturing was the lucrative bailout he turned to whenever he faced financial problems.

While in the Sandwich Islands, the provincial Western newspaperman further broadened his horizons by a chance meeting with Anson Burlingame, U.S. minister to China. Burlingame admired Twain's writing, and the two men immediately struck up a warm friendship, even though Burlingame was 15 years Twain's senior. During Burlingame's tenure as minister to China, 1861-68, he developed great respect for the Chinese, and had, in turn, won their confidence, so much so that when, in 1867, he announced his intention to resign his diplomatic position, he accepted an appointment as a member of a three-man Chinese delegation to the Western pow-

Rhoda Newman, a freelance writer in Chevy Chase, Md., is a former librarian for the Congressional Research Service at the Library of Congress.

ers. He was probably the only envoy to serve as both his country's representative to a foreign nation and as the foreign nation's representative to his own country. With the backing of Secretary of State William H. Seward, Burlingame had enlisted the cooperation of the diplomatic community in Peking in promoting noninterference with the Chinese government and in redefining trade concessions to foreign powers. On July 28, 1868, Burlingame and Seward signed the treaty between the United States and China, which later became known as the Burlingame Treaty.

A curious aspect of Twain's friendship with Burlingame was the author's repeated boast that he had been urged by Sen. John Conness (R-Calif.) to take the post of United States minister to China upon Burlingame's announcement of his resignation. He wrote to his mother and sister in February 1868: "They want to send me abroad, as a consul or a minister. I said I didn't want any of the pie. God knows I am mean enough [and] lazy enough now, without being a foreign consul."

Although he publicly railed against political patronage throughout his life, Twain was not above pulling strings for his own advantage. He wrote to Burlingame in 1868: "Don't neglect or refuse to keep a gorgeous secretaryship or a high interpretership for me in your great embassy. ... I would like to go with your embassy as a dignitary of some kind or other. ... I want to be a mild sort of dignitary. ... Pray save me a place."

Twain was not named minister to Peking. Instead the appointment went to John Ross Browne, a writer Twain had known in his San Francisco days. But he did not abandon his dream of a cushy China posting. He wrote in a column in the *Alta California* that Browne "has kindly invited me to take a lucrative position on his staff in case he goes to China, and I have accepted, with the promptnes[s] which so distinguishes me when I see a chance to serve my country without damaging my health by working too hard."

In the end, Twain never did visit China, but he always remembered his friendship with Burlingam. and recalled the advice he had given him: "Avoid inferiors. Seek your comradeships among your superiors in intellect and character; always climb."

Twain's first extensive journey overseas came between June and November 1867, when he accompanied what was to become a classic American tour group on a trip to Europe and the Holy Land via the steamer *Quaker City*. The trip was originally planned by the Rev. Henry Ward Beecher to afford newly financially independent citizens a broadening cultural and pietistic experience. Twain, covering the trip as a correspondent for the *Alta California*, and later for the *New York Herald* and the *New York Tribune*, at once identified with the unsophisticated travelers and, at the same time, spoofed their awe-struck willingness to depend on guides rather than on their own commonsense observations. His perceptive characterizations of American tour groups still ring true today. Once again, Twain's travel dispatches proved a huge popular success. After returning home, he expanded the articles into what was to become his first published book, *The Innocents Abroad*, an immediate best seller, both here and abroad.

Bragged Twain to his mother and sister in a letter of 1868: "They want to send me abroad, as a consul or a minister. I said I didn't want any of the pie. God knows I am mean enough [and] lazy enough, now, without being a foreign consul."

By the 1870s, Twain's brand of brash Western humor enjoyed an enormous vogue at all levels of European society. He first visited England in 1872. So taken was he with the English way of life, that he wrote, "I would rather live in England than America — which is treason." He had concluded that a civilized government run by a gentlemanly elite was preferable to a crude democracy. He returned home to write a bitter condemnation of the corruption he felt had overtaken America in his first novel, *The Gilded Age* (coauthored with his friend, Charles Dudley Warner).

Meanwhile, he fled to England and the Continent whenever he could. Wherever he went, he was celebrated as a brilliant lecturer, feted by the literary Pantheon (among others, Browning, Turgenev, Trollope, Hardy and Kipling), and sought after by the crowned heads of Europe. When his Anglomania abated, he became enamored of the Germans. "What paradise this land is," he wrote. "What clean clothes, what good faces, what tranquil contentment, what prosperity, what genuine freedom, what superb government!" With only occasional bouts of homesickness, he and his family lived in Europe from 1878-79, travelling extensively throughout Germany, Switzerland, Italy and the Low Countries, being entertained along the way by the American diplomatic community. His social triumphs left little time for writing. His major work during this period was *A Tramp Abroad*, a digressionary account of an idyllic ramble with an old friend through the Black Forest, down the Neckar River, and into the Swiss Alps.

Despite being, for the most part, enamored of the Europeans, Twain showed his vindictive side in his vicious antipathy toward the French, whom he characterized as "the connecting link between monkey & human being." He noted: "Scratch a F[renchman and] you find a savage ... a F[renchwoman and] you find a harlot." Even the French language did not escape his scorn, which he called "the language for lying compliment, for illicit love [and] for the conveying of exquisitely nice shades of meaning in bright graceful [and] trivial conversations ... especially of double-meanings."

After returning to the States in 1879, Twain became increasingly preoccupied with a variety of business ventures, including the establishment of a publishing house. The initial publishing success with the bestselling *Personal Memoirs of General Grant*, led to a series of ever more risky speculative ventures during a time when the country was in a period of boom and bust. In June 1891, Twain again went abroad, hoping to recoup his financial losses with another travel book and more lecture tours. He was to be gone for more than eight of the next nine years, crisscrossing the Atlantic repeatedly in a futile effort to somehow redeem the money he had gambled on a variety of unsuccessful projects.

Twain himself went bankrupt in 1894. Determined to pay off his creditors and clear his good name, he embarked the following year on a round-the-world lecture tour that was to take him to Australia, New Zealand, Ceylon, India and South Africa. *Following the Equator*, his account of the tour, was published in 1897. A diplomatic footnote to this journey: While in South Africa, Twain learned that the post of American consul in Johannesburg was vacant. Excited by the opportunities he saw in the diamond fields, the old prospector considered applying for the post, but the idea was vetoed by his devoted wife, Livy.

At the end of his triumphant tour, he was indeed able to pay off his debts. With this burden lifted, some of his old lightheartedness returned. While living in Vienna in 1898-99, he "took up statesmanship as a pastime," after having "stopped trying to understand baseball." He first turned his attention to the plight of the underpaid U.S. diplomat: "A foreign representative, to be valuable to his country, must be on good terms with the officials of the capital and with the rest of the influential folk. ... He must attend the dinners, banquets, suppers, balls, receptions and must *return* those hospitalities. ... Have we ever had a minister or an ambassador who could do this on his salary? No not once, from [Benjamin] Franklin's time to ours."

In 1899, U.S. ambassadors to the major European capitals were paid $17,500 a year, less than half what their European counterparts were paid, while, in the States, insurance company presidents and railway company lawyers were earning $50,000 a year. Twain described the ambassadors as doing "the best they could with their limited purse. In return for champagne they furnished lemonade; in return for game they furnished ham; in return for whale they furnished sardines; in return for liquors they furnished condensed milk." He likened the United States and its foreign representatives to "a billionaire in a paper collar, a king in a breechclout, an archangel in a tin halo."

At the time of the 1899 appointment of Addison Harris as the new minister to Vienna, an appointment Twain claimed half-jokinglyy to have coveted, he described the nine requirements of the job as: "a private income of $40,000; experience of swell society life in the European capitals; easy adaptability to unfamiliar customs, [and] common sense enough to respect them; the gift of reserve — upon occasion; the gift of talk [and] the tact to know when to exercise it; personal dignity, native courtesy [and] trained good manners; the hospitable instinct [and] the disposition to give it liberal scope; familiarity with the French [and] German languages; the genius to know [and] keep in mind that the minister is the United States of America on exhibition [and] under criticism — not his private self." Harris, he added, did not fulfill a single one of the requirements.

As much as Twain enjoyed hobnobbing with the rich and the famous, there was always a side of him tuned to the sufferings of the oppressed. While still a young reporter in Nevada and San Francisco, he was outraged to see Chinese immigrants subjected to so much brutality and to find newspapers unwilling to print that story.

He hoped a provision in the Burlingame Treaty allowing appointment of consuls representing the Chinese in the United States would redress these wrongs. Years later, as a privileged cosmopolitan circling the globe in 1895-96, he expressed the same kind of compassion for the downtrodden native peoples of Australia, New Guinea, New Zealand and South Africa. In *Following the Equator*, he described eolonialism sardonically as a eombination of "robbery, humiliation and slow, slow murder, through poverty and the white man's whisky. ... There are many humorous things in the world; among them the white man's notion that he is less savage than the other savages."

The injustiees he saw in the British Empire awakened him to what he eonsidered the exploitation of helpless natives in the colonies of Germany, Russia and Belgium. "This lust has rotted these nations," he later wrote. "It has made them hard, sordid, ungentle, dishonest, oppressive." He began to fear his own country might get eaught up in the eolonial frenzy.

Twain returned to the United States from his "everlasting exile" in Oetober 1900, to a hero's weleome. So strongly had his politieal opinions developed by then that he told a reporter on the day of his arrival, "I am an anti-imperialist. I am opposed to having the eagle put its talons on any other land."

At first, Twain supported the United States in the Spanish-American War, feeling the fight for Cuban freedom a noble one. However, as he beeame more aware of the United States' role as occupier in the Philippines in 1901, he reconsidered this support: "When the United States sent word that the Cuban atrocities must end, she occupied the highest moral position ever taken by a nation since the Almighty made the Earth. But when she snatched the Philippines and butchered a poverty-strieken, priest-ridden nation of ehildren, she stained the flag."

While Twain was continually distressed by his government's poliey in the Philippines, he did not publish all of his attaeks during his lifetime. One exeeption was the ease of the eapture of the Philippine leader, Emilio Aguinaldo, whom Twain considered a hero. When Gen. Frederiek Funston, who had captured Aguinaldo by a ruse, returned home to be proclaimed a popular hero, Twain was so outraged that he published a violent attack in the *North American Review* of May 1902, sareastieally entitled, "Defense of General Funston," in whieh he not only condemned the duplieity involved in Aguinaldo's eapture, but also graphieally deseribed the torture of eaptured prisoners by Ameriean troops.

The American Anti-Imperialist League had been founded in 1898 to protest the Spanish-Ameriean War. Twain joined the League after returning to the States, and even permitted his name to be used as one of its vice presidents. In the ensuing years, he was to employ all of the satirical weapons at his command — sareasm, irony and mordant humor — in the cause of anti-imperialism. The tone was set in a salutation speech from the 19th century to the 20th century, published in the *New York Herald* of Dec. 30, 1900. He wrote, "I bring you the stately matron named Christendom, returning bedraggled, besmirched, and dishonored from pirate raids in Kiao-Chou, Manchuria, South Africa [and] the Philippines, with her soul full of meanness, her pocket full of boodle and her mouth full of pious hypocrisies. Give her soap and a towel, but hide the looking-glass."

In a bitter article in the *North American Review* in early 1901, Twain assailed the role played by missionaries, whom he referred to as "the Blessings-of-Civilization Trust" in furthering international imperialism.

While the article was hailed by champions of anti-imperialism, it infuriated the opposition. They questioned the qualifications of "a professional funny man" to discuss serious matters, and accused him of having lived so long abroad that he had lost touch "with things American."

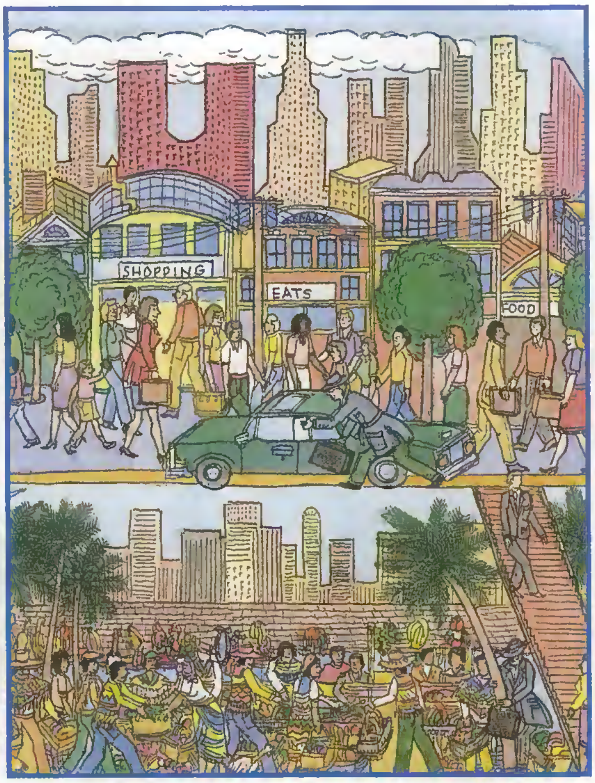
Twain's most widely circulated anti-imperialist writings were "The Czar's Soliloquy," published in the *North American Review* in 1905, condemning Czar Nicholas II for the slaughter of 1,500 hundred subjects in Moscow on "Bloody Sunday" — Jan. 22, 1905, and his pamphlet, "King Leopold's Soliloquy," attacking King Leopold for atrocities in the Belgian Congo.

Although by 1906, Twain defined himself by telling a reporter, "I am a revolutionist — by birth, breeding, principle, and everything else," this was only one side of his paradoxical character. At times he was an idealist, at others a cynical pessimist, most often a pragmatist. His passions, often superficial and erratic, were never long sustained for any single cause. While capable of heartfelt compassion, there was also a side of him given to virulent diatribe. And though repeatedly attacking the corrupting influence of "money lust," he always lived extravagantly and gloried in close personal friendships with the robber barons of his day. Twain was to shed the moralist's mantle when he chose to ignore that these friends profited handsomely from the exploitation of the Congo. His explanation for being reluctant to become more involved with the Congo Reform Association was: "My instincts and interests are merely literary, they rise no higher; and I scatter from one interest to another, lingering nowhere. I am not a bee, I am a lightning bug."

George Bernard Shaw wrote Twain after they met: "I am persuaded that the future historian of America will find your works as indispensable to him as a French historian finds the political tracts of Voltaire."

Yet, in the end, the lightning bug was much more revered than the bee. Twain's international legacy was best summed up by the *London Times* in 1907, when he left England for the last time, after triumphantly accepting the honorary degree of Doctor of Letters from Oxford University: "Mark Twain has ... done more for the cause of the world's peace than will be accomplished by the Hague Conference. He has made the world laugh again." ■

Redirecting the CIA



LEW AZZINARO

Keep Agency Out of Policymaking, Make Ambassador Boss Overseas

By David Swartz

The State Department and the CIA are the key civilian agencies of the U.S. government charged with promoting and protecting American interests internationally. Their respective functions are, for State, formulating and executing foreign policy while protecting American lives and property abroad and, for the CIA, collecting intelligence and preparing estimates on national security matters. With supposedly clear, separate mandates, the degree to which the two organizations clash in conducting their activities is astonishing. There is redundancy, deliberate misleading, compartmentalization and wasted resources. Two fundamental problems, in this regard, are the CIA's attempts to be involved in policy formulation and its effort to broaden CIA analytical capabilities abroad, both, of

Focus

What better time than now to peel away areas of duplication, to downscale, to establish sound accountability practices, and to respect each agency's different missions?

course, at the expense of State. Since the CIA's "expansionism" is not matched substantively by that agency's performance, the net result is harmful to overall U.S. national security interests.

CIA performance on both the analytical and policy sides has been the subject of considerable press attention. For example, in the context of the continuing Aldrich Ames spy revelations, the media has reported that the CIA provided highest-level U.S. government officials with inflated estimates of Soviet military capabilities during the 1980s. Apparently the CIA knew that much of the intelligence on which the estimates were based was suspect, yet forwarded them anyway. A Nov. 2 *New York Times* editorial noted pointedly. "An intelligence agency that knowingly misleads its own government with tainted information from the other side is about as out of control as it gets."

The agency's amateurish yet dangerous dabbling in foreign policy, to cite one example, was the subject of a recent CBS "60 Minutes" segment. The setting was Haiti, where the CIA's payroll included the leader of a paramilitary organization who, while receiving agency funding, was trying to prevent the return of President Jean-Bertrand Aristide — the opposite of a key U.S. policy goal. Using this individual's "intelligence," the CIA, CBS reported, sought to smear Aristide sufficiently to change U.S. policy of returning to office Haiti's first democratically elected president. Commenting on this insertion by the CIA of itself into the policy arena, *The New York Times* editorialized on Dec. 8: "The performance of the Central Intelligence Agency in Haiti is a cautionary tale about what can happen when a spy organization loses sight of the clear line between providing neutral intelligence estimates and interfering with the execution of American foreign policy."

There are several major pressure points in the CIA-State Department relationship that adversely affect the president's conduct of foreign affairs. Necessary corrective measures include imposing much greater accountability in the intelligence field; reducing duplication of analytical effort and improving U.S. policy focus. Implementing these would help effect taxpayer savings.

A key problem area with the CIA, as the nation discovered when William Casey was in charge of that agency during the Reagan administration, is that intelligence gathering and policy formulation do not mix. When the agency generating intelligence estimates also has a bureaucratic stake in the ensuing policy decisions, the temptation is all too strong to skew data and/or analysis to affect policy decisions.

The Clinton administration faced an embarrassing dilemma in recruiting a new CIA director to replace James Woolsey in the aftermath of the Ames fiasco. It seemed no one wanted the job. Deputy Defense Secretary John Deutch was prodded twice by President Clinton to take the position. According to press reports at the time, Deutch finally accepted only after the president agreed to allow him and the CIA a seat at foreign policymaking councils. This was a mistake. Deutch, surely, will prove to be no Casey; nonetheless, the concept of linking policy input to intelligence gathering and analysis can be harmful, even dangerous.

A serious problem in the CIA-State dynamic, in the overseas context, is the inability of the U.S. ambassador to exercise full oversight over agency activities at his foreign post. The ambassador is a State Department employee, but, more importantly, the president's personal representative, directed to exercise control over all executive branch personnel and activities in the embassy with the exception of uniformed service personnel under a U.S. military area commander. Activities are to be legal and consistent with U.S. policy toward that country. However, successive presidents, including Clinton, have succumbed to the intelligence community's pressure to exempt much of its communications, including all oper-

David Swartz, a retired FSO, was the first U.S. ambassador to the Republic of Belarus. His other posts have included Rotterdam, London, Moscow, Kiev, Zurich, Calgary and Warsaw.

ational ones, from ambassadorial review. Agency sources and methods in a given country are likewise outside the ambassador's control. This can lead, and has led, to embarrassing, damaging and/or illegal situations abroad.

Assuming press reports are correct, recent CIA activities in Guatemala are a case in point. There a former CIA informant, Army Col. Robert Alpirez, was reportedly involved in covering up the 1990 murder of an American citizen and, in early 1992, in the disappearance of a Guatemalan guerrilla following capture by the army. The latter was the husband of an American citizen, whose repeated efforts to learn of his fate were rebuffed by those in the U.S. government who may have known what happened. Even now the full extent of CIA's knowledge of the affair is not entirely clear. After Alpirez's involvement was discovered, the CIA nonetheless kept him on the payroll, according to media reports. The agency eventually paid him a lump sum of more than $40,000 when the relationship ended in July 1992. Then-U.S. Ambassador to Guatemala Thomas Strook has noted in press interviews that the CIA station chief in his embassy had not apprised him of any of these developments.

When this matter was publicly exposed last spring, the CIA Inspector General's office reviewed the matter and reported to Congress. What was made public from the inquiry inspires little confidence that disclosure was complete or that American interests did not suffer significantly. What is clear is that senior levels of the executive branch, not to mention congressional oversight personnel, were unaware of key elements of agency activities in Guatemala until after the fact. That is why existing CIA accountability procedures, particularly putative congressional oversight, are insufficient guarantees against agency activities of either questionable legality or of harm to U.S. foreign policy interests, or both.

A key area of CIA/State overlap and contention that has received little attention but deserves more is that of reporting and analysis. This issue goes to the core of the Foreign Service and its acknowledged area of comparative advantage over the other foreign affairs agen-

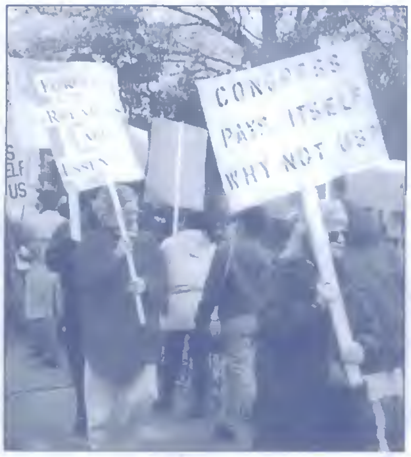
AFSA NEWS

American Foreign Service Association

Shutdown Can't Keep AFSA Down

By Angela Dickey
AFSA Governing Board

The budget dispute between the executive and legislative branches wreaked havoc on hundreds of thousands of federal workers – including those employed in the foreign affairs agencies – during the December holiday period. The record-setting shutdown not only disrupted or delayed hundreds of important foreign affairs initiatives and programs, but also led to partial paychecks and financial hardship for a large number of AFSA members. The Jan. 5 *Congressional Monitor* listed numbers of employees affected by the shutdown – State: 8,086 employees furloughed and 18,540 (FS, CS and FSN) excepted (working without pay); USIA: 2,274 furloughed, 5,261 excepted; USAID: 1,985, furloughed, 1,552 excepted.



Foreign affairs agencies' employees protest the government budget crisis at an AFSA- and AFGE-sponsored rally at the State Department on Jan. 3.

In keeping with the grave implications of the shutdown, AFSA implemented a high-profile strategy to represent member interests with the media, the White House, lawmakers and agency management.

The Dec. 29 *Washington Post* carried a story exposing congressional plans to make more than 25 overseas trips – plans that would have placed unreasonable burdens on furloughed and excepted

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• AFSA Profiles •

AFSA Legal Team Confronts Issues

Twenty-seven full-time and part-time staff work at AFSA Headquarters on E St., in the AFSA State office and in the USIA office. The work of these employees is the cornerstone of the services and programs AFSA provides its members.

In this first in a series of articles designed to introduce members to the AFSA staff and to highlight the services they provide, the AFSA legal team is profiled. The legal team is part of the AFSA Labor Management Office at Main State. The Legal staff is headed by General Counsel Sharon Papp. Sharon joined the AFSA staff in 1992 and is responsible for providing guidance and legal counsel for collective bargaining, legislative initiatives, Equal Employment Opportunity (EEO) and diversity issues and for general AFSA legal issues. She also assists members with EEO, inspector general (IG), discipline and security matters. Sharon supervises the legal and grievance staff.

Sharon played a pivotal role in the recent grievance action by Diplomatic Security agents regarding the payment of overtime under the Fair Labor Standards Act. This case resulted in significant back pay for many DS agents. Sharon is a graduate of Vanderbilt University and George Washington Law School. Prior to joining the AFSA staff, Sharon worked in

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State Department

V.P. VOICE

By Alphonse F. La Porta

Is Public Service Dead?

Shutdowns I and II have brought home the unpleasant realities of our time:

- Congressional and popular support for government probably is at the lowest ebb since the scandal-ridden 1880's prompted civil service and social reforms at the turn of this century;
- there is no contract between the government and its employees; and
- the notion of public service, driven by altruism and high ideals, is fast dying, if not dead.

The gloomiest perspective was given by a senior career Department of Education official, Clifford Adelman, who wrote in *The Washington Post* at the end of Shutdown I: Public service in America died last week. The folks who have tried to kill it for years have won. Only a fool – or an incompetent – would enter public service now at the federal or state levels."

For those in State, the collective psyche has been dealt a severe blow as employees have been told that the conduct of foreign affairs and pressing national security interests, together with its practitioners, are "non-essential." American and local national employees have gone unpaid, many (FSN's in particular) suffering real hardship. Far-reaching consequences have included the non-issuance of visas and the loss of millions of dollars in fees; foregone business opportunities, contracts and export licenses; information unreported or unacted upon; important visitors unmet and meetings not held; and stunned disbelief on the part of allies, friends and foes that the mighty U.S. government could not pay its employees or manage to conduct daily business.

Welshing on obligations, heedless disregard of its public servants, and willful neglect of its overseas interests are to be long-remembered images of American government in the fall and winter of 1995-96. The consequences exceed the cost of $800 million to the taxpayers of Shutdown I and approximately $45 million per day in lost productivity in Shutdown II.

Now for the really bad news: by even generous assessments, public service in the United States has been damaged – perhaps beyond repair. Snippets of opinion reinforce this impression:

"Federal employees have every right to feel as if they are the real pawns in this sorry mess." (*Washington Post* editorial)

"When you violate the psychological contract,. . . you then invite a lot of anger, rage and some apathy." (Dr. Elmore Rigamer, director of M/MED)

"My department is always in jeopardy. And when the politicians play shutdown games, the whole country laughs about my job ... and maybe they're right." (Cartoon by Jim Borgman)

"I would hate to be a junior or mid-level officer having to wait for the system to shake itself out of this state we're in. With promotions looking bleaker and the budget even worse, I suspect many of our younger people will head for the private sector – and who can blame them?" (An AFSA member)

The ideals and altruism that propel the Foreign Service have faltered but must not be allowed to atrophy. What will save the public service and the Foreign Service is public leadership. It may not come in this session of Congress or in this administration, but new bearings for leadership in foreign affairs and for governance in America can only be set by collective will and leaders who care about the greater public good. Visionary leadership must be restored: of State, of the national executive, and of the Congress.

Shutdown

Continued from page 1

(those working without pay) overseas employees. The story was picked up by the Associated Press and other news outlets. Subsequently, both NBC and NPR (National Public Radio) interviewed AFSA President F.A. "Tex" Harris and others on communications received from overseas posts. He quoted cables that had been received from various AFSA members and chapters explaining the difficulties that congressional delegations (CODELS) would create for our workers. As news of the congressional trips spread, the Department of State retreated from directing Foreign Service employees abroad to unequivocally support congressional delegations during the shutdown period.

On Wednesday, Jan. 3, AFSA and AFGE (American Federation of Government Employees) sponsored a demonstration at the 21st Street entrance to the State Department to protest the ongoing budget crisis. More than 200 furloughed and excepted employees from the foreign affairs agencies attended. Speakers included AFSA President Harris, AFGE Local 1534 President Fern Finley, and other officials; Deputy Secretary of State Strobe Talbott; AID Administrator J. Brian Atwood; Deputy Director of USIA Penn Kemble; Under Secretary of State for Management Richard Moose; and the Director General of the Foreign Service, Tony Quainton.

This open-air meeting, the first such public expression in Washington during Shutdown II, attracted an unprecedented amount of publicity for AFSA and the other federal unions, including a 2-page photo in the Jan. 15 *U.S. News & World Report*, and increased public pressure on Congress to vote the weekend of Jan. 6 to send federal employees back to work with retroactive pay. The rally was covered by the national networks, wire services, and NPR in addition to the Washington area press corps.

Throughout the shutdown, AFSA sent several forceful letters to the Hill and White House; communicated daily with Hill staffers and wtih agency management; churned out an unprecedented number of press releases; and continued

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AFSA Profiles

Continued from page 1

Left to right: General Counsel Sharon Popp, Law Clerk Monica Riva and Staff Attorney Colleen Fallon discuss legal problems.

private practice representing employees in EEO cases.

Colleen Fallon joined the AFSA staff in 1992 as our staff attorney. Colleen also assists with collective bargaining and assists members with IG and security investigations. Colleen served as the key staff member in the negotiation of the USAID and FAS framework agreements and is currently negotiating the FCS agreement. Colleen was the lead staff member in negotiations on RIF regulation for the State Department, USAID and FCS, coordinated the USAID LCE group grievance and assisted with negotiations on the USAID Promotion Precepts. Colleen is a graduate of the Pennsylvania State University and Duquesne University School of Law.

Sharon, Colleen and many other members of the AFSA team receive legal support from AFSA's law clerk, Monica Riva. In addition to legal research, she responds to member inquiries and helps keep the Labor Management Office computers running smoothly. Monica joined the AFSA staff in 1994. She is a graduate of the University of Richmond and will graduate from George Mason University School of Law in May 1996. Sharon and Monica are located in Room 3644 Department of State, 202-647-8160, DOSNET (Management/AFSA-Labor Management). Colleen is temporarily housed, due to a shortage of space in Main State, at AFSA Headquarters, 2101 E St., 202-338-4045.

USAID V.P. VOICE

• By Garber Davidson Jr. •

National Interests Damaged

Recently there was a large demonstration of federal employees in front of the State Department to protest the prolonged and painful shutdown of the government. AFSA and AFGE cosponsored the demonstration, and speakers included union representatives and representatives from USAID and State management. The crowd was fired up and received intensive media coverage. All agreed that the continued shutdown was grossly unfair to federal employees who were being held as pawns in the budget battle. In addition to the pain caused to federal employees, government contractors and private business dependent upon the U.S. government, several speakers pointed to the damage caused to foreign relations and U.S. national interests in general.

Our interests abroad, as we all know, are complex. The myriad of political, economic, military and cultural relations, sometimes subsumed under the general heading of "diplomatic" relations, are dynamic, changing and require constant attention. They do not ebb and flow with the resources available for conducting foreign affairs. As those of us who have worked with USAID resources know so well, development is a long-term enterprise and one which demands continuity and consistency. Gaps in project implementation or the execution of any kind of assistance to a country can slow momentum for change, and in the worst case, can jettison the overall effort. Until recently, the United States has been a symbol of reliability and functioning systems. In fact, many of the policy changes which USAID has helped achieve in recipient countries are based upon U.S. models and experience. Now, however, those models and the ability of the United States to provide foreign assistance and to carry out foreign relations generally is threatened.

U.S. national interests abroad can be viewed as a large "trust" with the American people, acting through their elected representatives as "trustees" to preserve and advance those interests. This demands care and informed judgments on the part of Congress. Nearly everyone recognizes and endorses the move to balance the federal budget. Many would even be willing to pay higher taxes if they could be assured that the funds would actually be used to balance the budget and ensure the protection of essential programs and safety nets. However, the cutting off of resources can only damage the on-going relations we have with foreign peoples and governments and can only result in intense questioning of the United States as a model of efficiency, reliability and consistency. Unfortunately, once the investment is compromised, it is exceedingly difficult to restore.

Sadly, the budget debate also evidences a failure in one of the primary underpinnings of North American democracy: the art of compromise. Throughout our history, political factions have sparred back and forth in an effort to advance an agenda of one kind or another. The beauty of our system has been the capacity of political parties and factions to reach resolution through debate and finally compromise. That "art form," the valuable glue which in many instances has held an otherwise fractious and conflictive society together in the darkest periods of our history, now seems endangered. We can only hope that our representatives will soon see the damage they are inflicting on the body politic at home and our national interests abroad, and rapidly change their ways.

RETIREE

V.P. VOICE

• BY ED ROWELL •

A Call for Foreign Affairs Boosters

The Department of State will take the foreign policy debate on the road in February and March. "Town Meetings", patterned on one AFSA pioneered in Washington in November, will be held in Lexington, Ky.; Jacksonville, Fla.; Houston and El Paso, Texas; Nashville, Tenn.; Birmingham, Ala.; Columbus, Ohio; Phoenix, Ariz.; and Albuquerque, N.M. Everyone who can get to one of these meetings should attend. You will have a chance to ask questions on key issues such as Bosnia, Russia, China and the vital question of funding for foreign affairs agencies. Your presence will confirm that concerned citizens care about foreign relations and our nation's welfare. With AFSA's cooperation, the Department of State is calling on Foreign Service retiree groups and individuals in those areas for assistance. Fortunately, there are strong retiree associations in Florida, Houston, Phoenix and Albuquerque, and individual retirees live near the other town meeting sites as well.

Lest anyone wonder why I urge your support, keep this in mind: The administration and Congress have refused to keep foreign affairs agencies in the national security category where they were in the 1980s, and instead have lumped them with domestic discretionary spending. Only intelligence and defense agencies have "national security" protection from budget cuts. The Senate authorization bill for the foreign affairs agencies, accepted by the administration, directs State, USAID and USIA to cut Foreign Service personnel. The bill gives agency managers no discretion to allocate the cuts among employees in different personnel systems. This after four years of Foreign Service cuts via the time-in-class mechanism. Freshman congressmen failed to attend foreign affairs briefings put on for them by the American Enterprise Institute and the Heritage Foundation. And experienced foreign affairs leaders from both Houses of Congress, both sides of the aisle, complain that they receive no constituent mail on foreign affairs issues.

Foreign Service retirees can make the difference. We have colleagues in every state, in an overwhelming number of congressional districts, in virtually all major population and cultural centers of the United States. This presence can and should translate into a voice, reminding communities and the Congress of the importance to America of maintaining adequate diplomatic resources.

AFSA represents the Foreign Service personnel of all foreign affairs agencies and is fighting to protect them all from outrageous cutbacks. AFSA is fighting equally to protect the retirement years of all Foreign Service people and their families There are 10,900 Foreign Service retirees; 4,053 of them belong to AFSA. The others should join, including the USIA and USAID alumni. More members mean more resources to carry on this struggle, which has become acute.

Joined together we are a national foreign policy constituency. This fact has made AFSA a moving force in COLEAD, the Coalition for American Leadership Abroad, which cosponsored the spectacularly successful November town meeting at the State Department. With the help of our colleagues on site, the coming town meetings will do even better.

SHUTDOWN

Continued from page 1

to answer the voluminous letters, telephone calls, faxes, and e-mails from AFSA members.

After a several-day shutdown due to blizzard conditions along the East Coast, the State Department finally re-opened on Thursday, Jan. 11. Employees faced mountains of unopened mail and unanswered e-mail messages. Frank S. Jannuzi, who follows events for State in East Asia, told *The Washington Post*, "It's impossible for me to ever go back and pick up what's been lost in terms of information that's been coming over the last couple of weeks. Momentum has been lost. ... Advancing our foreign policy interests is not something you can just catch up with on Monday."

Though the shutdown is now over, neither AFSA nor its members can breathe easily. The associated long-term budget and staffing implications represent the most serious challenges ever confronted by our membership. It is quite possible that the seven-year-budget negotiations could decimate the budgets of the foreign affairs agencies and put at long-term risk the important work we do for the American people and for the nation's security.

We will continue to make every effort to educate the administration and the Congress about the consequences of the budget negotiations to our national interests. Please bear in mind, however, that AFSA's resources are limited. We cannot do the job alone. We are therefore calling on all AFSA chapters and individual members to take responsibility for making their views known to the president, key lawmakers and agency heads.

When contacting the Hill, it is important that you communicate with both the Senate and House leadership as well as your individual members. Other key contacts are Sen. Pete Domenici and Rep. John Kasich, the heads of the budget committees in the Senate and House, respectively. Also, contact your local congresspersons, especially those beyond the Beltway. AFSA has a comprehensive list of congressional members that is available on request. When you are back in Washington, please visit your congressional representatives' offices. Everyone in the foreign affairs community is depending on you.

USIA
V.P. VOICE
• By Bruce K. Byers •

AFSA is the Foreign Service Voice

On Jan. 3, AFSA President Tex Harris and the AFSA vice presidents from USIA, State and USAID gathered with AFGE officials and several hundred Foreign Service and Civil Service employees opposite the 21st street entrance of the State Department to protest the continued shutdown of the government and the work-without-pay status of "excepted" employees in Washington and at diplomatic posts overseas. The unprecedented second shutdown in two months did serious harm to all affected federal workers.

Despite a congressional promise of retroactive pay for the furlough days, employees and fellow taxpayers alike are being cheated and victimized. Instead of bipartisan cooperation for the good of the American people, we see super gridlack casting millions of dollars daily. It is demonstrably evident that not only the Foreign Service but all federal government employees, as well as the American people have entered a period of grave uncertainty about the future goals of our government. There is a fight over the compass while the sails of the ship of state have gone limp.

During a conversation I had with Tom Davis' (R-Va.) Legislative Counsel Chip Nottingham, urging greater congressional pressure to end the shutdown, Nottingham expressed his admiration for the professionalism and dedication of Foreign Service employees. He had personally experienced this dedication during his recent travel to Bangkok and two other Southeast Asian embassies when he had been taken to a Thai refugee camp on the Cambodian border by Foreign Service officers at the time of the first government shutdown.

During my congressional visit, I pointed out that there is a relatively high number of active-duty and retired Foreign Service members in Northern Virginia, Maryland and Washington, that they pay state and Federal taxes, even when overseas, and that they vote. I argued that the Foreign Service wants to continue to carry out their professional responsibilities to the American people, which they are currently prohibited from doing. Nottingham agreed and pointed to the efforts Davis has made to get federal employees back to work.

This conversation underscored the great value individual contact can have on improving understanding of Foreign Service work among congressional staffers. But for his visit to Southeast Asia, Nottingham and other staffers would have had no real knowledge of what the Foreign Service does overseas. He, and many like him who work on the Hill, need to hear our voices repeatedly.

AFSA is the voice of the Foreign Service but only as far and as loud as individual Foreign Service employees choose to make it heard with their congressional representatives, their hometown news media, and their many family members and friends.

NOTICE TO READERS

You may have noticed AFSA News has changed, as the Journal attempts to cut costs on the increasingly expensive production process. The change of paperstock and ink will save AFSA about $200 a month, or $2,400 a year. And, although last month' s AFSA News was different than this month' s newsletter, we have decided that this look will be the permanent one. We hope you enjoy it as well. We believe the change does not detract from the readability of this very important AFSA section. Thank you for your patience during this experimental phase.

AFSA Plays Key Role in RIF Regulations

By Angela Dickey
AFSA Governing Board

AFSA has been following closely over the last few months the development of draft reduction-in-force (RIF) regulations by the foreign affairs agencies. AFSA standing committees at USAID and USIA, with the assistance of AFSA's professional staff, have successfully persuaded their respective agencies to incorporate several key AFSA positions into the draft regulations. USAID and USIA RIF regulations have already been published. At State, the AFSA Standing Committee has received draft regulations from management, polled the State constituency, and is preparing a response to management. Meanwhile, the Department of Commerce is in the initial stages of preparing Foreign Service RIF rules and the Department of Agriculture has not yet begun drafting RIF rules.

The Foreign Relations Authorization Act for fiscal years 1994-95 (PL 103-236) amended the 1980 Foreign Service Act to give the secretary of State the authority to "prescribe regulations for the separation of members of the [Foreign] Service holding a career or career candidate appointment." By law, AFSA does not have negotiating rights with respect to RIF regulations per se. However, AFSA may negotiate procedures that address the adverse impact suffered by employees as a result of the implementation of RIF rules. For example, AFSA takes the position that all separated employees should be eligible to participate in career transition programs. Moreover, AFSA in October 1995 communicated to each of the foreign affairs agencies key principles and recommendations for the development of RIF regulations.

Although the RIF rules developed by the respective agencies differ in their details, they all utilize a system of points based primarily on employee performance as reflected by selection board actions. The rules also incorporate, to varying degrees, other factors such as veterans preference, government service, time-in-class considerations, language competence, and awards. Finally, the rules also address grievance rights, preference for hiring, and outplacement assistance.

The central element of a RIF process, apart from the method by which points are awarded, is the determination of how many employees might be separated, and in what competition groups. AFSA has stressed to the agencies that these decisions should be based on careful and persuasive workforce analysis, to include how many employees and what skills are needed at each level.

Once final rules have been promulgated, the respective agencies will draw up rank-order RIF registers. AFSA's position is that all Foreign Service employees should then be able to assess their personal standing on the registers. Indeed, AFSA strongly encourages every employee to become familiar with the final rules.

That RIF regulations are being developed does not necessarily mean that a Foreign Service RIF will be conducted. AFSA will continue to insist that RIFs be used only as a last resort, after all other means to implement cost efficiencies have been exhausted. Should there be a RIF, AFSA will do everything possible to ensure a fair and transparent process.

1995 TAX GUIDE

Federal and State Tax Provisions for the Foreign Service

Federal Tax Provisions

Little has changed since last year in federal tax pravisians as they apply ta Foreign Service employees and their families.Fareign Service emplayees mast frequently ask AFSA abaut hame awnership, tax liability upan sale af a residence, and state af damicile, and we have devated special sectians ta these issues.

AFSA's Tax Guide is designed as an infarmatianal and reference taal. It daes nat presume ta be any mare than that. Althaugh we try ta be accurate, many af the new pravisians af the tax cade and implementing IRS regulatians have nat been fully tested. Therefare, use cautian and cansult with a tax adviser as saan as passible if yau have specific questians ar an unusual ar camplex situatian.

Far 1995, the basic tax rates far individuals remain applicable:15, 28, 31 and 36 percent, a tap rate af 39.6 percent. The 15 percent rate is far taxable incame up ta $39,000 far married cauples; $23,350 far singles. The 28 percent is far incame up ta $94,250 far married cauples, $56,550 far singles. The 31 percent rate is far incame up ta $143,600 far married cauples and incame up ta $117,950 far singles. The new tax bracket af 36 percent is far incame up ta $256,500 far married cauples and singles. In additian, there is a new 10 percent surtax far certain high-incame taxpayers. It is camputed by applying the 39.6 percent rate ta taxable incame aver $256,500 far singles and married cauples and far married cauples filing separately whase incame is aver $128,250. Capital gains are taxed at a maximum rate af 28 percent and are repārted an the reverse side af Schedule D.

Personal Exemption

Far each taxpayer, spause, and dependent the persanal exemptian has been increased ta $2,550. There is, hawever, a persanal exemptian phaseaut af 2 percent far each $2,500 af adjusted grass incame (AGI) aver $114,700 (singles), $143,350 (head af hausehald), $172,050 (jaint) and $86,025 (married, filing separately). Far thase taxpayers in the last categary, the 2 percent is taken fram each $1,250 exemptian.

Standard Deduction

The standard deductian is given ta nan-itemizers. It has been steadily increasing since 1987. Far cauples it is $6,550; far singles the deductian is $3,900. Married cauples filing separately get a standard deductian af $3,275 and head-af-hausehald filers receive a $5,750 deductian.

Mast unreimbursed emplayee business expenses must be reparted as miscellaneaus expenses and are subject ta a flaar af 2 percent af adjusted grass incame (AGI). This includes prafessianal dues and publicatians, emplayment and educatianal expenses, hame affice, legal, accaunting, custadial and tax preparatian fees, hame leave, representatianal and ather emplayee business expenses, and cantributians ta AFSA's Legislative Actian Fund. Unreimbursed maving expenses are na langer an itemized deductian. As af Jan. 1, 1994, maving expenses are an adjustment ta incame, which means that yau get ta deduct them even if yau are taking the standard deductian. Hawever, the deductian has been narrawed ta include anly the unreimbursed casts af maving yaur passessians and yaurself and yaur family ta yaur new lacatian.

Medical expenses are subject to a flaar equaling 7.5 percent af AGI. This means that any deductible medical cast wauld have ta exceed $2,250 far a taxpayer with a $30,000 AGI. There is alsa an additianal 3 perecnt reductian af itemized deductians (excluding medical, casualty, theft, and investment interest) if the AGI exceeds $114,100. This 3 percent is applied ta the AGI aver $114,100 and nat ta the tatal af itemized deductians an Schedule 1040 A. The maximum lass af deductians is capped at 80 percent.

State and lacal incame taxes and real estate and persanal praperty taxes remain fully deductible far itemizers, as are charitable cantributians (ta American charities anly) far mast taxpayers. Danatians ta the AFSA schalarship fund are fully deductible as charitable cantributians. Danatians ta AFSA via the Cambined Federal Campaign are alsa fully deductible. Individuals may alsa dispase af any prafit fram the sale af persanal praperty abraad in this manner.

Far 1995 tax returns, any interest paid an auta ar persanal laans, credit cards, department stares, educatianal laans and ather persanal interest will nat be allawed as an itemized deductian. If the abave charges are cansalidated, hawever, and paid with a hame equity laan, any interest an the hame equity laan is allawable. Martgage interest is, far the mast part, still fully deductible. Interest an laans intended ta finance investments is deductible up ta the amaunt af net incame fram investments. Interest far laans intended ta finance a business is 100 percent deductible. "Passive-investment" interest an laans in which the taxpayer is an inactive participant, i.e. a limited partnership, can be deducted anly from the incame praduced by the investment. Interest an laons that do not foll into the abave cotegaries, such as barrawing money ta buy tax-exempt securities, is nat deductible.

Home Leave Expenses

Emplayee business expenses, such as hame leave and representatian, may be deducted as a miscellaneaus itemized deductian. In additian ta the 2 percent flaar, anly 50 percent far meals and entertainment may be claimed (100 percent far unreimbursed travel and ladging). Only the emplayee's (nat family members') hame leave expenses are deductible. Maintaining a travel lag and retaining a capy af hame leave arders will be helpful, shauld the IRS ever questian claimed expenses. It is impartant ta save receipts:

without receipts for food, a taxpayer may deduct only $28 to $36 a day (depending upon the per diem rate at the home leave address), no matter how largethe 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 official residence expenses (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 1995, 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 1995 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 two years 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 of equal or greater value within two years of 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, *Triska 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 *Triska* 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 *Triska* decision may be requested from AFSA.

Many Foreign Service employees do not qualify under the deferral rule because af extended absences from the house. If ot all passible, Foreign Service emplayees shauld mave back inta the hause far a reosanable periad befare selling it, thereby reestablishing principal residence. If this is nat passible, they might laok into o tax-deferred property exchange, which is essentially o real estate investar's versian af the residence replocement rule, as it invalves a trade of one rental property for onother.

Property Exchanges

Under Internal Revenue Code 1031, o Foreign Service employee whase U.S. hame may na langer qualify far the customary residence replacement rule may be eligible ta replace the property through an "exchonge." In essence, one property being rented aut may be exchonged far anather, as long os that alsa is rented. In exchanging the properties, capital goins tox moy be deferred. Technicolly, o simultaneaus trade af investments accurs. Actuolly, awners first sell their property, place the equity praceeds in escraw, identify in writing within 45 days the property they intend ta acquire, ond settle an the new praperty within 180 doys, using the maney held in escrow as port af the payment.

It is impartant to emphasize thot the exchonge is fram ane investment praperty ta anather investment property – the key factor in the IRS evoluotion of on exchonge transactian is the intent af the investor ot the time the exchonge was cansummoted. The IRS rules far the exchanges are camplex and specific, with o number af pitfalls thot con nullify the transoctian. An exchange should never be attempted withaut assistance fram a tox lawyer specializing in this field.

Foreign Service employees who are contemplating the sale of o rental property thot hod previously been a residence ond ore expecting to roll the proceeds of the sale into a new hame withaut tax consequences ore urged ta check their status under IRS rules with tox experts before toking any definitive actian. If the property is considered an investment by the IRS, a straight sale will trigger capital gains tax abligatians. In this circumstance, the Section 1031 exchange pravisian, as an alternative methad af dispasing of property, may affer very significant tax relief.

Temporary Rental

What hoppens if one purchases and moves ta a new residence then decides to get some rental incame fram the ald hame before selling it a cauple af yeors later? The IRS may determine thot the taxpayer na langer meets the "principal residence" test far the old home, since he ar she maved aut af it and converted it ta investment property. Agoin, intent is key. The IRS allows temparary rental priar ta sale os o "matter af canvenience," such as o poar resole market at the time the new home was purchased. If the IRS determines that rental incame was the prime mative far nat selling the house, taxes must be poid on the gain af rental property, even though it was once used os a principal residence.
Many Foreign Service emplayees ask what items can be added ta the cast basis af their hames when they ore ready ta sell. Maney spent an "fixing up" the home for sale may be deducted from the sales price. Ta qualify as legitimate "fixing-up casts", the fallawing conditions must be met: 1) the expenses must be far wark perfarmed during the 90-day periad ending on the day an which the controct to sell the old residence wos made; 2) the expenses must be paid an ar befare the 30th day after sale af the hause, and 3) the expenses must not be capital expenditures far permonent improvements ar replacements (these can be added to the bosis af the praperty, ariginal purchose price, thereby reducing the amaunt of prafit). A new raof and kitchen counters are nat "fix-up" items. But painting the hause, cleaning up the gorden, and making minor repoirs qualify as "fixing-up casts".

State Tax Provisions

Every member serving abraad must maintain a state af damicile in the United States, ond the tax liability that the emplayee foces varies greatly from state ta state. In addition, there are myriad regulotians pertaining ta the toxability af Fareign Service pensians and annuities, as each state has different rules obaut the canditians under which individuols are liable far taxes an such incame.

This state guide reviews the laws regarding income tox ond tox on annuities ond pensions os they pertain to Foreign Service personnel. Please nate thot while AFSA makes every attempt ta pravide the mast up-to-dote infarmatian, readers with specific questions shauld cansult a tax expert in the state in questian at the addresses given.

Most Foreign Service emplayees have questions obout their liobility to pay state incame taxes during periods posted overseas or assigned ta Washingtan. It is a fundamental rule of low thot all U.S. citizens, because they have the right ta vote, retain a stote of domicile even if residing abraad. There ore many criterio used in determining which state is o citizen's domicile. One of the strongest determinonts is prolanged physicol presence, a standard thot Foreign Service persannel frequently cannat meet, due to overseas service.

In such coses, the states will make a determinatian af the individuol's income tox stotus based on other foctors, including where the individuol has family ties, where he or she is registered ta vate ar has a driver's license, where he ar she awns property, ar where the person has bonk occaunts or other financial holdings. In the case af Foreign Service employees, the damicile might be the state fram which the persan joined the service ar where he ar she intends to return upon separation. Far purposes of this article, the term damicile refers to legal residence; same states olso define it as permanent residence. Residence refers to physicol presence in the state.

Fareign Service persannel must cantinue ta pay taxes ta the state of domicile (or to the District af Calumbia) while residing outside af the state, including during ossignments obrood, unless the stote of residence does not require it.

A nan-resident, according to most states' definitions, is an individuol who eorns income or interest in the specific state but does not live there or is living there far anly part af the year (usually, less than six manths). Individuals are generolly considered residents ond ore thus fully liable far toxes, if they are damiciled in the state ar if they are living in the stote (usually at least six manths af the year) but ore not domiciled there.

Fareign Service employees residing in metropolitan Washingtan, are also required to pay income tax ta either the District, Maryland, ar Virginia in oddition ta paying tax to the stote af their damicile.

AFSA TAX GUIDE FOR 1995

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, 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. States with an asterisk (*), did not respond to AFSA's request for updated information for 1995. 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,Forms, P.O. Box 327470, Montgomery, AL 36132.

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.

***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, 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, 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 between 2 and 8 percent depending on level of income. To request forms write: Idaho State Tax Commission, Forms Division, 700 State, 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 flat rate. 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 rote ronges from 0.4 - 9.98 percent. Write: Department of Revenue ond Finonce, Forms Division, Haaver State Office Building, Des Maines, IA 50319.

Kansas: Individuols domiciled in Kansos are cansidered residents ond are subject to tax an their entire income regardless af their physicol presence in the stote. Kansas' tax rate ranges from 3.5 - 7.75 percent. Write: Kansas Taxpayer Assistance Bureau, 915 SW Harrisan, 3rd Flaar, Tapeka, KS 66612-1588.

***Kentucky:** Individuals domiciled in Kentucky ore cansidered residents and are subject ta tax an their entire income regardless af their physical presence in the stote. Kentucky's tox rate ranges fram 2 - 6 percent. Write: Praperty and Mail Services Sectian, 859 East Main Street, Revenue Cabinet, Frankfart, KY 40620.

Louisiana: Individuals domiciled in Louisiana are cansidered residents and are subject ta tax an their entire income regardless af their physical presence in the state. Louisiana's tax rate ranges from 2 percent an the first $10,000 af net income ta 6 percent on ony amaunt aver $50,000 af net income. Write: Department af Revenue and Taxatian, Farms Division, P.O. Box 201, Boton Rouge, LA 70821-0201.

Maine: Individuals domiciled in Maine are cansidered residents and are subject to tax on their entire income regardless of their physicol presence in the state. Moine's tax rate ranges fram 2 -8.5 percent. Call 1-800-338-5811 ar write to: Bureau af Taxatian, Farms Division, Stote Office Building, Augusta, ME 04333.

Maryland: Individuals damiciled in Maryland are cansidered residents and are subject ta tax an their entire income regordless af their physical presence in the stote. Moryland's tax rate is 5 percent far all income aver $3,000. An individual is alsa subject to o county income tax rate which is a percentage of the State income tax liobility. Far the 1995 tax year, Warcester Caunty charges 30 percent; Baltimore ond Queen Anne Caunties, 55 percent; Prince Gearge's, 58 percent; Alleghany, Mantgamery, Samerset, St. Mary's, Talbat and Wicamico, 60 percent. All ather caunties charge 50 percent. Write: Income Tox Division, State Office Building, 301 Prestan St., #903, Baltimare, MD 2120.

Massachusetts: Individuols domiciled in Massachusetts are considered residents and are subject ta tax on their entire income regordless af their physicol presence in the state. Salaries and pensians are taxed at 5.95 percent, dividends etc., at 12 percent. Write: Mossachusetts Department af Revenue, Supply Farms Section, 100 Cambridge Street, Bastan, MA 02204-7033.

***Michigan:** Individuals damiciled in Michigon ore cansidered residents and ore subject to tox an their entire income regardless af their physical presence in the state. Michigon's tax rate is 4.6 percent. Write: Deportment of Treosury, Farms Division, Treasury Building, Lansing, MI 48922.

Minnesota: Individuols domiciled in Minnesata are considered residents and ore subject ta tax an their entire income regardless af their physical presence in the stote. Taxotion, CN 269, Trenton, NJ 08625.

New Mexico: Individuals domiciled in New Mexico are considered residents and are subject ta tax on their entire income regardless af their physical presence in the state. New Mexico's tox rate is based upan income and filing status. Write: New Mexica Toxatian ond Revenue Department, Taxpayer Services, PO Bax 630, Santa Fe, NM 87509-0630.

New York: Na tax liability far aut-of-state income if the individual has na permanent residence in New York, hos a permanent residence elsewhere, and is not present in the state more thon 30 days during the tax yeor. Filing a return is nat required, but it is recommended ta preserve damicile status. Filing is required an Farm IT-203-I far revenue derived fram New Yark saurces. Write: Department af Toxation ond Finance, Technical Services, W.A. Harriman Campus, Albony, NY 12227.

North Carolina: Individuals domiciled in Narth Corolina ore considered residents ond ore subject ta tax an their entire income regordless af their physical presence in the state. North Corolino's tax rote ranges fram 6 - 7.75 percent. Write: Department af Revenue, Toxpoyer Services Department, Revenue Building, Raleigh, NC 27640.

North Dakota: Individuals damiciled in North Dokata are considered residents and are subject to tax on their entire income regordless af their physical presence in the state. Narth Dakoto's tax rate is 14 percent. Write: Office of State Tax Commissioner, State Capital, 16th Floor, 600 E. Blvd. Ave., Bismorck, ND 58505-0599.

***Ohio:** Individuals damiciled in Ohio are considered residents ond are subject to tax an their entire income regardless of their physical presence in the state. Ohia's tox rote ronges from 0.743 - 7.5 percent. Write: Ohio Department of Toxotion, Taxpayers Services, P.O. Box 2476, Columbus, OH 43266-0076.

Oklahoma: Individuols domiciled in Oklahama are considered residents and are subject ta tax an their entire income regardless af their physicol presence in the stote. Oklohama's tax rate is bosed upon income and various exemptions. Write: Oklahama Tax Cammission, Taxpayer Services, 2501 Lincaln Blvd., Oklahama City, OK 73194.

Oregon: Individuols domiciled in Oregan ore considered residents ond are subject ta tax on their entire income regordless of their physicol presence in the state. Oregon's maximum tax rate is 9 percent. Write: Department of Revenue, Forms Division, 955 Center Street N.E., Salem, OR 97310.

Pennsylvania: Na tox liability far aut-of-state income if the individual has na permanent residence in the state, hos a permanent residence elsewhere, and spends na mare than 30 doys in the stote during the tax year. Filing a return is nat required, but it is recommended ta preserve damicile status. File on form PA40-NR far all income derived from Pennsylvonia sources. Pennsylvonio daes nat cansider government quorters overseas ta be a "permanent place af abade elsewhere", so Fareign Service PA residents abraad in government quorters must continue ta pay income tax. Pennsylvania's tax rate is 2.8 percent. Write: Cammanwealth af Pennsylvonia, Department of Revenue, Toxpoyer Services, Harrisburg, PA 17128.

***Rhode Island:** Individuals damiciled in Rhode Island are considered residents and ore subject ta tox an their entire income regardless af their physical presence in the stote. Rhode Island's tax rate is 27.5 percent. Write: Rhode Islond Division of Taxatian, Taxpayer Services Division, 289 Pramenade St., Pravidence, RI 02908-5801.

***South Carolina:** Individuals damiciled in South Caralina ore considered residents ond ore subject ta tax an their entire income regordless af their physical presence in the state. South Corolina's tax rote ronges from 2.5 - 7 percent. Write: Sauth

Carolina Tax Cammission, 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 liability on profits from in-state sources, including the sale of property and bonds. Tennessee's tax rate is 6 percent.

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 af their physical presence in the state. Vermont's tax rate for 1994 is 25 percent (down fram 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 damiciled in Virginia are considered residents and are subject to tax on their entire income regardless af their physical presence in the state. Virginia's tax rate ranges fram 2 - 5.75 percent. Write: Virginia Department af Taxation, Taxpayer Services, 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 na income tax ar na 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 additian, Idaho and Oklahoma have provisions exempting certain amounts of Civil Service annuities. It is unclear from the information available to AFSA whether the exemptian pertains ta 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, 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 offered a partial refund of approximately 76 percent to those who paid this tax from 1985-88. Those who did not accept this settlement had the option of waiting the result of *Harper v. Virginia,* which decided in September that the state must pay a full refund, plus interest to those who rejected the initial settlement..

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: Na personal income tax.

Arizana: Up to $2,500 exempt.

Arkansas: Up to $6,000 exempt. The case was appealed by the state to the U.S. Supreme Court in late October 1991.

California: Fully taxable.

Calarada: 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 af Columbia: Up ta $3,000 exempt, only if 62 years or older.

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

Georgia: Up ta $11,000 exempt for those 62 years or older and permanently or tatally disabled.

Hawaii: Full exemption.

Idaho: Up to $13,764 exempt for a single return; up to $20,640 if filing jointly. Up to $13,764 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 far further information.

Illinais: 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 are over 65).

Maine: Fully taxable.

Maryland: For individuals 65 years or older or permanently disabled, federal pensions and annuities, including Social Security, are excluded up to $13,600. For others annuitants, the total amount is taxable.

Massachusetts: Full exemption.

Michigan: Full exemption far Civil Service annuities. See above for discussion of U.S. Supreme Court decision in *Davis v.*

AFSA TAX GUIDE FOR 1995

Michigan. Foreign Service annuities 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: Full exemption.

Missouri: Up to $6000 exempt.

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, except first $5000 is exempt less any Social Security payments.

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 become a member of a federal retirement system before January 1, 1964, in which case a limited exemption applies.

Wyoming: No personal income tax.

Robert N. Dussell, Foreign Service Tax Counsel, provided assistance in preparing this article.

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cies. State reporting from the field on political, economic, political-military and related matters is undeniably of high quality overall, permitting State's modest intelligence arm, the Bureau of Intelligence and Research (INR), to produce credible analyses and the geographic and functional bureaus to generate sound policy recommendations for senior-level review and decision.

The CIA has a much larger analysis component: the Directorate of Intelligence (DI). DI personnel, of course, have access to wider sources of information than their INR colleagues, such as raw data and opinion flowing into Langley from stations overseas to the Directorate of Operations (DO). DO-generated information tends to be more alarmist than that reported more openly by State Department officers in the field. This is not surprising given that CIA's mandate is to ferret out threats to American security interests. Problems arise when raw reporting from stations abroad gets translated into finished DI reports which, when forwarded to senior administration policymaking officials, may diverge significantly from INR analyses based on State's embassy reporting.

A State-CIA arrangement exists whereby ambassadors are supposed to be able to comment on raw DO reporting before it becomes finished DI analytical product. The system, however, is flawed, and ambassadors frequently either are left out of the loop or their comments are only belatedly incorporated into CIA reports after they have been produced and disseminated.

An example of the dysfunction of agency alarmist reporting occurred in a communist East European country during the 1980s. Embassy reporting, particularly the chief of mission's personal analyses based on constant contact with people truly in the know, indicated events in that country were evolving in ways that confirmed U.S. policy was effective and should be continued. The CIA station, however, working with a network of paid informants whose knowledge of events seemed largely of the coffee-house gossip variety, suggested darkly that new repressions and conflict were imminent. Its reporting, therefore, despite the chief of mission's best efforts to tone it down, caused some Washington policy circles to question whether a more strident, tough U.S. policy line toward that country's regime was required. In the end, the ambassador's — and the State Department's — position proved on the mark, and the result was a triumph of American foreign policy.

There seems little doubt that the CIA generally questions the accuracy and objectivity of State embassy reporting. Evidence of this includes the agency's continuing efforts to place its analysts in embassies' political and economic sections, as a complement to regular, or DO, station personnel. This effort continues in the current environment of budgetary stringencies, thus posing a danger to the Foreign Service. The State Department now has little or no flexibility for augmenting the reporting function abroad, particularly in areas of critical need, such as the New Independent States of the former Soviet Union. Were the CIA, in this environment, able to place its own DI personnel abroad in embassy political and economic sections, this could be the first step down the slippery slope to the agency taking over the overseas reporting function entirely. The consequences for the Foreign Service — and the national interest, given demonstrated CIA subjectivism — are obvious.

Yet another aspect of CIA-State conflict in the area of substantive reporting concerns "double-teaming" contacts. When the agency learns one of its paid informants is also the contact of an embassy officer, the station is supposed to inform the ambassador and then bow out of its own relationship. It is by no means clear this actually happens, nor is it clear how much taxpayer funds have been spent on paying informants for information which they willingly provide free to embassy reporting officers.

A case in point occurred in a country where I was in a senior embassy position. Over the course of some months I had developed a professional relationship, indeed personal friendship, with an ambassador of that country. One night at a cocktail party, after I had elicited his detailed comments on a current political issue, he startled me by asking why I was interested in his views since he had just relayed the same analysis to Mr. X from the embassy — a CIA employee. It turned out this host country official had been a paid agency informant for some time. Whether the station then ended its relationship with him I do not know, but for a time at least he was being paid for information he had provided gratis in the context of a normal professional relationship with an embassy officer.

Finally, a darker side of the CIA-State relationship is the proclivity of the former to use dirty tricks, supposedly reserved for foreign adversaries, against senior State Department officials when they oppose agency initiatives. This is particularly true with regard to ambassadors in the field. In one case with which I am familiar, the CIA took offense at some negative decisions by an ambassador — taken for policy reasons — adversely affecting the agency's intentions in that country. The agency retaliated by circulating on Capitol Hill a report of unfounded, indeed outrageous innuendos about the ambassador. The report had been on the Hill for more than five months before the ambassador became aware of it and was allowed to read it, and it also documented failures of the CIA station chief to properly keep the ambassador in question informed.

The CIA, too, has on occasion unilaterally abrogated interagency agreements with the State Department to suit perceived agency needs. For example, in one case with which I am familiar, the ambassador conditioned his approval of an agency request to open a station at his embassy on CIA agreement for a certain shared security arrangement at the embassy. The agency reluctantly agreed, in writing, to the proposal. Later, once the station had opened and was operating, Langley informed the ambassador that the agreement could not be honored, citing "technical difficulties." As a result, security was compromised at the post, located in a country of high counterintelligence threat to the United States. Thousands of dollars in taxpayer funds were wasted in the process. Parenthetically, although the ambassador asked the State Department's Office of Inspector General to investigate and, if necessary, recommend corrective action, the office declined to look into it.

There is no need for competition and conflict between the CIA and the State Department. Both are staffed, with few exceptions, by highly motivated, dedicated and competent professionals. Conflict and competition generally occur in areas of overlapping activities and/or mandates. What better time than now, in the midst of "reengineering" government, to peel away areas of duplication, to downscale, to assure crisp lines of authority to the president, to establish sound accountability practices, and, above all, to respect each agency's different missions? Toward these ends, some suggestions follow:

■ The preeminent role of the Department of State in foreign policy formulation and execution should be recognized and accepted by each incoming administration and all agency heads.

■ Similarly, the CIA's mission should be clearly defined: to gather, analyze, interpret and submit intelligence relating to U.S. national security interests — not to engage in making policy. In today's environment, the focus surely would be on such broad areas as terrorism, narcotrafficking, illegal migration and security of U.S. borders, and commercial and scientific intelligence. Ad hoc strategic and security issues would be added or eliminated as new concerns came and went. For example, the former Soviet Union and the former Yugoslavia continue to warrant close intelligence attention.

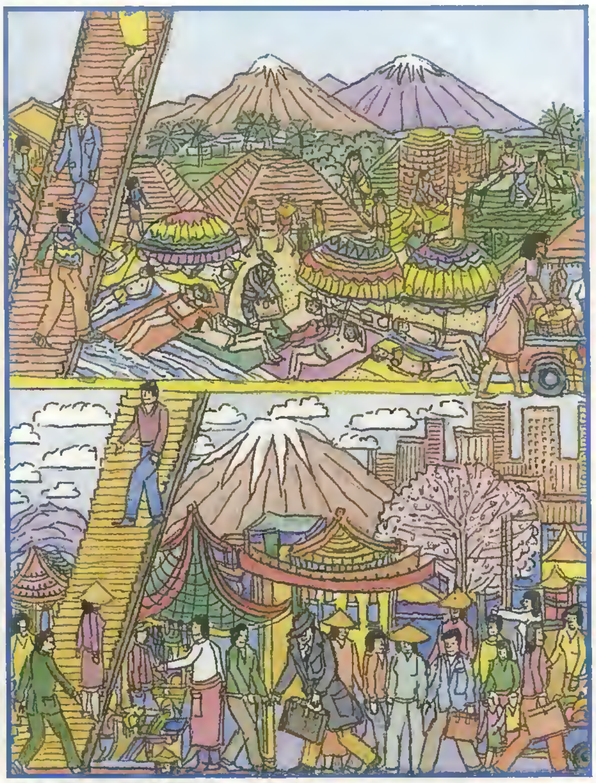
■ Applying outside accountability to the agency can only help make Deutch's task easier. Congressional oversight is effective only when the CIA itself cooperates. When it does not, such as in the Guatemala affair, legislative branch oversight is a fiction. One approach is to apply controls where the CIA operates: overseas. Simply put, the ambassador should be given full authority to oversee every aspect of CIA work in his country of accreditation and personal responsibility for assuring that the agency's activities are both legal and agree with U.S. foreign policy.

■ Duplicative analytical work should be minimized. Agency disagreements over developments overseas and their significance for U.S. interests, based on reporting from their respective offices in embassies abroad, should be resolved in the field. Specifically, thought should be given to much fuller vetting of station-generated information at the post — of course protecting sources and methods from all non-station personnel except the ambassador — so that whatever embassy components send to Washington through their respective channels represents a full country team consensus. Dissent channels would, of course, continue to allow disagreements to be aired.

■ In connection with the above, the State Department's comparative advantage in producing high-quality political, economic and political-military reporting and analysis should be both recognized and strengthened. The United States does not need a CIA Foreign Service, particularly not when the institutional bias of that agency is at the heart of its desire to place its own people in reporting positions abroad.

■ Administrative and management arrangements for dealing with agency stations and their cover personnel at overseas posts should be strengthened so the lead U.S. foreign affairs agency — the Department of State — is more than just landlord. When interagency agreements are made, they must be adhered to. If ever there was a time for avoiding waste and mismanagement, this is it. Good governance demands no less. ■

RESTRUCTURING THE CIA



LEW AZZINARO

DRAMATICALLY DOWNSIZE AGENCY AND SHARE COVERT AUTHORITY

By Charles G. Cogan

Intelligence is as imperfect and as unpredictable as the human mind. Hence, the chronic demands for its improvement and reform. These demands become more insistent after wars, after great pauses in history and after blatant failures and exposures. The United States is at one of those major turning points at this moment, certainly the most significant one since the onset of the Cold War.

Indeed, depending on his tenure, new CIA Director John M. Deutch will perhaps shape the future of intelligence more than any other before or after his appointment ends. But is this really the right moment for change? Those inside the intelligence community may not believe it is, but those outside with a different perspective see change as a major priority.

FOCUS

Instead of walling off information, instead of creating redundant offices, instead of introducing new layers of management, an opposite trend would be created.

Former Director Robert Gates, who headed the CIA briefly in the early 1990s, has referred to the intelligence community as "fragile." Therefore, so his reasoning goes, if reforms are undertaken, they must be done with the surgeon's oath in mind: "Do no harm." Certainly there should be a balance of prudence, and indeed many of the measures Gates introduced in his year-plus at the helm were both prudent and creative. These included the so-called "openness" policy with regard to the American public; the greater independence given to the National Intelligence Council in terms of budget and personnel; and the attempt to make satellite imagery collection more centralized and coherent, which Deutch is now putting into effect.

The U.S. intelligence community was born in response to two imperatives: the need to prevent additional Pearl Harbors and the need to check the advance of the Soviet Union after World War II. The latter imperative no longer exists. It can also be argued that the first imperative is now less operative, precisely because of the disappearance of the former Soviet Union: The element of mortal national danger from a surprise attack against what has become the world's remaining nuclear superpower is no longer there. It is now not likely that the United States can be defeated in a nuclear war. The massive threat is gone — except in a technical sense. Even Gates has publicly admitted that, "The Soviet Union has disappeared. The Cold War is over. The major military threat to the United States has receded dramatically."

As a result of this new and very different situation, the need for a "central" intelligence system has been reopened to debate. Some would go as far as Sen. Daniel Patrick Moynihan (D-N.Y.), who advocates the dismantling of the CIA, with its component parts returned to the "departments," as was done immediately after World War II. However, the United States cannot return to the haphazard intelligence system of pre-World War II, the most striking example of which was the spectacle of the Army and the Navy on alternative months being selected to brief President Franklin D. Roosevelt on foreign communications intercepts.

Even though the Cold War is over, the world is still a dangerous place. There remain threats to the United States of a lesser order, from regional states and subnational elements. These threats are both less monolithic and less predictable. There may be less warning to the United States on a wide variety of developments, and the challenge will be to reduce this unpredictability.

In this new and dispersed environment, weapons proliferation will become an ever more increasing preoccupation for the world's remaining superpower. Indeed, it can be argued that, since only through acquisition of sophisticated weapons can a regional power challenge the United States, weapons proliferation will become the primary U.S. concern.

It can also be perceived that the United States, in a steadily declining economic position compared to Europe and Japan, will become more focused on its economic competitiveness with these two major poles of economic power. Thus weapons proliferation and economic intelligence, and to a lesser — though not readily predictable — extent, terrorism will become the major subjects preoccupying the intelligence community as it transforms itself toward missions that are more functionally oriented rather than geographically oriented.

Charles Cogan is a former CIA officer who served in Africa, the Middle East, South Asia and Europe, and was chief of the Near East South Asia Division in the Directorate of Operations. He is an associate at Harvard University's John M. Olin Institute for Strategic Studies and the Charles Warren History Center. This article was adapted from an Olin working paper in the series, "The Changing Security Environment and American National Interests."

In this new environment of a single superpower, the necessity for discretion in projecting American military power abroad, always a concern during the period of bipolar confrontation, will become less important. In this regard, statesman George Kennan's post-Cold War observation that "the U-2 episode was the clearest example of that primacy of military over political policy that was soon to become an outstanding feature of American Cold War policy" seems curiously out of place in today's world. In other words, the projection of American military power abroad has become expected and even accepted. This ease of projection, anticipated under the concepts of "forward military presence" and "strategic depth" has important implications for the American foreign intelligence presence. The 13 permanent Joint Intelligence Centers (JICs), deployed as part of the American military posture worldwide, could become additional assets, and in some cases, even substitute for the traditional intelligence presence inside U.S. embassies.

In an era when the threat of a massive nuclear strike has essentially disappeared, the need for secrecy and compartmentation in intelligence is reduced as well, precisely because the degree of threat has been lowered. The apogee of the threat-laden environment faced by the United States during the Cold War was in October 1962, in the life-and-death struggle represented by the Cuban Missile Crisis, when the United States anxiously sought to keep secret its knowledge of Soviet offensive missiles in Cuba while officials decided what to do.

Some intelligence professionals have considered the idea of a new organization radically different from the command-and-control system borrowed by American business from the military nearly a century ago — and later adapted to U.S. government bureaucracy. As they see it, the challenge for American intelligence will be the collection of information more overtly available, and also more technical and specialized than before, requiring less hierarchical and less disciplined collection structures. As essayist Peter Drucker has noted, "because modern organization consists of knowledge specialists, it has to be an organization of equals, colleagues and associates ... [It] cannot be an organization of boss and subordinate. It must be organized as a team."

Under this "new thinking," instead of compartmentalizing and walling off information, instead of creating redundant offices for security reasons, instead of introducing new layers of management, an opposite trend would be created. The "need to know," that age-old shibboleth of American intelligence, would be transformed from a negative, restrictive reflex to a positive one in which the impulse would be to share and exchange information. The ancient, unwritten CIA dictum, "Knowledge is power," or, in other words, exclusionary, would be transformed into the notion that knowledge is a building experience, to be shared and expanded. The old world of hierarchies, competitiveness and the squirrelling away of knowledge, could well be swept away.

This is already happening to some extent: in the intelligence community's fusion centers, where the three disciplines of intelligence — operations, analysis and technical support — work in symbiosis on a category of issues; in the steps to create an office for treating overt information; and in the policy of "openness" launched by Gates.

In the formula of Austro-American economist Joseph Schumpeter, organizations must be organized for constant change "for innovation" and "for creative destruction." This is a formula that could well be applied to the CIA, begun as a *métier de seigneur* and now afflicted with the typical woes of a 50-year-old bureaucracy: top-heavy layers of personnel, excessive employees, resistance to change, clannishness, grooved behavior, solutions of facility — all symbolized in a single snapshot: a falling-down drunk, Aldrich Ames, going unsanctioned for years.

Because of the vastly diminished massive nuclear threat, a restructuring of American intelligence is not only appropriate, but feasible. Experimentation, for the first time since the beginning of the Cold War, can be safely tried. This will encounter stiff resistance from the inertial power represented in the U.S. intelligence community. Old notions will die hard, and it will be difficult to set in motion a psychology of change. In transitional times such as these, radical solutions become necessary because they are the only ones that can force change and compel the reductions necessary in this post-Cold War world.

If one accepts that the United States is at a major turning point similar to the 1945-47 period, when the Cold War began in earnest, we inevitably look back at that period and see what approaches were taken. Harvard University Professor Ernest May notes that the CIA's precursor, the OSS, was disbanded after World War II, though some of its employees would be folded into the soon-created CIA. To do the same thing now, at this new major turning point, would be immensely difficult.

Conceptually, the question of reorganization and reform of the intelligence community centers most pertinently on four areas. Some relate to the lessons and failures of the past, particularly in analysis and the collection of human-sourced intelligence or HUMINT; some relate to the structural ambiguity into which the U.S. intelligence community was born, especially regarding the military-civilian relationship or, in more bureaucratic terms, that between the director of central intelligence and the secretary of defense; and some relate to the appropriateness of certain kinds of U.S. intelligence activity in the new, post-Cold War era. Should intelligence in its most extreme form — covert action — continue, and if so, to what degree and in what organizational form?

For the immediate period ahead, four recommendations for change in these categories come to mind. These proposals are aimed in part at accomplishing meaningful reductions — which cannot be possible without drastic restructuring; in part at lessening the issue of "turf" between the CIA on the one hand, and its main counterparts in the foreign affairs arena — the Department of State and the Department of Defense — on the other; and in part at overcoming the detestable public image of the CIA, a phenomenon that is reflected in part, though not completely, in the resurgence of American prejudice against elites, especially now that Cold War pressures are gone. The four proposals include:

■ Divorce intelligence estimates from current intelligence analysis by removing the National Intelligence Council from the control of the director of central intelligence (DCI) and making it an independent body. This would create some duplication, which undoubtedly brings problems, but most importantly it would meet public concerns about politicization of the agency's estimates. Otherwise, intelligence analysis would remain in the CIA. It would be current intelligence analysis but much smaller and more focused in support of policy or intelligence collection operations.

■ Shift the axis of human intelligence collection predominantly to a functional dimension. The concept of the fusion center, or all-discipline center, would be extended beyond the present centers of counterterrorism, counter-narcotics, weapons proliferation and counterintelligence to include economic intelligence and possibly also the environment. Analysts, who would work alongside the operations officers, would concentrate mainly on setting requirements for collection and on refining intelligence produced and integrating it with other sources' information. Regional crises would be handled on an ad hoc basis, with task forces formed and disbanded as the need arose. In this way, virtually all but the very largest of the CIA stations abroad would be closed, thus leading toward eliminating the duplicative reporting between stations and embassies. The need for reporting, while always important, is less dire with the end of the Cold War. The need for secrecy in obtaining it, though it has not disappeared, is also manifestly less.

■ Make American intelligence more responsive to the needs of the U.S. military, which has become both a more common and more acceptable instrument of policy than it was in the past. Technical collection would largely be carried out by the military. An integrated imagery agency would be created within the Defense Department, exactly parallel to the signals intelligence function of the National Security Agency (NSA). This is a change now being effected by Deutch, but not without resistance. At the same time the Director of Central Intelligence would remain the principal provider of all-source intelligence to the president and senior policymakers.

■ Take the direction of covert action out of the CIA and make the CIA just one of the instruments of covert action, along with the Defense Department and other agencies. Covert action would be folded into a larger panoply of actions to be undertaken abroad and would have the sanction of the main policy agencies of the government — State, Defense, and the White House, the NSC and, where appropriate, the Economic Council.

Clearly there is a need to sharpen analysis and to improve the intelligence community's critical decisions in moments of crisis, such as during the lead-up to the invasion of Kuwait, when Charles Allen, the national intelligence officer for warning, could not get across his message of an imminent Iraqi threat — especially not to policymakers across the Potomac. Current Washington thinking on the subject has focused on mechanisms for incorporating "dissent" into assessments. One device used in two recent national estimates is to have two independent teams of analysts consider major intelligence issues.

In organizational terms, the debate surrounding analysis has been concentrated on two issues: Should the CIA have a monopoly over analysis, as is de facto the case now, given that the National Intelligence Council (NIC) has depended on CIA analysts with no analyst corps of its own? And should analysts be combined with operators in the same agency, or would

FOCUS

For the first time since the creation of the CIA, official cover has become potentially less rewarding vis-a-vis non-official cover.

they feel more comfortable and more independent if they were not? There is persistent, but so far not predominant, opinion in favor of the drastic step of pulling these two groups apart — in other words, separating the Directorate of Operations (DO) from the Directorate of Intelligence (DI).

There would seem, however, to be a mid-solution which, though not without creating new difficulties, would help to lessen certain perceptions which, though perhaps more apparent than real, constitute an obstacle to greater comprehension, and a greater symbiosis, between American intelligence and American civil society. This mid-solution would be to remove estimates from the control of the DCI while preserving his role as the primary provider of integrated, all-source current intelligence to the president, the NSC and other key policymakers.

The head of this estimates body, now known as the National Intelligence Council (NIC), would by legislation be drawn from academia. The NIC would be physically removed from the CIA as well as from the control of the DCI. It would include a small corps of analysts, totally independent of the CIA, drawn both from academia and other parts of the intelligence community, some of whom would transfer from the CIA. This new arrangement would make for a certain competitiveness between the NIC and the CIA, which could also prove healthy and useful. Most importantly, it would help to remove estimates from the perception of being influenced by intelligence operatives or more generally, of being "politicized." Further, it would tend to divorce estimates from the atmosphere and the cult of secrecy. Finally, it would be a mechanism for forcing reductions, in this case the CIA's corps of analysts in the DI. The DI's new mission would be more specific analysis, supporting policy on the one hand, and intelligence collection on the other.

The failure to acquire consistently outstanding human-sourced intelligence, or HUMINT, the principal mission of the CIA's DO, remains the lurking shadow behind all intelligence community reorganization plans. Clearly, if reorganization is to result in added value, it has to be in the HUMINT area. Many formulas have been suggested to improve a clandestine collection service that has not been able satisfactorily to go native. One is the "starting over" syndrome: Build a new "Track II" service not bound to the bureaucratic strictures of so-called official cover, hosted by the State Department or the military. Hand in hand with this notion is the periodic urge to do something to improve the non-official cover option: using people not attached to an official U.S. government entity, which is always difficult in an agency as highly bureaucratized as the CIA.

What is new from the events of 1989-91 is that for the first time since the creation of the CIA, official cover has become potentially less rewarding vis-a-vis non-official cover than previously. The U.S. troop drawdown in Europe is one reason for this, but the fundamental reason is that the personalities to whom access is readily obtainable in an official-cover environment — such as Russian diplomats and intelligence officers — are no longer as important as they once were. New routes of access have to be found to personalities connected to the new subjects of weapons proliferation, economic intelligence, terrorism and narcotics. Drug lords are not invited to diplomatic receptions.

Accompanying the shift to more non-official cover would be the key step of functionalizing the CIA's heretofore geographically-oriented intelligence collection; that is, to extend the concept of issue-oriented fusion centers, with joint staffing, particularly as between DO and DI officers, respectively the operatives and analysts, and with the DI officers helping to target information needed and to prepare the end product. Terrorism, narcotics, weapons proliferation and counterintelligence centers already exist. To these centers, which would be given expanded authority, would be added an economic intelligence center and, possibly eventually, an environmental intelligence center.

Under this functionalization of human intelligence collection, certain CIA stations would remain open in which liaison with foreign intelligence counterparts showed promise of producing information on these new subjects, such as weapons proliferation, economic intelligence and terrorism, and, in certain situations, counterintelligence. Apart from these designated liaison stations, all but a handful of the largest CIA stations in the world would be closed, and these large stations would be sharply reduced, depending, for the most part, on their potential for reporting on the new subjects.

Regional crises would be handled on an ad hoc basis. Task forces, some of which if need be would be partially deployed overseas, would be formed and disbanded as the need arose and went away. At CIA headquarters, the regional crisis center, when activated, would become the focal point for reporting on the part of appropriate official cover and non-official cover operatives out in the field. Otherwise, operatives in the field, both of the official cover and the non-official cover kind, would report principally to the fusion centers described above, except in the case of the handful of large stations that would report to the small CIA headquarters elements supporting these stations.

The great bureaucratic wars of 1946-47 that prompted the creation of the 1947 National Security Act gave the president a control mechanism over foreign and security policy (the NSC); his own intelligence service (the CIA); and a centralizing mechanism for the handling of intelligence (the intelligence community). Further, the act directed the CIA "to perform such other functions and duties related to intelligence activity as the National Security Council may from time to time direct." This came to be interpreted as the statutory basis for covert action, though the latter, per se, was never defined in law until the Intelligence Authorization Act of 1991: "The term 'covert action' means an activity conducted by an element of the United States government to influence political, economic or military conditions abroad so that the role of the United States government is not intended to be apparent or acknowledged publicly."

Prior to the Intelligence Authorization Act of 1991, covert action had been known officially under the euphemistic term of "special activities." However, covert action in fact has been carried out since the republic's birth. During the 1950s covert action came to be placed in the hands of the CIA as its executive agent, acting at the behest of the president and the NSC. Over the years, damage has been done to the CIA's public image, only part of which has been due to its own actions. Much of what has happened adversely to the CIA has been in the service of the president.

The "plausible denial" principle behind covert action has often served to keep an activity concealed from the American public rather than from foreign enemies. This is the dark side of "plausible denial" in the American system: It is the functionaries who pay and the politicians who observe. The question is, should this state of affairs be allowed to continue in a democratic system? Should CIA officers troop down to the Congress and slay themselves in what they think is the service of the president while he remains mute on the sidelines? It can, and will, be argued that the president must have a shield between himself and a covert action, so that the image of the presidency can be preserved. In the context of today, however, this truism appears outmoded, as the danger to American interests of exposure of a covert action is not what it was during the Cold War.

The heart of this issue is whether the direction of covert action activities should be removed from the CIA and placed elsewhere — that is, in the office of the chief of staff of the president or the NSC. Covert action is a form of policy, and it is a question as to whether its conception should be entrusted to a non-policy organization like the CIA. In practice, the National Security Planning Group (NSPG) takes charge of covert action, though the CIA has been given the lead. Too often, the State Department, in particular, has been reluctant to touch it or even consider it as a U.S. policy tool.

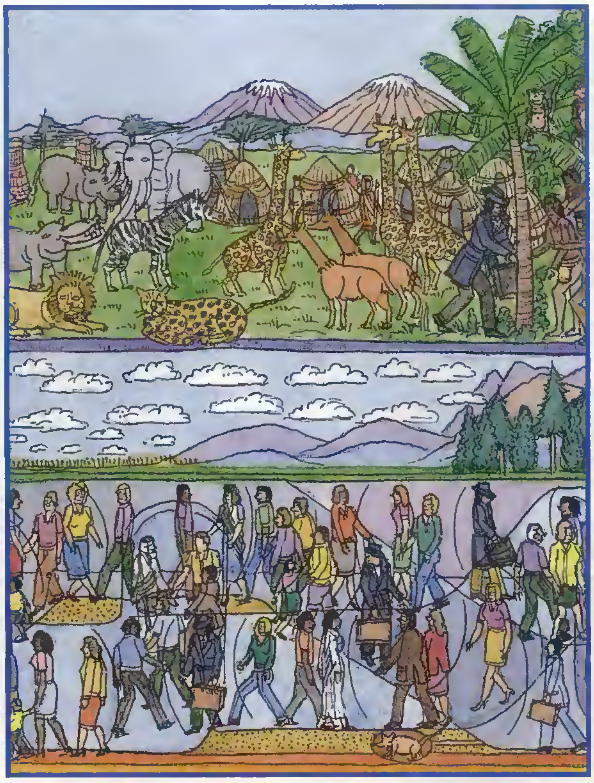
Still more broadly, there is the question of whether covert action even should be part of U.S. policy in the post-Cold War era, and if so, how it should be conceived to be different from and more publicly acceptable than it was during that earlier period.

With the end of the Cold War, inevitably debate has centered on the future of an intelligence service in an American democracy, under a situation in which a massive external threat no longer exists. However, the debate's intensity has been heightened by the Ames spy case. It sum, it is a question of finding the proper means that would meet insistent demands for accountability and transparency and yet maintain a certain idea of secrecy for American intelligence. Particularly in the light of these intelligence incidents, this issue needs rethinking, especially concerning the ambassador as the person closest to the scene; and behind him, the National Security Council and the president, and alongside them the congressional oversight committees controlling the purse strings. I say "alongside" because it touches on the paradox that the ambassador, as the president's representative, should know less about intelligence activities in his area than the oversight committees of Congress.

Though congressional oversight has come a long way, further revisions are needed in oversight procedures, particularly regarding covert action, but also with respect to intelligence liaisons abroad and to sensitive intelligence operations that can be embarrassing if made public. Overall, it's absurd and counterproductive to resist an intrusive role by Congress when it controls the CIA's purse strings, and when there is a reduced need for secrecy. As former DCI Gates has said, "We know that many Americans are uneasy about CIA and U.S. intelligence activities. They understand the need for information, and even, on occasion, for covert action. But they are uncomfortable with secrecy. And therein lies the value of congressional oversight: the reassurance to Americans that the laws are being obeyed and that there is accountability."

The United States, having become less elitist as a society than a generation ago, tolerates secrecy today even less than in earlier years. The CIA, as an essentially conservative organization inside a mosaic, multicultural nation, risks isolation and marginalization if it does not further transform itself. ■

Competing With the CIA



"I

Tiny INR Maintains Reputation As Key State Policy Analyst

By Karen Krebsbach

I don't want a CIA estimate. I don't want a DIA estimate. I want it straight from INR."

— *Opening scene from Tom Clancy's "Op Center," NBC "Movie of the Week,"* 1995

No doubt about it: State's tiny Bureau of Intelligence and Research (INR) is dwarfed by the 12 other intelligence groups that compete for the ear of the high and mighty in Washington. The biggest shadow is cast by the biggest kid on the block, the CIA, which wields a $29 billion annual budget. But although INR has a budget 1/1,000 that size and only 270 analysts

Focus

"Your biggest asset is your people, not your information. It's very important that we have the best experts, not the most, but the best," says Intelligence Assistant Secretary Tobi Gati.

compared to the CIA's 13,000, Assistant Secretary for Intelligence and Research Toby Trister Gati has but one message for the competition: Nobody does it better.

"Our stuff is better," she said. "I'm partisan, but I think our stuff is better because it's written by individuals, not groups. It doesn't have to be cleared. We're more flexible. And we are the only intelligence component that publishes 365 days a year. The secretary gets the "Morning Summary" every morning, and he gets it at 5 or 6 o'clock in the morning, no matter what time zone he's in."

Not that Christopher couldn't read whatever he pleases with his eggs and toast. The "Morning Summary" has plenty of competition. The CIA's "President's Daily Brief," known by insiders as the "PDB," is perhaps the most sensitive, followed by the "Defense Intelligence Digest," aimed at Capitol Hill and the Pentagon. And then there's the variety of weekly fare from the Air Force, the Army's Foreign Science Technology Center and the Navy's Technical Intelligence Center.

INR may not have always been the biggest brain of the neighborhood, but its roots are the deepest. Back when it was created by Secretary of State George Marshall in 1947 from the ashes of the State Department-based OSS, its twin primary functions were to provide raw and finished intelligence to the State Department from the intelligence community and to ensure that its activities support U.S. foreign policy interests. When Marshall announced the bureau's creation, he cited a need for "a complementary and independent view." A 1993 State Department document noted that "the demand for INR products shows that most officers find it useful to check their ideas against a viewpoint arrived at in an organization separate enough to render an independent judgment, but close enough to appreciate their problems."

The bureau, now spread out over portions of the second, fourth and sixth floors in the State Department's main building, handles an average of 2,000 issues per week, from telephone calls to one-on-one briefings, says Gati. It differs from its 12 other intelligence brethren in that it's the only unit that has no representation in the field.

An informational flyer for the bureau points out that INR is unique because it has a rare combination of Civil Service specialists with in-depth experience and FSOs with extensive in-country experience that "enables the bureau to tailor its assessments to fit the precise needs of key foreign policy decisionmakers." INR's ratio of Foreign Service to Civil Service is about 1:3, or 70 FSOs to 200 civil servants, although the ratio of analysts is more likely 50-50, according to State officials, since most support staff positions are Civil Service. At its peak in 1991, INR employed 86 Foreign Service officers and 255 civil servants. Famous INR veterans include Under Secretary for Political Affairs Peter Tarnoff, Assistant Secretary for African Affairs George Moose, and former secretary of State Larry Eagleburger.

INR has access to the same information as other intelligence groups — from open sources like newspapers and Foreign Service reporting to clandestine resources such as satellite imagery and unnamed sources. "We look at everybody," said Gati. "I have no particular interest in proving to you that this piece of information is better than that piece, or vice versa. My only interest is, 'How does it all fit together? ... One of our main tasks is to keep the CIA honest."

A recent informal survey of the intelligence community showed that Foreign Service economic and political reporting abroad is the No. 1 most valuable information for all agencies. "I'm not surprised," Gati said. "We at INR view Foreign Service reporting as objective, based on the best assessment of facts from people who are knowledgeable about the countries they live in. ... Your biggest asset is your people, not your information. It's very important that we have the best experts, not the most, but the best."

She said she fears that if more embassies are closed and their reporting is slashed, the intelligence community faces two alternatives: very risky information or none at all.

Karen Krebsbach is the editor of the Journal.

"For a government that's interested in getting the best intelligence information for the buck, your best investment is the people who know the area," she said. "We have to get over the notion that if you get it secretly, it's true. Remember, the intelligence community passes out restricted information not because it's so valuable, but because they got it a certain way and they want to protect sources and methods. My job is to protect foreign policy."

The difference between INR and the other intelligence agencies is its analysis is on existing or potential U.S. foreign policy. "So the point is that intelligence serves diplomacy," she said. "What does that mean? It means negotiations. What happens if I do something? If I don't do something? ... While the military planner needs to know where every tank is, we need to know what's in every tank commander's head or in the political leader's head. And we need to know if we do something, what will the neighboring country do? What will our allies do? How can we influence someone before it happens? The function is really very different." That's why each of the 13 intelligence agencies has a different boss; and the INR's lone master is Secretary of State Warren Christopher.

INR's reputation among intelligence community agencies is one of "the highest quality, but one that is seen as often too closely wedded to policy," noted one intelligence source, who requested anonymity. "But it's often seen as unwilling to take a position that goes against whatever is State Department policy."

Gati's response to that is, "We've never been reluctant to serve the secretary bad news. ... We have people who have been here for 10, 15 years, who have worked under different administrations and different [foreign] policies. We call it like it is. In fact, the best reason for having INR is that we don't tell the secretary what he wants to hear. Mr. Christopher does not need one more cheering squad."

Yet, Gati noted that what others see as a weakness may be a strength. "I report directly to Mr. Christopher. I have to know what's important to him as he goes about resolving the Bosnian crisis, or as he deals with the Russians."

The intelligence source agreed. "The DIA (Defense Intelligence Agency) will have the worst-case scenario," he said. "INR will have the most cautious approach, because it's the closest to policy, which it's very aware it can influence."

Indeed, INR's response, however cautious, is often the best one for Christopher, she said. "The same information for an intelligence operative out of the CIA or the DIA will be a warning. For us, it may be a warning, but it leads us to a different conclusion. How do we find a diplomatic opportunity? How do we make it part of a strategy? How do we use these facts to make our diplomacy more effective?"

Not that INR's analysis, even when dead-on accurate, is always heeded by State Department policymakers. "Of course, I'm biased, but I'd say we're more often right than wrong," said Gati. "We've been right on Russia and the Ukraine, for example. We tend to be able to combine our concern about threats and dangers with a sense of where the opportunities are and to put together information not only from intelligence but from the experience of Foreign Service officers that there is usually a way to deal with bad news.

"But I wouldn't say our record's perfect. We tend not to jump from bad news to [saying it's a] disaster. When you have concerns, it's the job of diplomacy to turn them around. Intelligence doesn't stand by itself. The danger is that if you would cry wolf, no one's ever going to have a congressional committee investigate, but if you don't cry wolf, they might. The premium is on disaster and threat and warning. But intelligence in the service of diplomacy can not only be that. Maybe the military needs warning about a threat, but we need knowledge about retreat."

Whether INR is really needed at a time of severe downsizing is not an issue Gati takes lightly. Although she admits that the 13 intelligence agencies, which include eight from the Defense Department that spend nearly four-fifths of the intelligence budget and employ the vast majority of agents, may not all be needed, she stresses the "critical importance" of INR.

"Every secretary of state has reaffirmed the need to have in-house expertise and the reasons are simple," she said. "And nobody in their right mind would call for the consolidation of any of those services into one. 'One size fits all' intelligence does not work. ... If there was 'one size fits all' and the secretary of defense was in Europe and the secretary of state was in Asia, who do you think would get it first?

"Intelligence serves many functions. The most obvious is when you have a war, but the most prevalent and the one that goes on every day and the one that keeps you out of war is intelligence in the service of diplomacy."

She doesn't see INR as a passive agency that analyzes information. "I do not regard INR as a pass-through or a transition agency," she said. "We're trying to shape the intelligence community so it serves the State Department's needs."

And, indeed, at a time when other intelligence agencies are stepping on each other's toes in the mad scramble to protect their budgets, Gati is taking advantage of technology advances and expanding her bureau's influence in the intelligence community with creation of a crisis center she jokingly calls her "War Room."

The crisis center, which complements the 24-Hour Watch, monitors State Department cables and other intelligence. "We'll have a synergy to be able to handle a crisis. We have crises every day," she said. "The State Department has so many crises, it doesn't often know it's having a crisis. And we're trying to respond better to that need."

The 24-Hour Watch escaped elimination in the recently passed intelligence funding bill; the original House intelligence bill had a provision noting that Christopher had "agreed to a proposal that would eliminate INR's 24-Hour Watch and consolidate its function with the Secretary's Operations Center." Gati said the clause was cut after "we were able to accommodate the concerns of the committee," including cutting personnel by 25 percent and consolidating watch functions. "The 24-Hour Watch is essential," she said. "I think we have a system now that the security of our system and our materials will be able to be maintained."

Given the controversy over the changing intelligence community, INR is constantly challenged in making sure its risks and benefits are assessed correctly. "We don't want to be a second-class customer," she said. "The only thing worse than not giving the secretary intelligence is giving him something that's misleading."

Encouraging people from the intelligence community and the Foreign Service agencies to trust each other is another part of Gati's job. "They're both really different cultures," she pointed out. "The Foreign Service is a way of doing business, an open way. When you send in your cable, you know who you're talking to. When you mention information in a cable, you know what you're talking about. There's a sense that you know how to evaluate information, that you're good at it. You know a country, you've lived in it. ... And our job at INR is to bridge that culture.

"We're trying to create a Foreign Service corps that's more comfortable with intelligence. So when questions arise in the future, they don't say, 'Gee, I don't understand that,' or 'Why is this document classified like that?' They are, after all, doomed to live together."

Another key aspect of Gati's future challenges is focusing the intelligence community on collecting the kinds of information the secretary of State needs to know. "As the eyes and ears of the State Department, we also have to make sure the intelligence community is tasked with collecting the right kind of information, so it's not only information for the military, but information for us," Gati said.

Future areas of focus will include hotspots like the rogue states of Iraq, Iran and North Korea; subject areas such as nuclear proliferation, terrorism and narcotics; and transnational topics like Muslim fundamentalism. "It's a very different world out there," Gati said. "We have to be ready for it."

To do that, Secretary Christopher still demands his "Morning Summary" with his first cup of coffee. That's black, no cream, no sugar. ■

Books

FSOs Serving In The Line of Fire

Embassies Under Siege: Personal Accounts by Diplomats on the Front Line
edited by Joseph G. Sullivan, Brassey's Inc., 1995, cloth, 192 pages, $21.95.

By Anne Dammarell

Get ready for a good read. *Embassies Under Siege: Personal Accounts by Diplomats on the Front Line* hooks you straight away. From the 1973 shutdown of our embassy in Uganda to the 1991 helicopter escape from Somalia, nine diplomats recount their personal stories of international terrorism. All accounts conclude with lessons learned from the ordeal.

In the past 20 years, internationalization of terrorism and the host country's inability to protect diplomats have increased dramatically. The editor says that 59 percent — 110 — of the 186 people listed on State Department memorial plaque between 1965 and 1993, died in violent circumstances.

Robert V. Keeley keeps no secrets. On line one of his story, he tells us the embassy in Kampala is closed to avert a crisis. No surprise ending. Yet his day-by-day countdown is a cliffhanger.

On another continent, when Ugandan ruler General Idi Amin unexpectedly expels U.S. Marine security guards in October 1973, the State Department orders the embassy to evacuate within 48 hours. Will everyone get out unharmed?

A similar tension mounts in Herbert G. Hagerty's flowing description of the attack on the U.S. embassy in Pakistan in 1979. As the mob outside grew violent, 137 employees crowded into the "vault," several steel-enclosed rooms inside the chancery. At 1:40 p.m. the vault door slammed shut. Rioters set fire to the back of the building, climbed to the roof to pry open the hatch and fired handguns into the air ducts. A mixture of smoke and tear gas seeped into the heated vault. After sunset the rioters disperse enabling the captives to escape. Marine Gunny Miller slung over his shoulders the body of Corporal Steve Crowley, the only casualty, and descended the ladder. Embassy staff "stood transfixed and unable to move, the scene frozen forever in our memories of that day as the fire continued to devour the building behind us," Hagerty wrote.

Three weeks after Iraq's invasion in 1990, more than 100 nonessential embassy personnel and dependents left Kuwait. Baghdad had pledged them safe conduct. Barbara K. Bodine's story is not "about that convoy and those broken assurances but one about those of us who stood in the parking lot watching them leave." Using excerpts from her personal journal, Bodine details newly acquired skills such as subconsciously calibrating the distance, direction and number of artillery rounds while chatting with a British colleague. She fills a void in the book by recognizing that processing of trauma is needed for closure. Stress continues beyond formal resolutions of a political crisis. She laments the State Department's failure to debrief embassy personnel after their release.

Dennis C. Jett capsulizes the hurt of Liberia's 1990 civil war." ... with each new outbreak of fighting among this alphabet soup of guerrilla groups, it was often innocent civilians who suffered." His clear, clean prose renders a complex ordeal understandable.

Afghanistan, El Salvador, Iran and Lebanon are the other four countries covered. *Embassies Under Siege*, a collection of compelling stories, will appeal to all who want to understand the reality of diplomacy today: Serving overseas is dangerous.

Anne Dammarell is a retired FSO for USAID who served in Colombo, Beirut and Washington, D.C.

From Tocqueville To George Kennan

Democracy and American Foreign Policy: Reflections on the Legacy of Alexis de Tocqueville
Robert Strausz-Hupé, Transaction Publishers, 1995, $32.95, hardcover, 183 pages.

By Daniel O. Newberry

Statesman George Strausz-Hupé was a political appointee among the first authentic Republican intellectuals to become a diplomatic chief of mission. During the presidencies of Nixon, Ford and Reagan, he held a succession of ambassadorships: to Ceylon, to Sweden, to Belgium, to NATO and to Turkey. Strausz-Hupé retired from public service in 1989 but continues to lecture at the Foreign Policy Research Institute in Philadelphia, which he founded 40 years ago.

In looking at this new book it will be well to keep in mind that the conservative Heritage Foundation was among those who supported its production. In short, Strausz-Hupé is in distinguished albeit partisan company when he invokes Tocqueville to support his views on foreign policy. One should not be distracted by the thought that Speaker Newt Gingrich is among the latter-day Tocqueville fans.

Tocqueville, despite his Nostradamus-like reputation for limning the future of American democracy a century and a half ago, was culture- and class-bound.

Let it be remembered too that Tocqueville's later brief term in the 1849 as Foreign Minister of France, was notable for his having worked to prevent France from further extending its foreign involvements. The irony in recalling this feature of Tocqueville's career lies in the current vogue of invoking Tocqueville to argue for a renewed American assertiveness on the world stage.

Furthermore, Tocqueville's predictions, we now can see, were not 100 percent on the mark. He wrote at length on the baleful impact of the institution of slavery on the Anglo-Americans. But when he came to the end of his treatise, DeTocqueville predicted an America in which all would belong to "one family, owing their origin to one cause and preserving the same civilization ... the same manners, and imbued of the same opinions." He conspicuously failed to resolve the dilemma of how the large Negro and mulatto population of 1840s America would be melded into the destiny that Tocqueville so stirringly forecast for America in the century ahead.

It is not Tocqueville's prophecies that brought on Strausz-Hupé's "reflections." Rather, it is Tocqueville as political philosopher that anchors Strausz-Hupé as he goes from one "reflection" or essay to the next — Tocqueville and World Conflict, Tocqueville and Equality, Tocqueville and Marx, and so on. In the end it is Tocqueville's vision of America's eventual destiny in the world that is the lodestone of Strausz-Hupé's meditations on American foreign policy in the 1990s.

The latter chapters of this new book will be of most interest to the Foreign Service practitioner. In them Strausz-Hupé looks at why the Soviet Union failed and he contemplates what he regards as the primacy of Europe in U.S. foreign policy calculations. He concludes with a visionary appeal to U.S. foreign policy managers to look to a federative alliance, perhaps an outright union of democracies to deal with the complexities of the new world emerging at the end of this century. This closing appeal is perhaps the most surprising feature of the book. A federative union of democracies calls to mind the world federalists of the immediate post-World War II era. Those earlier visionaries would have little in common with the Heritage Foundation view of the world today.

We look back then to Tocqueville and even to the Federalist Papers, because, in Strausz-Hupé's view, it is only America, working from its unique strengths deriving from its unique history, that can lead the way in this new world order. ■

Daniel O. Newberry, a retired FSO, is a member of the Journal Editorial Board.

IN MEMORY

Alf Bergesen, 71, a retired FSO, died on Oct. 10 in Melbourne, Fla.

A 1945 graduate of the U.S. Naval Academy, he joined the Foreign Service in 1950, serving in Rangoon, Vienna, Berlin, Phnom Penh, Lisbon, and finally, as deputy chief of mission in Dhaka and Port-au-Prince. He then served on the Board of Examiners for two years until his retirement in 1984.

Survivors include his wife, Marion, of Melbourne; a son, Christopher, of Bethesda, Md., and a daughter, Susan, of San Francisco, Calif.; two brothers and one grandchild.

Harry E. Bergold Jr., 63, died of cancer on May 16 at his home in Paris.

Mr. Bergold was born in Olean, N.Y., and joined the Foreign Service in 1957 after receiving a master's from Yale University. He served in Latin America and Europe and was ambassador to Hungary from 1980 to 1983 and ambassador to Nicaragua from 1984 to 1987. He spent a year at the Johns Hopkins University's Center for Strategic and International Studies before retiring from the State Department in 1989. He then accompanied his wife, Karlene Knieps Bergold, to Vienna and Paris.

He is survived by his wife, assigned to USOECD (U.S. Mission to the Organization for Economic Cooperation and Development) in Paris and a stepdaughter, Celeste Bergold, of Washington D.C.

Martha C. Carbone, 68, a retired FSO, died of leukemia on Dec. 16 in Portland, Ore.

Ms. Carbone joined the Foreign Service in 1950 as a clerk stenographer after graduating from the University of Washington. After passing the Foreign Service exam in 1960 she was assigned to Quito; Barcelona, Spain; Lima; Port au Prince; Asuncion; Perth, Australia and Brasilia, where she was chief of the economic section.

After retirement she lived in Seattle, Hawaii and finally, Portland. She is survived by her sister, Natalina Carbone, two nephews and a niece.

Paul Peter Fera, 77, died Nov. 20 in Meadville, Pa.

Mr. Fera was born in Tom's Creek, Va., and resided in Meadville from 1924 to 1952. Following graduation with a B.A. from Allegheny College and an M.A. from the University of Illinois, he joined the Foreign Service in 1962. He served in Chile, Peru, the Dominican Republic, Vietnam, Turkey and Guyana before retiring in 1983.

Survivors include his wife, Rosalia; two sons, Peter and Richard; a daughter, Jean Marie; three granddaughters and four sisters.

Borric Irwin Hyman, 73, died Nov. 23 of heart disease in Arundel, England.

Mr. Hyman graduated from the University of California and served in the U.S. Army before joining the Foreign Service in 1949. He served in Toronto and Calgary, Canada; Tehran, Tokyo, Helsinki, Paris, Ottawa and London, before retiring in 1977.

Survivors include his wife, Anna of Arundel, England, and three children.

Lucille C. Hernandez, 71, died May 23 in Washington D.C.

Mrs. Hernandez was born in Texas and accompanied her husband, Robert, to Foreign Service posts in Venezuela, the Dominican Republic, Honduras and Panama.

Survivors include her husband, Robert, of Arlington, Va., and a son-in-law, John White.

Richard W. Kautsky, 80, died in Kew Gardens, N.Y., on June 20.

Mr. Kautsky was born in Indianapolis and earned a bachelor's degree from DePauw University and a master's degree from George Washington University. He joined the Foreign Service in 1941 and was posted to La Paz, Cairo, Algiers, Paris, Brussels, Saigon, Glasgow, Paris, Athens and Stockholm. He retired in 1975.

Survivors include a nephew, Michael Bailey, of Rock Hill, S.C. ■

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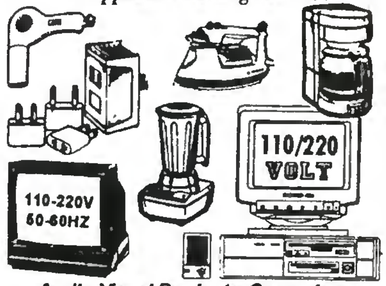

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ADVERTISING INDEX

POSTCARD FROM ABROAD

Dark Winter Days in Iceland

BY BONNIE KATHRYN SCHMIEL

Psychologists say environmental factors have a major effect on one's state of mind. In particular, light, or the lack of it, can play an important role in mental attitudes and mood during the dark months of the year. Aware of this, we came to our post in Iceland prepared to combat the darkness of the winter months. Just as we had departed for previous African posts equipped with anti-malaria medication, mosquito netting and insect repellent, we packed our shipment for Iceland with sun lamps, candles and brightly colored ornaments to provide illumination and cheer during the dark winter months. However, the long hours of darkness at the top of the world had a strange and unexpected effect on me.

Here in Iceland the hours of daylight begin to decrease noticeably in October as the sun begins to rise later and later in the morning. In early November, sunrise is after 10 a.m., and by mid-December it's just before noon. Seen from my living room window, on a clear day, the sun seems to rise only slightly above the irregular horizon of houses along the ocean front. It travels briefly across the rooftops and by 3 p.m. it has dropped out of sight again.

While it is with us, however, the light of the sun beams a radiant glow unlike any I have seen elsewhere in the world. There is an intensity of color, a concentration of golden light. Unlike the white, hot glare of the high equatorial sun, the solar light at this far northern latitude flows across the ocean like a satin amber river, seeping into every dark corner.

> *The long hours of darkness at the top of the world affect me strangely.*

By 3 p.m. the sun disappears below the horizon of the North Atlantic waters. In its wake it leaves a palette of color that strokes the sky with pink and lavender and aqua. Clouds in shades of blue and lilac gather to the east. The snow-covered Mt. Esja behind the city gleams like a pearl against a darkening background as its peak catches the last rays. The rich blue of the sky deepens rapidly to a fathomless black and a heavy quilt of darkness wraps the island.

Many days, though, a winter storm holds us in its vigorous grip and the power of the season is exhilarating. Massive gray-black clouds crowd one upon the other to the west. The wind begins to blow, frequently reaching gale speeds, and sending the falling snow churning in spirals to the ground. The wind's whirling sucks the air out of the house, pulling curtains through closed windows, causing pressure changes that make my ears pop.

Often, after these winter storms, I do something so completely paradoxical that friends at home find it difficult to comprehend: I go swimming. Icelanders, from young children to senior citizens, swim year-round in the city's public outdoor swimming pools, which are heated by Iceland's vast geothermal water reserves. After my required pre-swim shower, I walk carefully along raised plastic pathways to the edge of the pool. Although the snow has been shovelled away from the edge and piled against the fence and the icy patches on the cement deck have been salted, it is still a treacherous journey. I slide into the water and begin to swim laps.

Lifting my face from the warm water, I meet the invigorating challenge of the clear, cold air, and feel an energy inspired by the Icelanders' centuries-old survival in this beautiful but forbidding environment. Later, I transfer to the outdoor hot tub, where the water is from 38 to 40 degrees Celsius (104 degrees Fahrenheit). Shoulder to shoulder with Icelanders of all ages, I sit on the bench up to my neck in the warm, churning water. Underwater lights provide an aquamarine illumination as big, sloppy snowflakes begin to fall.

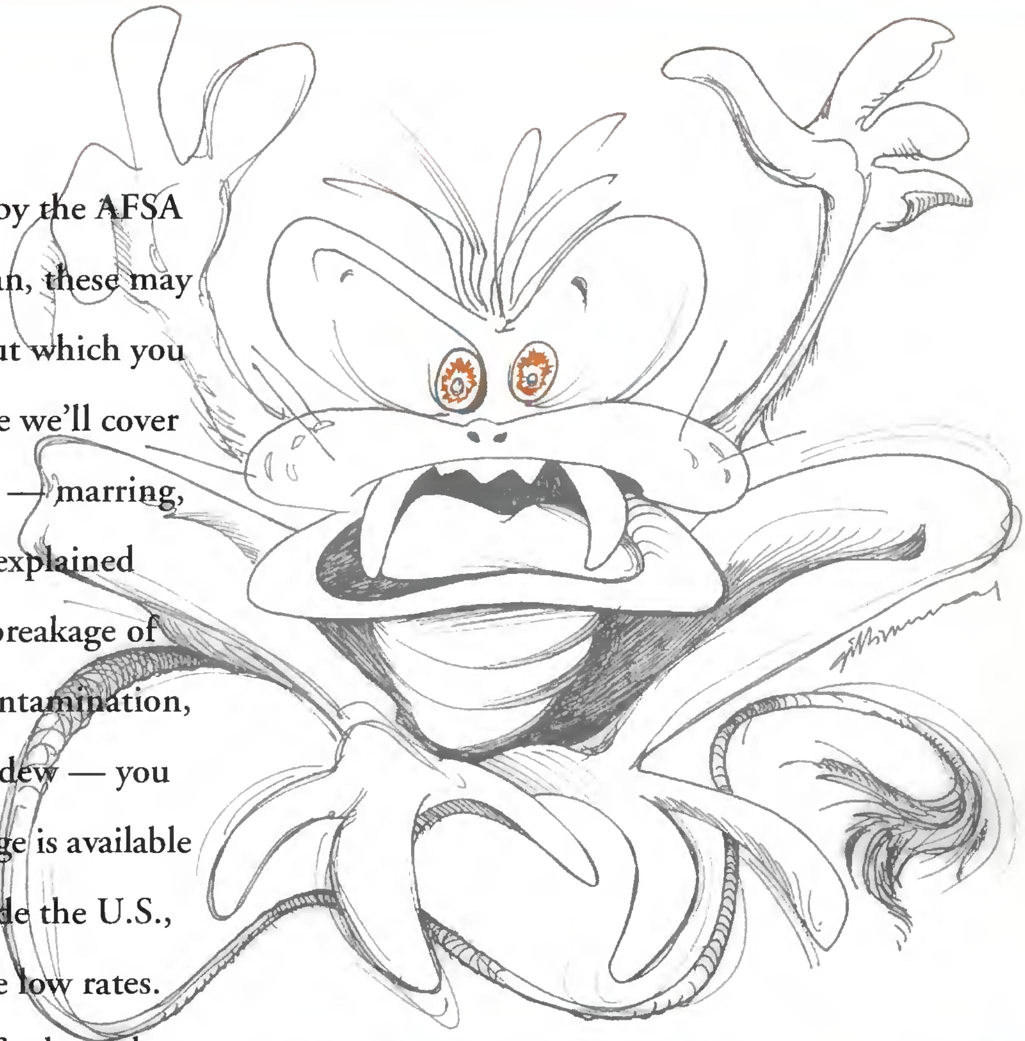
When I get home, I don't hurry to light the lamps, and in the dark I stand at the window to watch the sky. I want nothing to diminish the memories of my view at the top of the world. ■

Bonnie Kathryn Schmiel, whose husband Eugene was deputy chief of mission from 1993-95 at U.S. Embassy Reykjavik, now lives in Springfield, Va. The stamp is courtesy of the AAFSW Book Fair "Stamp Corner."

Rampaging monsters; War, expropriation, nuclear reaction;

Wear, tear, mechanical breakdown;

In some cases, breakage of fragile articles.



When you're covered by the AFSA Personal Insurance Plan, these may be the only perils about which you need to worry. Because we'll cover almost everything else — marring, denting, chipping, unexplained disappearance, theft, breakage of non-fragile articles, contamination, flood, earthquake, mildew — you get the picture. Coverage is available wherever you go outside the U.S., and always at the same low rates. There is no surcharge for hazardous posts. (In fact, for the Personal Property Floater, it's the same low rate that has been in effect since 1974: 75¢ per $100 of coverage.)

Come to think of it, rampaging monsters aren't specifically excluded, so we'd probably cover any damage caused by one of them, as well.

NAME ______________________________

ADDRESS ______________________________

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For more information and an application, return this form via mail or fax, or call our AFSA desk directly for immediate answers to your questions.

AFSA DESK • THE HIRSHORN COMPANY
14 EAST HIGHLAND AVENUE • PHILADELPHIA, PA 19118
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The AFSA Personal Insurance Plan